

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

Set forth below is an update to the original FAQ released on March 23, 2009 (included as Exhibit A). Treasury anticipates providing updated FAQs throughout the Legacy Securities PPIP application process. Any subsequent updates shall supersede previously released FAQs as applicable.

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 States, 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 A

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 Mangers”), 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 be 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.