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S. STULZ
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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

STATE OF ARIZONA, ex rel., TERRY GODDARD, Attorney General and LAUREN W. KINGRY, Superintendent of the Arizona Department of Financial Institutions,

Plaintiffs,

v.

QUEEN CREEK MORTGAGE, LLC, an Arizona limited liability company,

Defendants.

Case No: CV2010-033073

VERIFIED COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

(Unclassified Civil)

For its complaint, Plaintiff, the State of Arizona upon the relation of Terry Goddard, Attorney General, and Plaintiff Arizona Department of Financial Institutions, by its Superintendent Lauren W. Kingry, allege as follows:

INTRODUCTION

Defendant Queen Creek Mortgage, LLC ("Queen Creek Mortgage") is licensed by the State of Arizona as a mortgage broker and represents to Arizona homeowners that, for a fee in the approximate amount of between $3,500 (three thousand five hundred dollars) and $5,500 (five thousand five hundred dollars), it can obtain substantial principal reductions on homeowners' mortgages through its partnerships with investors who will purchase the homeowners' mortgage notes at a discount and then pass some of the savings on to the homeowners in the form of a lower mortgage payment. Queen Creek Mortgage further represents that the likelihood of its partner-investors' purchase of its clients' mortgage notes at a discount is somehow enhanced by the existence of federal programs that reimburse mortgage lenders who sell "upside-down" notes, *i.e.*, notes for payment of debt on properties whose current market value is less than the amount owed on the mortgage. Queen Creek Mortgage provides potential clients with specific, projected results in the event that their note is successfully purchased by a partner-investor, including significantly lower mortgage payments and elimination of second mortgages.

While actively promoting its principal reduction program and projected results as described above, Queen Creek Mortgage fails to disclose to consumers that it does not have any binding agreement with any investor to purchase its clients' notes or to pass on any savings to its clients, and that, moreover, none of its clients have obtained a principal reduction through its program.

Queen Creek Mortgage also fails to disclose that once it obtains a signed contract, receives client fees, and compiles extensive financial information obtained from its clients, that it forwards their files to Addvent Funding, LLC ("Addvent"), a Florida company, for any remaining work on the client's behalf.

The State alleges that Defendants violated the Arizona Consumer Fraud Act, Arizona Revised Statutes ("A.R.S.") § 44-1521 et seq. and A.R.S. §6-909 (prohibited acts by a mortgage broker) by, among other things: actively misrepresenting the existence of relationships with investors while failing to disclose that it had no binding agreement with any investor whatsoever; referencing federal programs as a component of its principal reduction program without substantiation or basis in fact; actively representing specific, projected results while failing to disclose that none of its clients had obtained a principal reduction through its program; failing to disclose that after collecting fees and obtaining financial information from its clients that it would then forward that information to an out-of-state third party for all additional work and further, that the out-of-state company had no contractual obligation to do any work on behalf of Queen Creek Mortgage's clients.

JURISDICTION AND VENUE

1. This action is brought pursuant to the Arizona Consumer Fraud Act and Title 6, Article 3, A.R.S. §6-121, *et seq.* (Powers and Duties of the Department of Financial Institutions) to obtain injunctive relief to prevent the unlawful acts and practices alleged in this Complaint and other relief, including restitution, civil penalties, costs of investigation and attorney's fees.

2. This Court has jurisdiction to enter appropriate orders both prior to and following a determination of liability pursuant to the Arizona Consumer Fraud Act and Title 6, Article 3, A.R.S. §6-121, *et seq.*

3. Venue is appropriate in Maricopa County pursuant to A.R.S. § 12-401.

PARTIES

4. Plaintiff Terry Goddard is the Attorney General of Arizona.

5. Plaintiff Lauren W. Kingry is the Superintendent of the Arizona Department of Financial Institutions.

6. Defendant Queen Creek Mortgage, LLC is an Arizona limited liability company whose principal place of business is in Mesa, Arizona and that is licensed by the Arizona Department of Financial Institutions as a mortgage broker.

FACTUAL BACKGROUND

7. From July 1, 2010 to the present, Defendant Queen Creek Mortgage has

operated what it purports to be a principal reduction business in Mesa, Arizona, directed at Arizona homeowners who owe more on their homes than the home's current market value.

8. Queen Creek Mortgage charges homeowners fees in an approximate amount of between $3,500 (three thousand five hundred dollars) and $5,500 (five thousand five hundred dollars) for its principal reduction program.

9. Queen Creek Mortgage charges and/or receives fees from its clients for its principal reduction program before the full completion of services contracted for by the clients, or the full completion of the services that Queen Creek Mortgage represented would be performed on behalf of its clients.

10. Homeowners who participate in Queen Creek Mortgage's principal reduction program sign a written agreement between the homeowner and Queen Creek Mortgage.

11. As of October 15, 2010, Queen Creek Mortgage had contracted with and received payment from approximately 180 (one hundred and eighty) homeowners for its principal reduction program.

12. Since July, 2010 to at least late October, 2010, Queen Creek Mortgage sent approximately 150,000 (one hundred and fifty thousand) direct mailers to Arizona homeowners announcing a "PRINCIPAL REDUCTION PROGRAM PRE-QUALIFICATION NOTICE" and directing the mailer's recipient to call Queen Creek Mortgage for program information.

13. Since July 1, 2010 to the present, Queen Creek Mortgage has also advertised its services on a website located at www.qcmtg.com, a complete printout of which is attached hereto as Exhibit One.

14. Queen Creek Mortgage's website directs homeowners who are interested in the company's services to call the company for more information.

15. Homeowners who contact Queen Creek Mortgage to inquire about the company's services speak to a company representative who describes Queen Creek

Mortgage's program to the caller.

<u>Misrepresentations and Omissions Regarding Relationships with Investors</u>

16. On the page entitled "About Us" on its website, Queen Creek Mortgage states: "Our team has partnered with a multi-billion dollar private investment group and we are ready to assist you with a Loan Reduction Program."

17. In August, 2010, a Queen Creek Mortgage representative told a caller inquiring about the company's principal reduction program that the company "works with the investor who will buy your loan."

18. In August, 2010, a Queen Creek Mortgage representative told a caller who had previously inquired about the company's principal reduction program that "the investor" had informed the company that the caller was qualified for the company's principal reduction program.

19. In September, 2010, a Queen Creek Mortgage loan officer/loan originator told a caller inquiring about the company's principal reduction program that the caller's funds would be advanced "to the investor."

20. At all times relevant to this Complaint, Queen Creek Mortgage did not have any binding agreement with any investor to provide funds for the purchase of the company's client's mortgage notes.

21. At all times relevant to this Complaint, Queen Creek Mortgage did not have any binding agreement with any investor to purchase the company's client's mortgage notes.

22. At all times relevant to this Complaint, Queen Creek Mortgage failed to disclose to potential or active clients that it did not have any binding agreement with any investor to provide funds for the purchase of any of the company's clients' mortgage notes.

23. At all times relevant to this Complaint, Queen Creek Mortgage failed to disclose to potential or active clients that it did not have any binding agreement with any investor to purchase any of the company's client's mortgage notes.

Misrepresentations Regarding Federal TARP Funds

24. On its website page entitled "Principal Reduction", under the heading "Queen Creek Mortgage Announces Long Anticipated Principal Reduction Program", Queen Creek Mortgage states that "Federal Government Troubled Asset Recovery Program Funds (TARP) . . . ." are used to reimburse lenders who sell "upside down" mortgage notes at a discount.

25. Queen Creek Mortgage sends potential clients who contact the company for information about its principal reduction program a two-page letter that starts "Dear Prospective Clients" and then goes on to describe in detail a 2009 federal program called the Public-Private Investment Program, a copy of which is attached hereto as Exhibit Two.

26. Queen Creek Mortgage sends potential clients who contact the company for information about its principal reduction program a copy of a July 8, 2009 press release from the United States Department of Treasury regarding the design of the federal government's Legacy Loans and Legacy Securities programs, a copy of which is attached hereto as Exhibit Three.

27. Queen Creek Mortgage sends potential clients who contact the company for information about its principal reduction program an information sheet about the federal Public-Private Investment Program, a copy of which is attached hereto as Exhibit Four.

28. Queen Creek Mortgage sends potential clients who contact the company for information about the company's principal reduction program a fifteen page document entitled "Legacy Securities Public-Private Investment Program (Legacy Securities PPIP) Additional Frequently Asked Questions (July 8, 2009)", a copy of which is attached hereto as Exhibit Five.

29. In August, 2010, a Queen Creek Mortgage representative told a caller inquiring about the company's principal reduction program that "because of funds available that the government set up . . . called TARP funds. . . [investors] can go to the U.S. Treasury and get reimbursed."

30. In September, 2010, a Queen Creek Mortgage loan officer/loan originator sent an e-mail to a caller who had previously contacted the company to inquire about its principal reduction program that described payment options for the company's principal reduction program and included the admonition: "Remember, this program will only be available to you while TARP funds are still readily available."

31. In September, 2010, a Queen Creek Mortgage loan officer/loan originator told a caller inquiring about the company's principal reduction program and, specifically, whether he could "roll" his program fee into any new mortgage note that might result from the program, that the homeowner could not, as it is a "federal program" and "they won't allow you to have a [sic] negative equity."

32. Queen Creek Mortgage's numerous representations that federal funds and/or programs were related to its own principal reduction program, or would affect its clients' ability to obtain a principal reduction though its program, were made without any substantiation or basis in fact.

Misrepresentations and Omissions Regarding Program Results

33. On the page entitled "About Us" on its website, Queen Creek Mortgage states: "Our company offers a proven resolution to help homeowners remove the economic impact of lost equity."

34. When prospective clients meet with a representative from Queen Creek Mortgage to discuss the company's principal reduction program, and before they sign a contract, the representative prepares and presents them with a "Qualification Sheet" that consists of information about the homeowner's current debts and income, with "proposed" new, lower mortgage payments and the projected amount the homeowner would save in mortgage payments over five years, presumably as a result of a successful principal reduction through the company's program.

35. In August, 2010, a Queen Creek Mortgage representative told a caller inquiring

about the company's principal reduction program that, if the caller obtained a principal reduction through the company, the second mortgage on his property would go away "once the loan re-sets."

36. In September, 2010, a Queen Creek Mortgage loan officer/loan originator told a caller inquiring about the company's principal reduction program that a successful principal reduction would result in the caller's loan being reset at current market value.

37. In September, 2010, a Queen Creek Mortgage representative told a caller inquiring about the company's principal reduction program that the program began in March, 2010, and that "our [Queen Creek Mortgage's] first group [of client's mortgage notes] will reset this month and they're Wells Fargo."

38. At the time the above-described were made by Queen Creek Mortgage to potential clients, none of Queen Creek Mortgage's clients had obtained a principal reduction through the company's principal reduction program.

39. At all times relevant to this Complaint, Queen Creek Mortgage failed to disclose to potential or active clients that it did not have a binding agreement with any investor to pass on any principal reduction to the company's clients in the event the investor purchased the clients' notes at a discount.

40. At all time relevant to this Complaint, Queen Creek Mortgage failed to disclose to potential or active clients that none of its clients had obtained a principal reduction through the company's principal reduction program.

Omissions Regarding Out-of-State Third Party

41. Once a homeowner signs a contract with Queen Creek Mortgage, pays at least part of the program fee, and provides extensive financial information to the company, Queen Creek Mortgage forwards the homeowner's file and information, along with a portion of his or her fee, to an out-of-state third party named Addvent Funding, LLC ("Addvent") for all further work.

42. Queen Creek Mortgage requires all of its clients to sign a Lender Authorization that designates specific Queen Creek Mortgage employees as authorized to communicate with the client's lender regarding his or her mortgage loan.

43. Queen Creek Mortgage clients do not sign a contract with Addvent Funding, LLC.

44. There is no reference to Addvent Funding, LLC in Queen Creek Mortgage's client contracts.

45. Queen Creek Mortgage does not obtain its clients' prior authorization to forward their files to Addvent.

46. There is no contractual agreement between Queen Creek Mortgage and Addvent that requires Addvent to do any work on behalf of Queen Creek Mortgage clients or to protect any of the personal information it receives from Queen Creek Mortgage about its clients.

47. At all times relevant to this Complaint, Queen Creek Mortgage failed to disclose to potential clients that the company would be forwarding their files and a portion of their fees to Addvent for all work subsequent to Queen Creek Mortgage compiling the client's financial information and receiving their fee.

48. At all times relevant to this Complaint, Queen Creek Mortgage understood that Addvent had not obtained, directly or indirectly, a principal reduction for any consumer.

49. At all times relevant to this Complaint, Queen Creek Mortgage failed to disclose to potential or active clients that none of its clients had obtained, directly or indirectly, a principal reduction through Addvent.

50. At all times relevant to this Complaint, Queen Creek Mortgage failed to disclose to potential or active clients that Addvent had not obtained, directly or indirectly, any principal reduction on behalf of any consumer.

51. On information and belief, Addvent's actions in relation to Queen Creek

Mortgage constituted mortgage brokering and/or mortgage banking under Arizona law.

52. At all times relevant to this Complaint, Addvent was not licensed by the Arizona Department of Financial Institutions as a mortgage broker or a mortgage banker.

53. At all times relevant to this Complaint, Queen Creek Mortgage was licensed by the Arizona Department of Financial Institutions as a mortgage broker.

CLAIM FOR RELIEF

Count One - Consumer Fraud Act, A.R.S. § 44-1521, et seq.

Plaintiff re-alleges the prior allegations of this Complaint as if fully set forth herein.

54. The Defendant engaged in the use of deception, deceptive acts or practices, fraud, false pretense, false promise, misrepresentation, or concealment, suppression or omission of any material fact with intent that others rely upon such concealment, suppression or omission, in connection with its advertisement, sale or delivery of services. Such acts and practices include:

a. While touting its "partnerships" with investors who would purchase its clients' mortgage notes from lenders at a discount and then offer those clients a reduced mortgage payment based on the principal reduction on the note, failing to disclose that Queen Creek Mortgage had no written or binding agreement with any investor to provide funds for, or to purchase, its clients' notes, with the intent that potential clients rely on such omissions in deciding whether to pay Queen Creek Mortgage for its program;

b. Representing that Queen Creek Mortgage's principal reduction program was somehow related to or enhanced by federal government programs or funds when such representations were made without substantiation or basis in fact;

c. While representing projected, specific results to potential clients, failing to disclose that it did not have a binding agreement with any investor to pass on any principal reduction to its clients in the form of lower mortgage payments and, additionally, failing to disclose that none of Queen Creek Mortgage's clients had obtained a principal reduction through the company's program, with the intent that potential clients rely on such omissions in deciding whether to pay Queen Creek Mortgage for its program, and;

d. Failing to disclose to potential and active clients that Queen Creek Mortgage would send its clients' files to an out-of-state third party that had no contractual obligation towards the client and who had not obtained a principal reduction for any of Queen Creek Mortgage's clients, or any other consumer, with the intent that potential clients rely on such omissions in deciding whether to pay Queen Creek Mortgage for its program.

e. At all times relevant to this Complaint, the Defendant acted willfully, in violation of A.R.S. § 44-1531.

Count Two – Violations of Mortgage Broker Laws

Plaintiff re-alleges the prior allegations of this Complaint as if fully set forth herein.

55. Queen Creek Mortgage's actions in regard to its relationship with Addvent violate A.R.S. § 6-909(B) that prohibits a mortgage broker from paying compensation to, or contracting with, a person who is acting as a mortgage broker or a mortgage banker but who is not licensed to perform such activities in the State of Arizona.

56. Queen Creek Mortgage's actions alleged herein violate A.R.S. §§ 6-909(L) that prohibits a mortgage broker from making false promises or misrepresentations, or concealing essential or material facts in the course of its business.

57. Queen Creek Mortgage's actions alleged herein violate A.R.S. §§ 6-909(N) that prohibits a mortgage broker from engaging in illegal or improper business practices.

58. At all times relevant to this Complaint, Queen Creek Mortgage acted knowingly.

PRAYER FOR RELIEF

Wherefore, Plaintiffs respectfully request that the Court:

1. Enter a permanent injunction against the Defendant prohibiting it from engaging in the unlawful acts and practices alleged in this Complaint and from doing any acts in furtherance of such acts and practices, pursuant to A.R.S. §§ 44-1528;

2. Enter appropriate orders against the Defendant pursuant to A.R.S. §§ 6-131 and 6-137 to address the Defendant's violations of mortgage broker statutes and regulations;

3. Order Defendant to restore to all persons any money and property acquired by any unlawful means or practice alleged in the Complaint, as deemed appropriate by the Court pursuant to A.R.S. §§ 44-1528 and 6-131(A)(3);

4. Order Defendant to pay to the State of Arizona a civil penalty of no more than $10,000 for each willful violation of the Consumer Fraud Act, pursuant to A.R.S. § 44-1531;

5. Order Defendant to pay the State of Arizona its costs of investigation and prosecution of this matter, including reasonable attorneys' fees, pursuant to A.R.S. §§ 44-1534 and 6-131(C), and;

6. Such other and further relief as the Court deems just and proper.

RESPECTFULLY SUBMITTED this 6th day of December, 2010.

TERRY GODDARD
Attorney General

By: ______________________
CHERIE L. HOWE
Assistant Attorney General

By: ______________________
NATALIA A. GARRETT
Assistant Attorney General
Attorneys for Plaintiff

VERIFICATION

The undersigned hereby certifies that he is an investigator with the Arizona Attorney General's Office and in that capacity is authorized to make this affidavit on behalf of the State; that he has read the foregoing Complaint and knows the contents thereof; that the facts alleged therein are true to the best of his knowledge, information and belief, based upon review of the documents and information available to him.

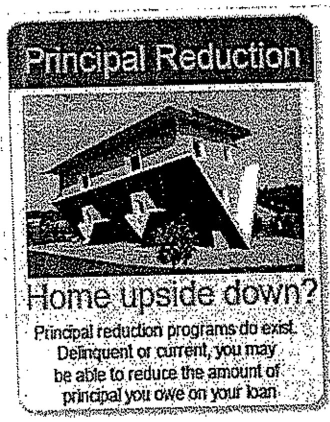
I declare under penalty of perjury that the foregoing is true and correct.

Executed this 6th day of December, 2010

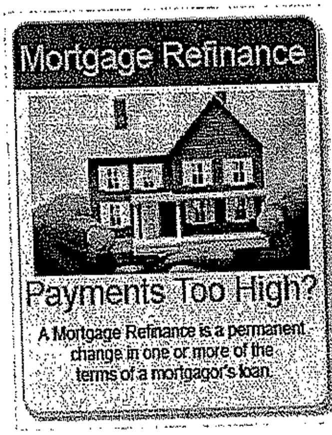
Frank Curatola
Special Agent
Office of the Attorney General

EXHIBIT ONE

Queen Creek Mortgage



Click now to apply.

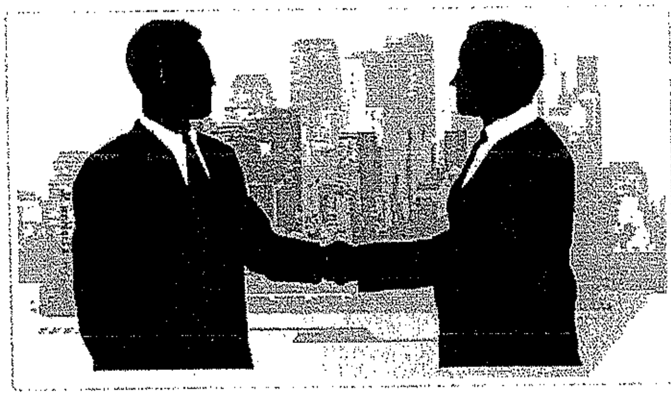


Click now to apply.

Click now to apply.

About Us

Our Mission Statement:
"We are committed to providing a high quality, long term relationship based customer service, to the citizens of the Southwest, that are experiencing negative equity, or are in predatory adjustable rate mortgages, by delivering impeccable mortgage services and solutions, that are not currently being offered by relevant or competitive firms.



Originating out of Queen Creek, Arizona, and now a succesful Mesa, Arizona based firm, we provide programs designed to help consumers obtain relief with any debt, mortgage, or credit issues they are facing. With years of experience and a guarantee with all of our services, our clients can count on the solutions they need to get a fresh start, and the security of knowing they will receive the solutions and services needed to get them back on track.
Many Americans are in the market for a loan modification, but as you may know, it is nearly impossible to receive a principal reduction through a standard loan modification. Our team has partnered with a multi-billion dollar private investment group and we are ready to assist you with a Loan Reduction Program. If this sounds like the answer you have been waiting for, then contact us so we can help you.

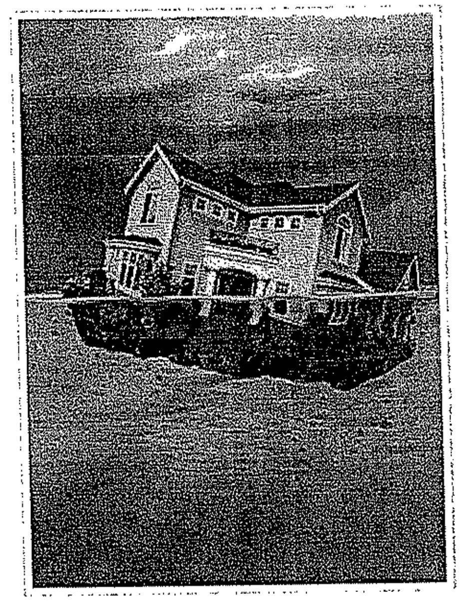
Selling your home to avoid foreclosure is not always the best solution. With our program, we can save your home and eliminate your negative equity by giving you a Balance Reduction! Our company offers a proven resolution to help homeowners remove the economic impact of lost equity. We offer a free consultation with absolutely no obligation whatsoever. Loan Reduction is an effective solution!

The national mortgage delinquency rate is at an all-time high. The current real estate crash and credit crisis have created a perfect storm affecting millions of hard-working Americans. Families are struggling to pay their mortgages, oftentimes for reasons beyond their control.

Many families face foreclosure because their income is down and their mortgage remains high. Not only is their credit being destroyed, but they stand to lose the equity they have worked so hard to build. To make matters worse, families are being evicted from their homes and at times a family breakup or divorce may become a likely scenario. Those who have never faced such a loss are unable to imagine the emotional devastation. Virtually every community in the United States is feeling the effect of the economic downturn. A Balance Reduction could be the answer!

Principal Reduction

Queen Creek Mortgage Announces
Long Anticipated Principal Reduction Program



Mesa, AZ, May 21, 2010: We have all been waiting for a mortgage relief program designed for homeowners who are making their mortgage payments and have fallen prey to the economic down turn of the housing and mortgage industries. Many responsible homeowners have taken the hit for those in their communities who have decided to walk away from their homes and responsibilities. Finally, there is a program for the responsible home owners who have experienced a dramatic loss of value in their homes at no fault of their own.
MPG's Principal Reduction Program is essentially a large scale Note Purchase program on the secondary market. Here's how it works. Notes from upside down homeowners are grouped together in portfolios of 100 million dollar blocks from their current lender. These portfolios of upside down mortgages are negotiated and purchased on the secondary market by private investment groups at a steep discount (the properties current market value).
The original lenders, often large nationwide banks, are reimbursed for the balance reduction amount by Federal Government Troubled Asset Recovery Program Funds (TARP) and permanently remove a large group of potentially toxic assets from their balance sheets. The original lender realizes a large cash infusion and removes the high risk of these assets entering the costly foreclosure process in the future.
In addition to removing all of their negative equity, the once upside down homeowner does not have any negative impact on their credit rating after completing the Principal Reduction Program. The old loan is noted on the homeowner's credit report as "$0 balance": "paid in full".
The interest rate charged on the new30 year fixed loan will be slightly above current market rates. Even with this slightly higher interest rate, the monthly payments are almost always slashed due to the significant reduction in principle, often several tens of thousand dollars are permanently eliminated from the homeowners outstanding mortgage balance.

Call us for more info at 480-320-2990, no matter what questions you may have!

Mortgage Refinance

What is Mortgage Refinance?

A refinanced mortgage is one in which a borrower pays down an old loan with a new loan. People who refinance a mortgage tend do so to get a lower interest rate, lowering their payments or to take cash out of their home equity.

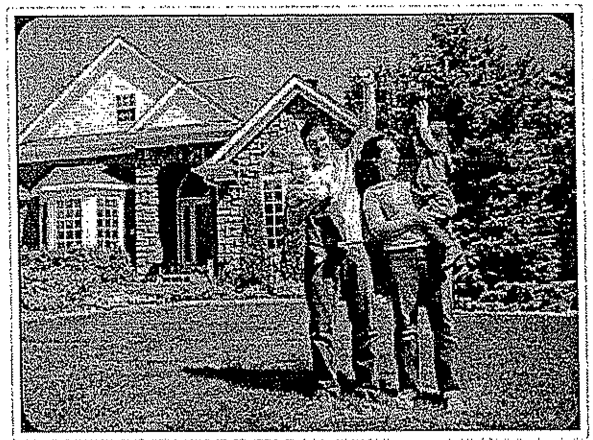
Have interest rates fallen? Or do you expect them to go up? Has your credit score improved enough so that you might be eligible for a lower-rate mortgage? Would you like to switch into a different type of mortgage?

The answers to these questions will influence your decision to refinance your mortgage. But before deciding, you need to understand all that refinancing involves. Your home may be your most valuable financial asset, so you want to be careful when choosing a lender or broker and specific mortgage terms. Remember that, along with the potential benefits to refinancing, there are also costs.

When you refinance, you pay off your existing mortgage and create a new one. You may even decide to combine both a primary mortgage and a second mortgage into a new loan. Refinancing may remind you of what you went through in obtaining your original mortgage, since you may encounter many of the same procedures–and the same types of costs–the second time around.

Call us for more info at 480-320-2990, no matter what questions you may have!

Short Sale



We work with both Buyers and Seller.

Sellers, we'll try to make your transaction as smooth and fast as possible so that you can move on to your next home while still making sure your property is priced correctly.

Our experienced brokers can guide you through short sale process of selling your home, we will take the time to make sure you understand every step of the short sale transaction.

Due to the recent downturn in the real estate market and the rise in rates on adjustable mortgages, many homeowners are stuck with houses they cannot afford and are faced with the possibility of a foreclosure. You may be able to avoid foreclosure by negotiating a short sale with our help. These special types of sales are a way for some owners to get out of a tough situation and are subject to lender approval. Each case is different and not all cases are approved. We recommend you research your options and consult a real estate attorney and a tax expert to assess any legal or tax ramifications.

For Buyers and Investors

Buyer's we'll help you find the right property and negotiate the best deal. Relocating from out of state? No problem.

The market is down and there are lots of homes in the market. This creates a tremendous buying opportunity right now for buyers and investors. The time to buy may never be better. Prices are down and interest rates are very low. This credit crunch has created unbelievable opportunities for bargain hunters to find that perfect home. For those that are qualified and able to purchase right now. We have that perfect mortgage for you. Contact us immediately if you are interested in taking advantage of this special moment where everything has shifted in your favor. **Call one of our specialists now 480-320-2990.**

Contact Us

Your Name (required)

Your Email (required)

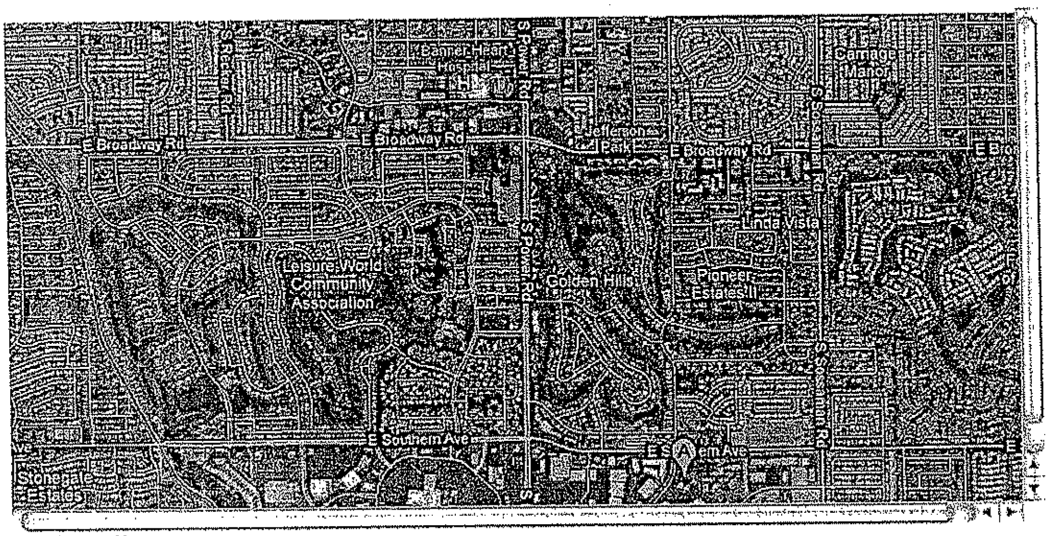
Subject

Your Message

Send

Map Us

Map is interactive, click and drag, or click "Directions" to get directions to our office.



View Larger Map

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Sorry, but you are looking for something that isn't here.

EXHIBIT TWO

Queen Creek Mortgage, LLC

QCM

Dear Prospective Clients:

We have all been waiting for a program designed for homeowners who are making their mortgage payments and have fallen prey to the economic down turn of the housing market. Finally, there is a program for responsible home owners who have experienced a dramatic loss of value in their homes at no fault of their own.

In 2009 the Treasury Department, Federal Reserve, and the FDIC announced detailed designs for the Legacy Loan and Legacy Securities Programs (Public-Private Investment Program or PPIP). The PPIP is designed as part of an overall strategy to resolve the financial crisis as quickly as possible with the least cost to the taxpayer. As asset prices have been pushed to extremely low levels, obtaining private financing on reasonable terms to purchase these troubled toxic assets has become increasing difficult, further reducing the ability of financial institutions to provide new credit. The resulting uncertainty about the value of these assets has also constrained the ability of financial institutions to raise private capital to reduce their balance sheets of these toxic and devalued loans so they can be sold. Using $75 to $100 billion in capital from Economic Emergency Stabilization Act of 2008 (EESA) and capital from private investors – as well as funding enabled by the Federal Reserve and FDIC – PPIP will generate $500 billion in purchasing power to buy legacy assets, with the potential to expand to $1 trillion over time. By providing a market for these assets, PPIP will help improve asset values, increase lending capacity for banks, and reduce uncertainty about the scale of losses on bank balance sheets – making it easier for banks to raise private capital and replace the capital investments made by Treasury.

The PPIP will have two major components -- securities and loans. The Legacy Securities program will target commercial mortgage backed securities and residential mortgage backed securities, and the Legacy Loan Program is designed to attract private capital to purchase eligible legacy loans and other assets from participating banks through the availability of FDIC debt guarantees and Treasury equity co-investments. The terms of funding provided by both parts of the PPIP, including fees, will be set in a way that is designed to limit the risks faced by U.S. taxpayers while still meeting the objective of generating new demand for legacy assets. In addition, those participating in the program will be subject to a significant degree of oversight to ensure their actions are consistent with the objectives of the program.

Under this program, Treasury will invest up to $30 billion of equity and debt in PPIFs established with private sector fund managers and private investors for the purpose of purchasing legacy securities. Thus, Legacy Securities PPIP allows the Treasury to partner with lending investment management firms in a way that increases the flow of private capital into these markets while maintaining equity "upside" for U.S. taxpayers.

Initially, the Legacy Securities PPIP will participate in the market for commercial mortgage-backed securities and non-agency residential mortgage-backed securities. Each pre-qualified Legacy Securities PPIP fund manager had 12 weeks to raise at least $500 million capital from private investors for the PPIP. The equity capital raised from private investors will be matched by Treasury. Each fund manager must have a minimum of $10 billion (market value) of eligible assets under management.

Our Principle Reduction Program is essentially a large scale Note Purchase program. This program allows homeowners who are significantly upside down on their mortgage to permanently eliminate the negative equity that they are now experiencing and have their loan re-set at their homes current market value.

The homeowners will benefit by having a new 30 year fixed loan at their properties current market value. Their current negative equity is permanently eliminated and the homeowner realizes an even or positive equity position on their property.

Here's how it works. Notes (mortgages) from upside down homeowners are placed in mortgage pools valued at one hundred million dollars for a large scale purchase from their current lender. The pools of mortgage loans are then purchased by a Private Investor Group approved by the US Treasury Department at a steep discount. The Investor Group now the new owner of the Note (mortgage) immediately reduces the outstanding loan balance to market value and reissues the previously distressed homeowner their new note (mortgage) at their homes current market value.

The original lenders (investors), often large nationwide banks & Wall Street investors, are reimbursed by the US Treasury for the deficiency balance and permanently remove a large group of potentially nonperforming assets from their balance sheets. The original lender realizes a large cash infusion and removes the high risk of these toxic assets.

In addition to removing all of their negative equity, the once upside down homeowners will not have any negative impact on their credit rating after completing the program. The old loan is noted on the homeowner's credit report as "$0 balance paid in full".

Homeowners monthly payments are almost always slashed due to the significant reduction in their loan balance, often tens and even hundreds of thousand dollars are permanently eliminated from the homeowners outstanding mortgage balance.

Homeowners do not need to be late or behind on payments and admission into the Principle Reduction Program is not based on the homeowner's credit rating. Homeowners are not required to qualify based on any hardship as would be the case if they were applying for a loan modification.

How long this program will last is unknown, but for the time being there is finally a solution for underwater mortgage holders in an environment that has up to this point offered absolutely no options. Seize this opportunity and take advantage of this program immediately.

Sincerely,

Layne Dodd

EXHIBIT THREE

PRESS ROOM
U.S. DEPARTMENT OF THE TREASURY

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July 8, 2009
TG-200

Joint Statement by Secretary of the Treasury Timothy F. Geithner, Chairman of the Board of Governors of the Federal Reserve System Ben S. Bernanke, and Chairman of the Federal Deposit Insurance Corporation

Sheila Bair on the Legacy Asset Program

To view the Letter of Intent and Term Sheets, please visit link.
To view the Conflict of Interest Rules, please visit link.
To view the Legacy Securities FAQs, please visit link.

The Financial Stability Plan, announced in February, outlined a framework to bring capital into the financial system and address the problem of legacy real estate-related assets.

On March 23, 2009, the Treasury Department, the Federal Reserve, and the FDIC announced the detailed designs for the Legacy Loan and Legacy Securities Programs. Since that announcement, we have been working jointly to put in place the operational structure for these programs, including setting guidelines to ensure that the taxpayer is adequately protected, addressing compensation matters, setting program participation limits, and establishing stringent conflict of interest rules and procedures. Recently released rules are detailed separately in the ***Summary of Conflicts of Interest Rules and Ethical Guidelines.***

Today, the Treasury Department, the Federal Reserve, and the FDIC are pleased to describe the continued progress on implementing these programs including Treasury's launch of the Legacy Securities Public-Private Investment Program.

Financial market conditions have improved since the early part of this year, and many financial institutions have raised substantial amounts of capital as a buffer against weaker than expected economic conditions. While utilization of legacy asset programs will depend on how actual economic and financial market conditions evolve, the programs are capable of being quickly expanded if these conditions deteriorate. Thus, while the programs will initially be modest in size, we are prepared to expand the amount of resources committed to these programs.

Legacy Securities Program

The Legacy Securities program is designed to support market functioning and facilitate price discovery in the asset-backed securities markets, allowing banks and other financial institutions to re-deploy capital and extend new credit to households and businesses. Improved market function and increased price discovery should serve to reinforce the progress made by U.S. financial institutions in raising private capital in the wake of the Supervisory Capital Assessment Program (SCAP) completed in May 2009.

The Legacy Securities Program consists of two related parts, each of which is designed to draw private capital into these markets.

Legacy Securities Public-Private Investment Program ("PPIP")

Under this program, Treasury will invest up to $30 billion of equity and debt in

PPIFs established with private sector fund managers and private investors for the purpose of purchasing legacy securities. Thus, Legacy Securities PPIP allows the Treasury to partner with leading investment management firms in a way that increases the flow of private capital into these markets while maintaining equity "upside" for US taxpayers.

Initially, the Legacy Securities PPIP will participate in the market for commercial mortgage-backed securities and non-agency residential mortgage-backed securities. To qualify, for purchase by a Legacy Securities PPIP, these securities must have been issued prior to 2009 and have originally been rated AAA -- or an equivalent rating by two or more nationally recognized statistical rating organizations -- without ratings enhancement and must be secured directly by the actual mortgage loans, leases, or other assets ("Eligible Assets").

Following a comprehensive two-month application evaluation and selection process, during which over 100 unique applications to participate in Legacy Securities PPIP were received, Treasury has pre-qualified the following firms (in alphabetical order) to participate as fund managers in the initial round of the program:

- *AllianceBernstein, LP and its sub-advisors Greenfield Partners, LLC and Rialto Capital Management, LLC;*
- *Angelo, Gordon & Co., L.P. and GE Capital Real Estate;*
- *BlackRock, Inc.;*
- *Invesco Ltd.;*
- *Marathon Asset Management, L.P.;*
- *Oaktree Capital Management, L.P.;*
- *RLJ Western Asset Management, LP.;*
- *The TCW Group, Inc.; and*
- *Wellington Management Company, LLP.*

Treasury evaluated these applications according to established criteria, including: (i) demonstrated capacity to raise at least $500 million of private capital; (ii) demonstrated experience investing in Eligible Assets, including through performance track records; (iii) a minimum of $10 billion (market value) of Eligible Assets under management; (iv) demonstrated operational capacity to manage the Legacy Securities PPIP funds in a manner consistent with Treasury's stated Investment Objective while also protecting taxpayers; and (iv) headquartered in the United States. To ensure robust participation by both small and large firms, these criteria were evaluated on a holistic basis and failure to meet any one criterion did not necessarily disqualify an application.

Each Legacy Securities PPIP fund manager will receive an equal allocation of capital from Treasury. These Legacy Securities PPIP fund managers have also established meaningful partnership roles for small-, veteran-, minority-, and women-owned businesses. These roles include, among others, asset management, capital raising, broker-dealer, investment sourcing, research, advisory, cash management and fund administration services. Collectively, the nine pre-qualified PPIP fund managers have established 10 unique relationships with leading small-, veteran-, minority-, and women-owned financial services businesses, located in five different states, pursuant to the Legacy Securities PPIP. Moreover, as Treasury previously announced, small-, veteran-, minority-, and women-owned businesses will continue to have the opportunity to partner with selected fund managers following pre-qualification. Set forth below is a list (in alphabetical order) of the established small-, veteran-, minority-, and women-owned businesses partnerships:

- *Advent Capital Management, LLC;*
- *Altura Capital Group LLC;*
- *Arctic Slope Regional Corporation;*
- *Atlanta Life Financial Group, through its subsidiary Jackson Securities LLC;*
- *Blaylock Robert Van, L.L.C.;*
- *CastleOak Securities, LP;*
- *Muriel Siebert & Co., Inc.;*
- *Park Madison Partners LLC;*
- *The Williams Capital Group, L.P.; and*

- *Utendahl Capital Management.*

In addition to the evaluation of applications, Treasury has conducted legal, compliance and business due diligence on each pre-qualified Legacy Securities PPIP fund manager. The due diligence process encompassed, among other things, in-person management presentations and limited partner reference calls. Treasury has negotiated equity and debt term sheets (see attached link for the terms of Treasury's equity and debt investments in the Legacy Securities PPIP funds) for each pre-qualified Legacy Securities PPIP fund manager. Treasury will continue to negotiate final documentation with each pre-qualified fund manager with the expectation of announcing a first closing of a PPIF in early August.

Each pre-qualified Legacy Securities PPIP fund manager will have up to 12 weeks to raise at least $500 million of capital from private investors for the PPIF. The equity capital raised from private investors will be matched by Treasury. Each pre-qualified Legacy Securities PPIP fund manager will also invest a minimum of $20 million of firm capital into the PPIF. Upon raising this private capital, pre-qualified Legacy Securities PPIP fund managers can begin purchasing Eligible Assets. Treasury will also provide debt financing up to 100% of the total equity of the PPIF. In addition, PPIFs will be able to obtain debt financing raised from private sources, and leverage through the Federal Reserve's and Treasury's Term Asset-Backed Securities Loan Facility (TALF), for those assets eligible for that program, subject to total leverage limits and covenants.

Legacy Securities and the Term Asset-Backed Securities Loan Facility

On May 19, 2009, the Federal Reserve Board announced that, starting in July 2009, certain high-quality commercial mortgage-backed securities issued before January 1, 2009 ("legacy CMBS") would become eligible collateral under the TALF. The Federal Reserve and the Treasury also continue to assess whether to expand TALF to include legacy residential mortgage-backed securities as an eligible asset class.

The CMBS market, which has financed approximately 20 percent of outstanding commercial mortgages, including mortgages on offices and multi-family residential, retail and industrial properties, came to a standstill in mid-2008. The extension of eligible TALF collateral to include legacy CMBS is intended to promote price discovery and liquidity for legacy CMBS. The announcements about the acceptance of CMBS as TALF collateral are already having a notable impact on markets for eligible securities.

Legacy Loan Program

In order to help cleanse bank balance sheets of troubled legacy loans and reduce the overhang of uncertainty associated with these assets, the FDIC and Treasury designed the Legacy Loan Program alongside the Legacy Securities PPIP.

The Legacy Loan Program is intended to boost private demand for distressed assets and facilitate market-priced sales of troubled assets. The FDIC would provide oversight for the formation, funding, and operation of a number of vehicles that will purchase these assets from banks or directly from the FDIC. Private investors would invest equity capital and the FDIC will provide a guarantee for debt financing issued by these vehicles to fund asset purchases. The FDIC's guarantee would be collateralized by the purchased assets. The FDIC would receive a fee in return for its guarantee.

On March 26, 2009, the FDIC announced a comment period for the Legacy Loan Program, and has now incorporated this feedback into the design of the program. The FDIC has announced that it will test the funding mechanism contemplated by the LLP in a sale of receivership assets this summer. This funding mechanism draws upon concepts successfully employed by the Resolution Trust Corporation in the 1990s, which routinely assisted in the financing of asset sales through responsible use of leverage. The FDIC expects to solicit bids for this sale of receivership assets in July. The FDIC remains committed to building a successful

Legacy Loan Program for open banks and will be prepared to offer it in the future as needed to cleanse bank balance sheets and bolster their ability to support the credit needs of the economy. In addition, the FDIC will continue to work on ways to increase the utilization of this program by open banks and investors.

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EXHIBIT FOUR

Public-Private Investment Program

Sponsor: Treasury

Summary: Purchase of toxic mortgage-related securities

- Originally two programs: Legacy Loans Program and Legacy Securities Program
- FDIC is developing a Legacy Loans program for receivership assets and will launch a program for open institutions if needed
- Focus now on Legacy Securities Program
- Treasury to invest up to $30 billion
- Indicative Terms and Conditions have been published and final agreements with managers are being negotiated
- Purchases will be made through Public-Private Investment Funds, or PPIFs
- Treasury details at: www.financialstability.gov.html
- TALF details at: www.newyorkfed.org/markets/talf.html

Key Information

Announced: March 23, 2009

Asset Managers under Legacy Securities Program Announced: July 8, 2008

First Purchases: Early August

Legacy Loans Program Update: FDIC Currently Using for Receivership Assets Only

Eligibility

- Eligible Sellers: "Financial Institutions" defined under TARP:
  - US institutions subject to US regulation (includes, at least, banks, savings associations, credit unions, security brokers or dealers and insurance companies)
  - US branches of foreign financial institutions with significant US operations should qualify
  - Institutions owned by foreign governments or central banks excluded with limited exception: if foreign government ownership arises from extending financing and a subsequent default by a failed institution or default or other prudential action
- Eligible Purchasers: No restrictions, but may not own more than 9.9% of PPIP or have conflicts of interest
- Eligible Assets: private-label residential MBS or commercial MBS, issued prior to January 1, 2009, originally rated AAA or equivalent by two or more NRSROs, secured by assets predominantly (90%) in US, backed by loans (not synthetic, not backed by other securities or derivatives)
- Temporary Investments (pending purchase of eligible assets): UST securities, cash or registered money market funds investing exclusively in direct government obligations
- Prohibited Investments/Transactions: (1) REMIC residuals, (2) derivatives other than interest rate hedges, (3) credit risk hedges, and (4) lending of assets

Asset Managers

- Have up to 12 weeks to raise $500 million
- Treasury will match equity investments
- Manager must invest $20 million minimum of capital (max 9.9%)
- Current managers:
  - Alliance Bernstein (with Greenfield Partners and Rialto Capital Mgmt)
  - Angelo, Gordon with GE Capital Real Estate
  - BlackRock
  - Invesco
  - Marathon Asset Mgmt
  - Oaktree Capital Mgmt
  - RLJ Western Asset Mgmt
  - The TCW Group
  - Wellington Management Co.
- Must retain (1) valuation agent for market value calculations, and (2) custodian/collateral administrator for reporting

Fund Management

- Drawdowns: Capital commitments called pro rata with minimum drawdown of 10% of capital commitment with minimum of 10 days notice
- Reinvestment permitted; however, proceeds distributed to Treasury cannot be recalled
- Investment period (revolving period) permits reinvestment of proceeds; thereafter, proceeds to repay debt and make allocations to investors
- Distributions (priority of payments):
  - Expenses
  - Payments on permitted interest rate hedges (if any)
  - Current interest
  - Interest Reserve Account
  - Repay principal to satisfy Asset Coverage Test
  - Early termination payments under permitted interest rate hedges (if any)
  - Purchases of assets during Investment Period
  - Capped distributions to partners beginning January 2010
  - Repayment of principal
  - Distributions to partners

Debt Financing

- Loans available from Treasury:
  - Non-recourse (collateralized by all PPIP assets)
  - 10 year maturity; monthly interest
  - 100% of Capital – "Full Turn Election"
  - 50% of Capital – "Half Turn Election"
- Full Turn Election:
  - No other debt permitted
  - Warrant percentage equal to 2.5%
  - Can be converted to a Half Turn Election (no change to warrant %)
  - Interest: Prime or LIBOR + 1.00%
- Half Turn Election
  - Limited third-party debt permitted (e.g., TALF loans)
  - Third-party debt financing through financing SPVs w/no recourse to PPIP
  - Warrant percentage equal to 1.5%
  - Leverage Ratio Test
  - Interest (no other debt): Prime + 1.00% or LIBOR + 2.00%
  - Interest (with third-party debt): Prime or LIBOR + greater of 2.005 and 100 bps higher than weighted average applicable margin of third party debt
- Interest Reserve Account (3 months interest)
- Asset Coverage Test:
  - Ratio = Market value of assets (less third party financing) divided by principal and accrued and unpaid interest
  - Must be: 225% if Half Turn Election, 150% if Full Turn Election

Home Affordable Modification Program

- Asset Managers agreed to consent, on behalf of the PPIP, to reasonable requests for modifications
- Where PPIP acquires 100% of RMBS pool, will instruct participating servicer to modify according to HAMP

Requirements

- Executive compensation restrictions will **not** apply to PPIP managers or investors
- Fund manager must comply with know-your-customer and AML and federal securities laws screening requirements

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Updated: July 21, 2009

EXHIBIT FIVE

Legacy Securities Public-Private Investment Program (Legacy Securities PPIP)
Additional Frequently Asked Questions
(July 8, 2009)

Set forth below is an update to the FAQs released on May 13, April 21, April 6 and March 23, 2009 (included as Exhibits A, B, C and D, respectively). Treasury anticipates providing updated FAQs throughout the Legacy Securities PPIP process. Any subsequent updates shall supersede previously released FAQs as applicable.

How did Treasury select the nine pre-qualified Legacy Securities PPIP fund managers?

Treasury received over 100 unique applications to participate in the Legacy Securities PPIP. These applications were evaluated according to established criteria, including: (i) demonstrated capacity to raise at least $500 million of private sector capital; (ii) demonstrated experience investing in Eligible Assets, including through performance track records; (iii) a minimum of $10 billion (market value) of Eligible Assets under management; (iv) demonstrated operational capacity to manage the Funds in a manner consistent with Treasury's stated Investment Objective while also protecting taxpayers; and (v) headquartered in the United States. To ensure robust participation by both small and large firms, these criteria were viewed on a holistic basis and failure to meet any one criterion did not necessarily disqualify an application.

In addition to the evaluation of fund manager applications, Treasury has conducted legal, compliance and business due diligence on each pre-qualified Legacy Securities PPIP fund manager. The due diligence process encompassed, among other things, in-person management presentations and limited partner reference calls. Treasury has negotiated equity and debt term sheets (please see FAQ below titled "What are the terms of Treasury's equity and debt investments in a PPIF?") for each pre-qualified Legacy Securities PPIP fund manager. Treasury will continue its due diligence during final documentation and expects the first closing to take place in early August.

How will small-, veteran-, minority-, and women-owned businesses participate in the Legacy Securities PPIP?

Pre-qualified Legacy Securities PPIP fund managers have established meaningful partnership roles for small-, veteran-, minority-, and women-owned businesses. These roles include, among others, asset management, capital raising, broker-dealer, investment sourcing, research, advisory, cash management and fund administration services. Collectively, the nine pre-qualified Legacy Securities PPIP fund managers have established 10 unique relationships with leading small-, veteran-, minority-, and women-owned financial services businesses, located in five different states. Moreover, as Treasury previously announced, small-, veteran-, minority-, and women-owned businesses will continue have the opportunity to partner with selected Legacy Securities PPIP fund managers following pre-qualification.

How did Treasury develop conflict of interest rules for the Legacy Securities PPIP?

Treasury's conflict of interest rules are the product of a rigorous and thorough development process that included extensive interaction with the staff of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP"), as well as with prospective Legacy Securities PPIP fund managers and the compliance professionals at the Federal Reserve Bank of New York ("FRBNY").

Set forth below is a summary of the process Treasury followed to investigate and mitigate actual and potential conflicts of interests that could affect a Legacy Securities Public-Private Investment Fund ("PPIF"). This process was conducted in connection with the evaluation of Legacy Securities PPIP fund manager applicants. Treasury worked closely with the SIGTARP in this process, which included the following steps:

- Treasury required applicants to identify all conflicts of interest and how they would adopt to avoid or mitigate those conflicts in its publicly-released application for prospective Legacy Securities PPIP fund managers;
- Treasury assessed each potential Legacy Securities PPIP fund manager's response for thoroughness (noting any deficiencies) and identified best practices with respect to governance and conflicts mitigation controls;
- For those applicants selected as finalists, Treasury developed extensive legal and compliance diligence questionnaires that addressed detailed questions regarding governance and conflicts of interest issues, including:
    - Internal audit methodology, accounting policies/procedures and internal controls;
    - Mechanisms in place to identify, track, eliminate, mitigate, and monitor organizational and personal conflicts of interest;
    - Policies and procedures regarding affiliates, "roundtripping," valuation, trade allocations and proper handling of material non-public / sensitive information;
    - Responsibilities, authorities and independence of the Chief Compliance Officer; and
    - Other governance and management policies and procedures.
- Treasury evaluated the responses of each finalist for thoughtfulness, feasibility and completeness and benchmarked these responses across several key compliance and conflicts related metrics;
- Treasury then compiled subsequent legal, governance and conflicts of interest questions for each finalist, as necessary; and

- Treasury discussed several key questions with finalists during in-person presentations made to Treasury. A representative from SIGTARP was invited to attend and observe and was present at most of these meetings.

After completion of the evaluation process, Treasury held numerous discussions focused specifically on conflict of interest issues with representatives from potential Legacy Securities PPIP fund managers; the SIGTARP team; and FRBNY staff, including FRBNY's Chief Compliance Officer, several professionals in its compliance and risk departments, and several individuals responsible for administering various governance-related portions of FRBNY's recovery programs.

This process resulted in the development of conflicts of interest standards and procedures that Treasury believes will ensure that the Legacy Securities PPIP can attract private capital and investment expertise to markets that have been substantially frozen for many months and protect taxpayers' interests at the same time.

How much time will pre-qualified Legacy Securities PPIP fund managers have to raise capital?

Each pre-qualified Legacy Securities PPIP fund manager will have up to 12 weeks to raise at least $500 million of capital from private sector investors for the PPIF. The equity capital raised from private sector investors will be matched by Treasury (up to certain limits). Each pre-qualified Legacy Securities PPIP fund manager will also invest a minimum of $20 million of firm capital in the PPIF. Upon raising this private sector capital, pre-qualified Legacy Securities PPIP fund managers can begin purchasing Eligible Assets.

Will retail investors be able to invest in PPIFs?

Treasury believes that appropriate retail participation (both indirectly through public pension fund investors and directly through individual investors) would enhance the Legacy Securities PPIP primarily through increased capital availability to purchase legacy assets which will help to increase liquidity and functioning of markets for these securities. Treasury has encouraged fund managers to propose structures that enable retail investors to participate in the Legacy Securities PPIP. Any such participation must be structured to comply with applicable securities laws and requires approval by the Securities and Exchange Commission.

Are foreign institutions eligible to participate in the Legacy Securities PPIP?

The goal of the Legacy Securities PPIP is to improve the health of financial institutions through removal of legacy assets from their balance sheets and by helping to increase the liquidity and functioning of markets for these securities. In order to achieve this goal, Treasury seeks broad participation in the Legacy Securities PPIP from both U.S. and foreign institutions. Set forth below are eligibility requirements for sellers of Eligible Assets to a PPIF, Legacy Securities PPIP fund managers and passive private PPIF investors:

- <u>Sellers of Eligible Assets to a PPIF:</u> Eligible Assets may be purchased solely from financial institutions from which the Secretary of the Treasury may purchase troubled assets pursuant to Section 101(a)(1) of the EESA. Generally, sellers of Eligible Assets must be established and regulated in the U.S. (including territories or possessions of the U.S.) and have significant operations in the U.S. Any central bank of, or institution owned by a foreign government generally cannot be a seller of Eligible Assets. However if foreign government ownership of otherwise Eligible Assets results from extending financing to financial institutions that then failed or defaulted on such financing or from other prudential action that results in government ownership of a financial institution, such assets remain eligible for sale to a PPIF.
- <u>Legacy Securities PPIP Fund Managers:</u> Legacy Securities PPIP fund managers must be headquartered in the U.S., but its ultimate parent company need not be headquartered in the U.S. For purposes of this criteria, "headquartered" means the Legacy Securities PPIP fund manager is established, licensed, and maintains a commercial presence in the U.S.
- <u>Passive Private PPIF Investors:</u> Treasury seeks broad investor participation from both U.S. and foreign investors in the Legacy Securities PPIP to maximize the program's impact on the liquidity and functioning of markets for legacy securities. As such, there is no limitation on foreign investor participation. However, any private investor in a PPIF will be subject to a maximum investment of 9.9% of the PPIF.

What are the terms of Treasury's equity and debt investments in a PPIF?

Treasury has negotiated equity and debt term sheets with each pre-qualified Legacy Securities PPIP fund manager. Term sheets for Treasury's equity and debt investments in the PPIFs can be found at http://www.financialstability.gov.

How will Legacy Securities PPIP interact with the Making Home Affordable Program?

Subject to its analysis and judgment and the overall objective of maximizing the value of the PPIF's investments and the Legacy Securities PPIP fund manager's fiduciary duties, Legacy Securities PPIP fund managers that acquire interests in securities backed by residential mortgage loans in the PPIF have agreed (i) to consent, on behalf of the PPIF, to reasonable requests from servicers or trustees for approval to participate in Treasury's Making Home Affordable Program ("Making Home Affordable"), or for approval to implement other reasonable loss mitigation measures (including, but not limited to, term extensions, rate reductions, principal write downs, or removal of caps on the percentage of loans that may be modified within the securitization structure) and (ii) where the PPIF acquires 100% of the residential mortgage backed securities that are backed by a particular pool of residential mortgage loans, to instruct the servicer or trustee of such securities, if such servicer or trustee is participating in Making Home Affordable, to include such pool of residential mortgage loans in Making Home Affordable. The General Partner shall only be required to so consent, or instruct (as applicable) if it receives reasonably requested information from the servicer or the trustee (as applicable) and access to appropriate individuals at the servicer or the trustee (as applicable) which allow the General Partner to make an independent analysis that the consent or instruction (as applicable) is consistent with the General Partner's duties to the partnership. For the avoidance of doubt, PPIFs are eligible to receive their share of any standard investor subsidies payable to them under Making Home Affordable and Treasury's Home Affordable Modification Program.

EXHIBIT A

Legacy Securities Public-Private Investment Funds (PPIFs)
Additional Frequently Asked Questions
(Update to FAQ released on April 21, 2009)

When will Treasury Announce Pre-Qualified Fund Managers?

Treasury has begun the process of due diligence with the initial round of fund managers it is seeking to pre-qualify as Legacy Securities PPIP Fund Managers. The due diligence process includes the following steps:

- Legal, compliance – including conflicts of interest mitigation – and operations diligence
- Fund manager presentations on investment process
- Reference calls
- Negotiation of equity and debt term sheets

Prior to pre-qualification, Treasury expects to have signed term sheets. Once the term sheets are executed, Treasury will announce the names of the pre-qualified Fund Managers and we expect that announcement to take place in early June. Once a Fund Manager is pre-qualified, it can begin raising the expected minimum of $500 million in private capital that will serve as the investment that, pending further approval, will be matched with taxpayer funds. As we have stated previously, Treasury anticipates potentially opening the program in the future to additional Fund Managers, which may result in a lower minimum private capital raising requirement and / or additional asset classes.

EXHIBIT B

Legacy Securities Public-Private Investment Funds (PPIFs)
Additional Frequently Asked Questions
(Update to FAQ released on April 6, 2009)

Will the Legacy Securities PPIFs be subject to executive compensation restrictions?

Treasury developed the PPIP to leverage private sector resources and expertise for purchasing legacy assets and the TALF with the Federal Reserve for funding legacy assets. Executive compensation restrictions will not apply to asset managers or private investors provided the PPIFs are structured such that the asset managers themselves and their employees are not employees of or controlling investors in the PPIFs, and other investors are purely passive.

EXHIBIT C

Legacy Securities Public-Private Investment Funds (PPIFs)
Additional Frequently Asked Questions
(Update to FAQ released on March 23, 2009)

Update on timing and method for submission of application.

Based on feedback from, and to better accommodate potential applicants, the deadline for email submission of applications has been extended to 5:00 p.m. ET on April 24, 2009. In addition, Treasury now expects to inform an applicant of its preliminary qualification on or prior to May 15, 2009. To be considered for pre-qualification as a Fund Manager, the interested private asset manager *must* email its application in PDF format to Treasury. Applications can be found at http://www.financialstability.gov and should be emailed to SecuritiesPPIF@do.treas.gov. The Summary of Terms and Application have been updated to reflect the changes in this paragraph and can be found at http://www.financialstability.gov. To the extent that the Summary of Terms and Application are inconsistent with FAQs herein, the information in these updated FAQs shall control.

Will the Legacy Securities PPIP be exclusive to the initial Fund Managers pre-qualified by Treasury?

No. The goal of the Legacy Securities PPIP is to restart the market for legacy securities, allowing banks and other financial institutions to free up capital and stimulate the extension of new credit. In achieving this goal, Treasury seeks to maximize the inflow of private capital into the market in an expeditious manner while at the same time balancing the participation of both large and small Fund Managers while protecting the interests of US taxpayers. To effectively accomplish this goal, after the initial pre-qualification of Fund Managers, Treasury is considering opening the program to smaller Fund Managers (e.g. less than $10 billion (market value) of Eligible Assets under management).

How are Legacy TALF and the Legacy Securities PPIP related?

Legacy TALF and the Legacy Securities PPIP are separate programs. Legacy TALF will be a Federal Reserve lending program with its own set of terms, conditions and eligibility requirements. Legacy TALF will be made widely available to investors (who meet Federal Reserve eligibility standards) regardless of whether or not they participate in the Legacy Securities PPIP. Pre-qualified Fund Managers in the Legacy Securities PPIP may choose to utilize leverage pursuant to the Legacy TALF program, when it becomes operational and subject to its terms and conditions. For the avoidance of doubt, a qualified investor utilizing Legacy TALF will do so on the same terms and conditions as a Legacy Securities PPIP investor utilizing Legacy TALF.

Will the Legacy Securities PPIP be expanded to include other asset classes?

The Legacy Securities PPIP is limited to Eligible Assets. However, Treasury would like to solicit comment from Fund Managers regarding potentially expanding the Legacy Securities PPIP at a later date to include other asset classes in addition to Eligible Assets.

Will Treasury please provide additional clarification regarding the pre-qualification eligibility criteria for Fund Managers?

As previously set forth in the Summary of Terms released on March 23, 2009, Fund Managers will be pre-qualified based on criteria that are *anticipated* to include the items set forth below. In addition, these criteria will be viewed on a holistic basis and it is anticipated that failure to meet any one criteria will not necessarily disqualify a proposal.

- Demonstrated capacity to raise at least $500 million of private capital.
- Demonstrated experience investing in Eligible Assets, including through performance track records.
- A minimum of $10 billion (market value) of Eligible Assets under management.
- Demonstrated operational capacity to manage the Funds in a manner consistent with Treasury's stated Investment Objective while also protecting taxpayers.
- Headquartered in the United States (for the avoidance of doubt, applicant must be headquartered in the United Sates; while applicants' ultimate parent company may or may not be headquartered in the United States).

Will there only be 5 pre-qualified Fund Managers?

Treasury will review the applications received based on the criteria outlined above. More than five pre-qualified Fund Managers may be selected depending on the number of applications deemed to be qualified. Additionally, as previously stated, Treasury is considering opening the program to include additional Fund Managers.

What are ways small, veteran-, minority-, and women-owned businesses can participate in the Program in the event they are not pre-qualified?

As previously set forth in the Summary of Terms released on March 23, 2009, to ensure a diversity of participation, the Treasury will encourage small, veteran, minority- and women-owned private asset managers to partner with other private asset managers, if necessary, in order to meet the criteria identified above for assets under management and ability to raise private capital. Specifically, set forth below are potential ways these firms can partner.

- Small, veteran, minority- and women-owned businesses can team up with any pre-qualified Fund Manager, either as an asset manager, an equity partner, a fund raising partner or other capacity including providing such services as trade execution, valuation, and other important financial services.
- Small, veteran, minority- and women-owned businesses may partner prior to or after the application deadline and / or the selection of the pre-qualified Fund Managers.

Treasury looks forward to receiving innovative proposals from Fund Managers which incorporate the options listed above and / or other potential options.

What restrictions will Treasury place on total debt financing within a Legacy Securities PPIF?

As previously set forth in the Summary of Terms released on March 23, 2009, each Fund Manager will have the option to obtain for each Fund Treasury Debt Financing in an aggregate amount of up to 50% of a Fund's total equity capital; *provided* that Treasury Debt Financing will not be available to any Fund Manager in respect of a Fund in which the private investors have voluntary withdrawal rights. Treasury will consider requests for Treasury Debt Financing of up to 100% of a Fund's total equity capital subject to restrictions on asset level leverage, withdrawal rights, cash flow priority, disposition priorities and other factors Treasury deems relevant. In addition, Funds may also finance the purchase of Eligible Assets through Legacy TALF, any other Treasury program or debt financing raised from private sources; *provided* that Treasury's equity capital and Investor's private capital must be leveraged proportionately from such private debt financing sources.

Treasury is currently considering the following three options to aid Fund Managers in the analysis of capital structure alternatives:

- No Treasury Debt Financing; leverage limited to Legacy TALF, any other Treasury program or debt financing raised from private sources.
- Leverage limited to Senior Secured Treasury Debt Financing (up to 100% of Fund's total equity capital). No additional leverage permitted.
- Unsecured Treasury Debt Financing (up to 50% of Fund's total equity capital) and additional leverage through TALF, any other Treasury program or debt financing raised from private sources, subject to total leverage requirements and covenants to be agreed upon.

Terms of the Senior Secured and Unsecured Treasury Debt Financing (interest rate in particular) should appropriately reflect total Fund leverage and current market conditions.

Will Treasury require pre-qualified Fund Managers to raise a minimum level of private capital?

Yes. In the initial group, pre-qualified Fund Managers will be expected to raise at least $500 million of private capital. However, as discussed above, Treasury currently anticipates opening the program to smaller Fund Managers in the future which may result in a lower minimum private capital raising requirement.

What happens if the pre-qualified Fund Manager fails to raise the minimum level of private capital?

If the Fund Manager fails to raise $500 million of private capital, such Fund Manager would not be eligible for the equity match or debt financing provided by the Treasury. However, as discussed above, Treasury currently anticipates opening the program to smaller Fund Managers in the future which may result in a lower minimum private capital raising requirement.

How long will Treasury provide pre-qualified Fund Managers to raise the minimum level of private capital?

It is anticipated that Fund Managers will have twelve (12) weeks (after being selected as a pre-qualified Fund Manager) to complete the fund raising process and close the Fund.

How much equity will Treasury invest?

Treasury anticipates providing equity capital up to one hundred percent (100%) of the private capital raised by the Fund Manager of the Legacy Securities PPIF. However, the ultimate percentage will be determined on a case-by-case basis. Treasury currently anticipates that the total Treasury debt and equity investment per Legacy Securities PPIF will be limited to a level to be determined after Treasury's review of all Fund Manager proposals.

What are the terms of the Treasury warrants in a Legacy Securities PPIF?

The terms and amounts of warrants will be determined in part based on the amount of Treasury Debt Financing taken and will be evaluated on a case-by-case basis.

Can Treasury please provide more clarification regarding what is an Eligible Asset?

In addition to the definition set forth in the Summary of Terms released on March 23, 2009, Eligible Assets will only include non-agency mortgage backed securities.

Are there any restrictions on which institutions can sell assets to a Legacy Securities PPIF?

As previously set forth in the Summary of Terms released on March 23, 2009, Eligible Assets may be purchased solely from financial institutions from which the Secretary of the Treasury may purchase assets pursuant to Section 101(a)(1) of the EESA. Pursuant to EESA 101(a)(1), the term ''financial institution'' means any institution, including, but not limited to, any bank, savings association, credit union, security broker or dealer, or insurance company, established and regulated under the laws of the United States or any State, territory, or possession of the United States, the District of Columbia, Commonwealth of Puerto Rico, Commonwealth of Northern Mariana Islands, Guam, American Samoa, or the United States Virgin Islands, and having significant operations in the United States, but excluding any central bank of, or institution owned by, a foreign government.

Are there any restrictions on the acquisition and sale of Eligible Assets by Fund Managers?

Yes. A Fund Manager may not, directly or indirectly, acquire Eligible Assets from or sell Eligible Assets to its affiliates, any other Fund Manager or any private investor that has committed at least 10% of the aggregate private capital raised by such Fund Manager.

Will Fund Managers be allowed to hedge their investment positions?

Treasury expects the Fund Managers to seek to achieve the Investment Objective by following predominantly a long-term buy and hold strategy. As such, the Legacy Securities PPIFs will be long-only investment funds. Treasury will consider PPIF-level hedging proposals as appropriate such as interest rate hedging programs.

Can TARP recipients participate in the Program?

Treasury seeks proposals from a range of participating institutions to be pre-qualified as Fund Managers. Treasury will consider the overall financial health and stability of the applicant as a potential factor in its evaluation.

Will retail investors be offered the opportunity to participate in the Program as Investors?

Treasury looks forward to receiving innovative proposals from Fund Managers to raise equity capital from retail investors.

Will Treasury provide a public list of all pre-qualified Fund Managers?

Yes. Treasury expects to provide a public list including only the pre-qualified Fund Managers.

EXHIBIT D

Legacy Securities Public-Private Investment Funds (PPIFs)
Frequently Asked Questions
(Released on March 23, 2009)

What are Legacy Securities?

Legacy securities include commercial mortgage backed securities and residential mortgage backed securities originally issued prior to 2009.

What are Legacy Securities PPIFs?

Legacy Securities PPIFs are investment funds that will invest in legacy securities on behalf of Treasury and private investors. They will be managed by qualifying private sector asset managers ("Fund Managers"), which will raise equity capital from private investors and receive matching equity funds and leverage from Treasury. The goal of the Legacy Securities PPIFs is to maximize returns for taxpayers and private investors.

What are the benefits of Legacy Securities PPIFs?

Treasury is establishing the Legacy Securities PPIFs under the Financial Stability Plan in order to address the issues raised by troubled assets. These Legacy Securities PPIFs are specifically focused on legacy securities and are part of a plan that directs both equity capital and debt financing into the market for legacy assets. This program is designed to draw in private capital to these markets by providing matching equity capital from Treasury and debt financing from the Federal Reserve via the TALF and Treasury. The benefits of the program include restarting the market for these legacy securities, freeing up balance sheets of financial institutions and enabling the extension of new credit. The resulting process of price discovery is expected to reduce the uncertainty about the condition of financial institutions holding these securities, potentially enabling them to raise new private capital.

What will be the structure of the Legacy Securities PPIFs?

The Legacy Securities PPIFs will be investment funds that will be managed by pre-qualified private sector Fund Managers. The Treasury will initially select approximately 5 potential partners to participate in the program and may increase this number depending on applications received. Approved managers will have a period of time to raise private capital to target the designated asset class, and approved managers that raise private capital will receive matching equity funds from Treasury based on the amount of private capital raised. Treasury equity capital will be invested on a pro rata basis with equity capital from private investors. Treasury will also receive warrants in the Legacy Securities PPIFs as required pursuant to Section 113(d) of the Emergency Economic Stabilization Act of 2008 ("EESA"). Furthermore, asset managers will have the ability, to the extent their fund structures meet certain guidelines, to obtain debt financing for a fund from Treasury in the amount of up to 50% of total equity capital in such fund. Treasury will consider requests for loans from Treasury in amounts of up to 100% of the total equity capital of a Legacy Securities PPIF subject to restrictions on asset level leverage, withdrawal rights, disposition priorities and other factors Treasury deems relevant. Fund Managers will have the opportunity to request this additional Treasury Leverage and propose additional terms in their applications.

How will TARP's equity investment be structured?

Treasury will invest alongside private capital in the Legacy Securities PPIFs. The Fund Managers will make control decisions, including buying and selling assets.

How will Treasury's equity investment be counted against the limit on Treasury's purchase of troubled assets in EESA?

The purchase price of Treasury's equity investment in the Legacy Securities PPIFs, and the cost of any Treasury loan to the Legacy Securities PPIFs for leverage, will count against the $700 billion cap.

What are "Eligible Assets" that may be purchased by Legacy Securities PPIFs?

Eligible Assets include commercial mortgage backed securities and residential mortgage backed securities originally issued prior to 2009. These securities must have been originally rated AAA or an equivalent rating by two or more nationally recognized statistical rating organizations without ratings enhancement. The eligible assets must be secured directly by the actual mortgage loans, leases or other assets, and not by other securities (other than certain swap positions, as determined by the Treasury). The loans and other assets underlying any Eligible Asset must be situated predominantly in the United States. This limitation is subject to further clarification by Treasury. Eligible Assets may be purchased solely from financial institutions from which the Secretary of the Treasury may purchase assets pursuant to Section 101(a)(1) of the EESA.

How will Treasury qualify Fund Managers for the Legacy Securities PPIFs?

Treasury has published an application for interested private sector fund managers to apply to become qualifying Fund Managers. Treasury will qualify Fund Managers based upon criteria that include the following:

- Demonstrated capacity to raise at least $500 million of private capital.
- Demonstrated experience investing in Eligible Assets, including through performance track records.
- A minimum of $10 billion (market value) of Eligible Assets under management.
- Demonstrated operational capacity to manage Legacy Securities PPIFs in a manner consistent with Treasury's stated Investment Objective while also protecting taxpayers.
- Headquarters in the United States.

Other criteria are identified in the application. Treasury will consider suggestions from Fund Managers to raise equity capital from retail investors.

How can interested parties apply to qualify as Fund Managers?

To be considered for pre-qualification as a Fund Manager, the interested private sector asset manager must submit an application to Treasury by 5:00 p.m. ET on April 10, 2009. Applications can be found on http://www.financialstability.gov/ and should submitted to:

U.S. DEPARTMENT OF THE TREASURY
Office Of Financial Stability: Legacy Securities Public-Private Investment Funds
1500 PENNSYLVANIA AVENUE NW
WASHINGTON, DC 20220
Phone Number: 202-622-9911
E-mail Address: SecuritiesPPIF@do.treas.gov

When will applicants be notified if they have been pre-qualified to be Fund Managers? How long will they then have to raise private capital?

Treasury expects to inform an applicant of its preliminary qualification on or prior to May 1, 2009. Applicants will have a limited period of time from preliminary approval to raise at least $500 million of private equity capital and demonstrate committed capital before receiving final approval from Treasury. Applicants will be asked to describe the amount of time they anticipate needing to raise the private capital in their applications. Treasury reserves the right to qualify additional managers in the future.

Will the Legacy Securities PPIFs be subject to executive compensation restrictions?

The executive compensation restrictions will not apply to passive private investors in Legacy Securities PPIFs.