

UNITED STATES DEPARTMENT OF THE TREASURY

CONFIDENTIAL

July 8, 2009

[*PPIF Sponsor*]

[*Address*]

Letter of Intent

Ladies and Gentlemen:

We are pleased to confirm our mutual agreement in principle to (i) an investment (the "Equity Investment") by the United States Department of The Treasury ("UST") in a Delaware limited partnership (the "Partnership") to be formed by [*Sponsor*] or an Affiliate (as defined in the Equity Term Sheet referred to below) thereof ("Sponsor") on the terms and conditions set forth herein and in the term sheet attached hereto as Annex I (the "Equity Term Sheet") and (ii) a senior secured credit facility to be provided by UST to the Partnership (the "Debt Investment" and, together with the Equity Investment, the "Transaction") on the terms and conditions set forth herein and in the term sheet attached hereto as Annex II (the "Debt Term Sheet" and, together with the Equity Term Sheet, the "Term Sheets").

1. Negotiation of Definitive Documentation. The parties hereto agree, subject to the terms and conditions hereof, to negotiate in good faith to execute mutually acceptable definitive and binding written agreements and documents with respect to the Transaction (the "Definitive Documentation"). The Definitive Documentation shall incorporate the terms and conditions set forth in the Term Sheets and such other terms and conditions agreed to among the parties hereto.

2. Confirmatory Diligence. The obligations of the parties in Section 1 hereof shall be subject to completion by UST prior to the execution of Definitive Documentation of remaining business, legal and compliance due diligence and UST being satisfied, in its sole and absolute discretion, with the results of such diligence. UST intends, subject to applicable law, regulation or governmental order, to hold confidential all confidential information provided to it by Sponsor.

3. Transaction Expenses. Neither party hereto shall be responsible for any expenses incurred by the other party in the event the Definitive Documentation is not executed.

4. Entire Agreement; Non-Binding Agreement. This Letter of Intent constitutes the entire agreement between the parties and any of their respective Affiliates and supersedes all prior communications, agreements and understandings (written or oral) with respect to the subject matter hereof.

For the avoidance of doubt, this Letter of Intent shall not constitute or give rise to an obligation by UST to make the Equity Investment or the Debt Investment or otherwise provide any funding. This Letter of Intent shall not be binding on the parties hereto. A binding agreement with

respect to the Transaction shall only be created by the execution of the Definitive Documentation. No oral agreements between the parties will be deemed to exist with respect to the Transaction. This Letter of Intent is solely for the benefit of the parties hereto and their respective successors and permitted assigns, and shall not be deemed to confer upon or give to any other third party any remedy, claim, liability, reimbursement, cause of action or other right.

5. Assignment. Neither this Letter of Intent nor any rights or obligations hereunder may be assigned by Sponsor without the prior written consent of UST.

6. Termination. This Letter of Intent shall terminate automatically upon the execution and delivery of the Definitive Documentation. In addition, this Letter of Intent may be terminated at any time upon delivery of written notice to the other party (i) by UST, in its sole and absolute discretion, or (ii) by Sponsor, if a change in any law, regulation, rule or governmental order (or change in judicial or regulatory interpretation of any law, regulation or governmental order) would materially adversely impact the Transaction, the Sponsor or the Sponsor's ability to raise capital.

7. Governing Law. This Letter of Intent shall be governed by and construed in accordance with the laws of the State of New York.

If the foregoing terms and conditions are acceptable to you, please execute and return to us the executed letter. This Letter of Intent may be signed in one or more counterparts, each of which may be an original or facsimile and all of which taken together shall constitute one and the same instrument.

UNITED STATES DEPARTMENT OF THE
TREASURY

By: _____
Name:
Title:

ACCEPTED AND AGREED:

[*SPONSOR*]

By: _____

Name:

Title:

*****THE FOLLOWING DOES NOT CONSTITUTE A CAPITAL COMMITMENT BY UST*****

**LEGACY SECURITIES PUBLIC-PRIVATE INVESTMENT PARTNERSHIP
SUMMARY OF INDICATIVE TERMS AND CONDITIONS**

THE PARTNERSHIP	An entity formed by the General Partner or an Affiliate of the General Partner as set forth under “The Partnership” on <u>Schedule A</u> . ¹
THE GENERAL PARTNER²	As set forth under “The General Partner” on <u>Schedule A</u> .
UST	The United States Department of the Treasury (“ <u>UST</u> ”).
THE PRIVATE VEHICLES	As set forth under “The Private Vehicles” on <u>Schedule A</u> , whether privately or publicly offered and whether or not formed for the purpose of investing in the Partnership. Any Private Vehicle that is not formed under the laws of any State of the United States shall invest in the Partnership indirectly through an entity formed under the laws of any State of the United States. References herein to the Private Vehicles shall be deemed to include any feeder vehicle formed by the General Partner or any of its Affiliates (defined below) to facilitate the participation of an investor in a Private Vehicle.
PARTICIPATION IN THE PRIVATE VEHICLES	<p>Limited partners (including UST and the Private Vehicles) are referred to as the “<u>Limited Partners</u>,” and together with the General Partner are referred to as the “<u>Partners</u>.” Partners will subscribe for interests in the Partnership, which are referred to herein as “<u>Interests</u>.”</p> <p>The General Partner and its Affiliates will be required to comply with strict anti-money laundering, know-your-customer and United States Federal securities laws screening requirements with respect to each investor in the Private Vehicles (which screening requirements will take into account whether the Private Vehicles are publicly or privately offered), including transferees of interests therein. The General Partner will represent to UST that all investors in the Private Vehicles have been screened according to these established policies and procedures.</p> <p>The offering materials and governing documents of the Private Vehicles, together with any side letters entered into with the underlying investors (each, a “<u>Side Letter</u>”) will be subject to the review and approval of UST. Any offering materials used to market a direct or indirect interest in a Private Vehicle or the Partnership shall include in a prominent place a legend in substantially the same form as the legend on <u>Schedule B</u>. Any amendment or supplement to the governing documents of the Private Vehicles that would adversely</p>

¹ UST may determine, in its sole discretion, to invest in more than one PPIF formed by a particular Sponsor in the event that all of the Private Vehicles investing in such additional PPIF are publicly offered (each such PPIF, a “Publicly Offered PPIF”).

² Certain PPIFs may be structured to provide for both a “general partner” and an “investment manager,” in which case appropriate modifications will be made to the PPIF Equity Term Sheet.

affect UST, the Partnership or the Partnership's investment activities will require the written consent of UST. The General Partner will provide written notice to UST of any proposed amendment or supplement to the governing documents of the Private Vehicles or any such Side Letter at least ten (10) business days prior to such amendment or supplement becoming effective, which notice will be accompanied by an officer's certificate stating whether such amendment adversely affects UST, the Partnership or the Partnership's investment activities. Any consent or approval required from UST pursuant to this paragraph shall, subject to applicable law, regulation or governmental order, not be unreasonably withheld.

“Affiliates” shall mean, with respect to any person or entity, any person or entity directly or indirectly Controlling, Controlled by or under common Control with such Person.

“Control” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting shares, by contract or otherwise. The terms “Controlling” and “Controlled” shall be interpreted accordingly.

INVESTMENT OBJECTIVE

The Partnership's investment objective is to generate attractive returns for the Partners through long-term opportunistic investments in Eligible Assets (defined below) (“Investments”). The Partnership may also invest in Temporary Investments (defined below).

ELIGIBLE ASSETS

“Eligible Assets” are commercial mortgage backed securities and non-agency residential mortgage backed securities issued prior to 2009 that were originally rated AAA or an equivalent rating by two or more nationally recognized statistical rating organizations without ratings enhancement and that are secured directly by the actual mortgage loans, leases or other assets and not other securities. At least ninety percent (90%) of the loans and other assets underlying any Eligible Asset must be situated in the United States. The Eligible Assets must be purchased solely from Financial Institutions from which the Secretary of the United States Department of the Treasury may purchase assets pursuant to Section 101(a)(1) of the Emergency Economic Stabilization Act of 2008, as amended (“EESA”). 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; *provided, however*, if foreign government ownership of otherwise Eligible Assets results from extending financing to Financial Institutions that then failed or defaulted on such financing, such assets remain eligible for sale to the Partnership. For the avoidance of doubt, Eligible Assets do not

include any securities backed by loans and other assets ten percent (10%) or more of which are not situated in the United States.

CAPITAL COMMITMENTS

The capital commitments to the Partnership (“Capital Commitments”) of the Private Vehicles will equal at least \$500 million at the Closing (defined below). The General Partner and its Affiliates (other than the Private Vehicles) shall make a direct (through the Partnership) or indirect (through any Private Vehicle formed to invest all or substantially all of its assets in the Partnership) Capital Commitment equal to at least \$20 million, which Capital Commitment may not exceed 9.9% of the aggregate Capital Commitments of the General Partner and the Private Vehicles. The Capital Commitment of UST will equal the lesser of (i) the Capital Commitments of the Private Vehicles and the General Partner and (ii) the amount set forth under “Maximum UST Capital Commitment” on Schedule A. The aggregate indirect Capital Commitments of any investor individually or together with its Affiliates to the Private Vehicles as a result of (i) any investment by such investor or any of its Affiliates in a vehicle (including a Private Vehicle) formed for the purpose of directly or indirectly investing in the Partnership or (ii) any other investment decision by such investor or any of its Affiliates to directly or indirectly invest in the Partnership, may not in the aggregate exceed 9.9% of the aggregate Capital Commitments to the Partnership.

DIVERSIFICATION AND INVESTMENT LIMITATIONS

The Partnership will not, without the written consent of UST:

- Acquire directly or indirectly through a flow-through entity a residual interest in a Real Estate Mortgage Investment Conduit;
- invest in any securities or assets other than Eligible Assets and Temporary Investments;
- enter into any derivative contract unless such contract is intended solely to hedge the Partnership’s interest rate exposure with respect to any debt obligation;
- hedge any credit risks arising from Investments made by the Partnership;
- directly or indirectly lend Eligible Assets or any economic interest therein for any purpose (including to facilitate delivery of a short sale); or
- violate the covenants set forth under “Diversification and Investment Limitations” on Schedule A.

CLOSINGS

An initial closing (the “Closing” and the date thereof, the “Closing Date”) will be held as soon as practicable; *provided* that the Closing may not be held prior to August 5, 2009. Up to two (2) subsequent closings may occur at the discretion of the General Partner; *provided* that the final closing will occur no later than six (6) months after the Closing Date.

Partners admitted at subsequent closings or increasing their percentage Capital Commitments at subsequent closings will make a capital contribution to the Partnership equal to the difference between (x) their *pro rata* share of capital contributions previously made for any Investments still held by the Partnership at the time of their admission or increase in percentage Capital Commitment and for organizational expenses, Partnership Expenses and repayments of Partnership indebtedness and (y) any amounts previously contributed by such Partner therefor, less such amount as is necessary to take into account any distributions theretofor made, plus additional amounts (“Additional Amounts”) on amounts previously funded by existing Partners for Investments still held by the Partnership at such time, organizational expenses, Partnership Expenses and repayments of Partnership indebtedness at the prime rate plus 2% from the date each such amount was funded to the date of the subsequent closing (which Additional Amounts will not be treated as capital contributions), and will share in any subsequent distribution and allocation of income, gain, loss or expense of the Partnership that is attributable to any such Investments. Amounts so paid will be refunded to existing Partners (or returned by the Partnership on their behalf) and any such amounts in respect of Investments, organizational expenses, Partnership expenses and repayments of indebtedness (but not the Additional Amounts thereon) will be added to their unpaid Capital Commitments and will be subject to recall (or re-investment, as applicable).

Notwithstanding the foregoing, if the General Partner in its sole and absolute discretion determines that a *pro rata* payment by Partners at a subsequent closing would not appropriately reflect a material change in the value of an Investment then held by the Partnership, the General Partner may either (i) adjust the payment required to be made by Partners at such subsequent closing to appropriately reflect such change in value or (ii) exclude Limited Partners at such subsequent closing from participation in such Investment; *provided* that no Partner may acquire an interest in an existing Investment at a discount to the original acquisition cost of such Investment at or in connection with any subsequent closing at which the percentage Capital Commitment of UST is decreased without the written consent of UST.

INVESTMENT PERIOD

The obligation to fund Capital Commitments to make new Investments will expire on the third anniversary of the Closing Date (the “Investment Period”). As more fully described in the Partnership Agreement, following the expiration or termination of the Investment Period, all Partners will be released from any further obligation with respect to their undrawn Capital Commitments, except to the extent necessary to: (i) cover Partnership Expenses, (ii) repay Partnership indebtedness (*provided* that any drawdown of Capital Commitments following the expiration or termination of the Investment Period to repay Partnership indebtedness shall be subject to the prior written consent of UST) and (iii) complete Investments with respect to which

the Partnership or the General Partner has entered into a legally binding obligation to invest prior to such expiration or termination.

TERMINATION OF THE INVESTMENT PERIOD

UST may terminate the Investment Period at any time on and after the one-year anniversary of the Closing Date; *provided* that such termination shall not take effect solely in the case of any Investment with respect to which the Partnership or the General Partner has entered into a legally binding obligation to invest prior to such termination.

DRAWDOWNS

Capital Commitments will be called down *pro rata* to Partners' Capital Commitments in tranches (with a minimum drawdown of 10% of Capital Commitments), with a minimum of ten (10) calendar days' prior notice to the Limited Partners.

Pending investment or distribution by the Partnership, monies held by the Partnership may be invested in (i) cash, (ii) UST securities or (iii) money market mutual funds that (a) are registered with the Securities and Exchange Commission and regulated under Rule 2a-7 promulgated under the Investment Company Act of 1940, as amended and (b) invest exclusively in direct obligations of the United States of America or obligations the prompt payment of the principal of and interest on which is unconditionally guaranteed by the United States of America ("Temporary Investments").

RIGHT TO RE-INVEST CAPITAL

During the Investment Period, proceeds distributable to the Partners may be retained and re-invested by the General Partner as permitted under "Investment Period" above; *provided* that proceeds actually distributed to UST may not be recalled. For the avoidance of doubt, all new Investments will be funded on a *pro rata* basis based on Capital Commitments.

DISTRIBUTIONS

Any income from Investments received by the Partnership, including interest payments, principal repayments and proceeds from the disposition of Investments, in each case net of payments with respect to indebtedness and Partnership Expenses ("Investment Proceeds"), will be distributed as soon as practicable after receipt thereof, but in any event no later than thirty (30) calendar days following the end of each fiscal quarter in which such Investment Proceeds are received by the Partnership; *provided* that the General Partner will be entitled to withhold from any distributions amounts necessary to (i) create reasonable reserves for Partnership Expenses and the making of Investments (*provided* that such reserves for Partnership Expenses shall not exceed 0.10% of Capital Commitments without the written consent of UST), (ii) create reasonable reserves for repayment of indebtedness and (iii) make Investments as permitted under "Investment Period" above. Each distribution of Investment Proceeds shall initially be made to the Partners in proportion to each of their respective percentage interests in such Investment. Notwithstanding the previous sentence, Investment Proceeds which would otherwise be distributed to the Partners other than UST will be distributed in the

following amounts and order of priority:

- (i) First, 100% to such Partner until such Partner has received distributions of Investment Proceeds equal to the aggregate amount of capital contributions made to the Partnership by such Partner; and
- (ii) Second, the Applicable Percentage (defined below) to such Partner and the Warrant Percentage to the Noteholder (the distribution to the Noteholder described in this clause (ii) being referred to as “UST Warrant”).

“Applicable Percentage” shall mean the difference between 100% and the Warrant Percentage.

“Noteholder” shall mean UST, in its capacity as a holder of a contingent interest promissory note (the “Contingent Interest Promissory Note”) with respect to the UST Warrant.

“Warrant Percentage” shall mean the effective blended percentage equal to (i) (A) 1.5%, in the event the Partnership has made a Half Turn Election (as defined in the Debt Term Sheet) or (B) 2.5%, in the event the Partnership has made a Full Turn Election (as defined in the Debt Term Sheet), in each case with respect to the Capital Commitments of the Private Vehicles and the General Partner up to the Capital Commitment of UST and (ii) 0% with respect to the Capital Commitments of the Private Vehicles and the General Partner in excess thereof. For the avoidance of doubt, the Warrant Percentage shall be determined as of the Closing Date and shall not be adjusted in the event the Partnership makes a Full Turn Election as of the Closing Date and subsequently makes a Half Turn Election.

Generally, any tax payments made by the Partnership or withheld from proceeds received by the Partnership will be deemed to have been distributed to the Partners to whom such taxes are attributable.

Distributions of income from Temporary Investments will be made among all Partners in proportion to their respective proportionate interests in the applicable Temporary Investments, as reasonably determined by the General Partner.

IN-KIND DISTRIBUTIONS

Distributions may only be made in kind in connection with the dissolution and winding up of the Partnership. Distributions in cash and in kind shall be made in *pro rata* portions to each Partner.

GIVEBACK OBLIGATION

Upon liquidation of the Partnership, the Noteholder will be required to contribute to the Partnership the amount, if any, by which cumulative UST Warrant distributions received by the Noteholder with respect to the Partners other than UST exceed the Warrant Percentage of the cumulative net profits earned by the Partners other than UST.

ALLOCATION OF PROFITS AND LOSSES

The Partnership will establish and maintain a capital account for each Partner. All items of income, gain, loss and deduction will be allocated to the Partners' capital accounts in a manner generally consistent with the distribution procedures outlined under "Distributions" above.

UST MANAGEMENT FEE

The General Partner will be paid an annual fee (the "UST Management Fee"), quarterly in arrears, equal to:

- (i) During the Investment Period, 0.20% per annum of UST's Capital Commitment as of the last day of the period to which the UST Management Fee relates; and
- (ii) Thereafter, 0.20% per annum of the lesser of (i) UST's Capital Commitment and (ii) the fair market value of UST's interest in the Partnership as of the last day of the period to which the UST Management Fee relates.

The UST Management Fee may be paid out of distributable Investment Proceeds otherwise payable to UST but not from drawdowns of UST's Capital Commitment.

ORGANIZATIONAL EXPENSES

Each Partner (other than UST) will pay its *pro rata* share based on Capital Commitments of all legal, accounting, filing and other expenses incurred by the General Partner and its Affiliates in connection with organizing and establishing the Partnership. For the avoidance of doubt, UST shall not bear any portion of the expenses incurred in connection with the organization of the Private Vehicles and the offering of interests therein.

GENERAL PARTNER EXPENSES

Each of the General Partner and its Affiliates will be responsible for the expenses of providing their services to the Partnership, including overhead expenses (including systems and technology), office expenses and compensation of their employees.

PARTNERSHIP EXPENSES

Except as noted above, the Partnership will pay all reasonable expenses related to the operation of the Partnership, including fees, costs and expenses related to the investigation, development, purchase, holding and sale of Investments (including Investments that are not ultimately consummated or closed), fees, costs and expenses of any administrators, custodians, attorneys, accountants and other professionals, fees, costs and expenses incurred in connection with, borrowings by the Partnership (including as described in the Debt Term Sheet), certain taxes, the costs of any litigation (but not, for the avoidance of doubt, any losses incurred by the General Partner, its Affiliates, or any of their respective officers, directors, employees, shareholders, members or partners), directors and officers liability or other insurance (*provided* that the Partnership shall not bear the cost of any incremental premium associated with the purchase of insurance designed to insure the General Partner or any other party for any liability resulting from fraud, bad faith, willful misconduct,

breach of fiduciary duty, gross negligence, a violation of applicable securities laws, conduct that is the subject of a criminal proceeding where the insured party had no reasonable basis to believe that such conduct was lawful or a willful and material breach of the governing documents of the Partnership) and any fees or other governmental charges levied against the Partnership (“Partnership Expenses”). For the avoidance of doubt, Partnership Expenses shall not include any fees, costs or expenses of any third party engaged to monitor, or provide investment advice with respect to, the Partnership’s Investments.

**ALLOCATION OF INVESTMENT
AND DISPOSITION
OPPORTUNITIES**

The General Partner will adopt and ensure compliance with a fair and equitable trade allocation policy reasonably satisfactory to UST.

CONFLICT OF INTERESTS

The General Partner will implement a conflict of interest mitigation plan reasonably satisfactory to UST.

ETHICS

The General Partner will implement a code of ethics reasonably satisfactory to UST.

EXCLUSIVITY

Restriction on Competing Fund. Without the written consent of UST, none of the General Partner or its Affiliates will, directly or indirectly, form, close on or accept commitments to another pooled investment fund for which any of them acts as the manager or primary source of investments and which has the primary objective of investing in Eligible Assets (other than (w) any feeder vehicle (including a Private Vehicle) formed to invest substantially all of its investable assets directly or indirectly in the Partnership, (x) any private REIT formed to invest at least a portion of its investable assets directly or indirectly in the Partnership, (y) any publicly offered vehicle or (z) any pooled investment fund formed to invest substantially all of its investable assets in Eligible Assets pursuant to any other program sponsored by the United States Federal government or its agencies or the Federal Reserve Bank of New York, including a Term Asset-Backed Securities Loan Facility) (other than the entities described in (w), (x), (y) and (z), a “Competing Fund”) on or prior to the earlier of (i) the date on which the Partnership has invested 85% of its Capital Commitments or (ii) the one-year anniversary of the Closing Date (such earlier date, the “Lock-Up Termination Date”); it being understood that the General Partner and its Affiliates may continue to manage any existing pooled investment fund or separate account or other similar vehicle with a primary investment objective similar to the Partnership in existence as of the Closing Date and disclosed in writing to UST prior to the Closing Date (*provided* that no new commitments are accepted in violation of this provision), and may establish or close any separate account at any time prior to or following the Closing Date. The General Partner will promptly notify UST in the event the General Partner or its Affiliates forms, closes on or accepts commitments to a Competing Fund following the Lock-Up Termination Date and prior

to the expiration or termination of the Investment Period. Notwithstanding the foregoing, without the written consent of UST, none of the General Partner or its Affiliates will, directly or indirectly, form, close on or accept commitments to an investment vehicle or a separate account formed for the specific purpose of co-investing alongside the Partnership in specific identified Eligible Assets or a specific identified portfolio of Eligible Assets prior to the expiration or termination of the Investment Period (a “Co-Investment Vehicle”); *provided* that the foregoing shall not apply to a Co-Investment Vehicle to the extent that (i) (A) the Partnership is legally or contractually prohibited (including under the “Diversification and Investment Limitations”) from acquiring such Eligible Asset(s) or (B) the acquisition by the Partnership of such Eligible Asset(s) would unreasonably limit diversification in the good faith judgment of the General Partner and (ii) the General Partner provides information regarding the investments made by such Co-Investment Vehicle in the monthly report referred to under “Reports and Financial Information” below.

Restriction on Hedging Products. Without the written consent of UST, none of the General Partner or its Affiliates will, directly or indirectly, form, close on or accept commitments to any pooled investment fund which as part of its investment program purports to hedge credit risks arising from all or substantially all of the Partnership’s or any other PPIF’s (as defined below) portfolio of Investments.

Restrictions on Certain Transactions. Without the written consent of UST, the Partnership will not, directly or indirectly, invest in, acquire Investments from, nor sell Investments to, (i) the General Partner or any of its Affiliates (which, for this purpose, shall also include any entity in which the General Partner, Key Persons and their respective Affiliates hold at least 5% of any class of equity or debt securities), (ii) any investor that represents 9.9% or more of the aggregate Capital Commitments of the Private Vehicles or any of its Affiliates or (iii) any other investment vehicle formed pursuant to the United States Department of the Treasury’s Public Private Investment Program.

Restrictions on Transactions with Affiliates. Apart from transactions the terms of which are expressly contemplated or approved by the Partnership Agreement, the General Partner and its Affiliates will not engage in any transaction with the Partnership without the written consent of UST, which consent may be withheld in its sole and absolute discretion.

Allocation of Business Time. The General Partner shall, and shall cause its Affiliates to, devote to the Partnership and its Investments such business time as shall be necessary to conduct the Partnership’s business and affairs in an appropriate manner, including, without limitation, seeking to maximize the returns with respect to the Partnership’s Investments throughout the term of the Partnership.

REMOVAL OF THE GENERAL PARTNER

The General Partner may be removed (i) upon the election of UST at any time; *provided* that the written consent of at least a majority in interest of investors in the Private Vehicles is obtained; and *provided further* that the General Partner may elect to provide for removal of the General Partner upon the election of UST and such number of investors in the Partnership as would represent, together with UST, at least a majority in interest of investors in the Partnership (any vote pursuant to this clause (i), a “No Fault Vote”) or (ii) upon the election of UST following (A) the occurrence of an event of Cause, (B) the occurrence of a Key Person Event (*provided* that the written consent of at least one third in interest of investors in the Private Vehicles is obtained; and *provided, further*, that the General Partner has been given a thirty (30) calendar day grace period to cure such Key Person Event) or (C) the removal of the General Partner or an Affiliate thereof as the general partner of any Private Vehicle (a “Private Vehicle Removal,” and, any removal pursuant to the foregoing clause (i) or (ii), a “Removal Election”). Prior to the effectiveness of any such removal following a Removal Election, the General Partner shall consult with the investor advisory committee of the Private Vehicles to nominate a substitute general partner for approval by UST and a majority in interest of investors in the Private Vehicles.

“Cause” shall mean (i) a breach of the General Partner’s obligation to make capital contributions or to bear the General Partner expenses in accordance with the Partnership Agreement that is not cured within five (5) calendar days, (ii) a finding by any court or governmental body of competent jurisdiction or an admission by any Relevant Person (x) of fraud, gross negligence, bad faith or willful misconduct by any Relevant Person, (y) of a material violation of applicable securities laws by any Relevant Person or (z) that the General Partner has otherwise committed a material breach of the Partnership Agreement, including of the representations and warranties contained therein, or (iii) a conviction of, or plea of guilty or *nolo contendere* by any Relevant Person in respect of a felony. The General Partner will immediately give notice to UST of the occurrence of any event constituting Cause.

A “Relevant Person” shall mean the General Partner, any person that possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the General Partner, whether through the ownership of voting shares, by contract or otherwise, and any of their respective senior officers and senior executives including, without limitation, any Key Person.

A “Key Person” shall have the meaning set forth under “Key Person” on Schedule A.

A “Key Person Event” shall have the meaning set forth under “Key Person Event” on Schedule A. The General Partner will immediately give notice to UST of the occurrence of any event constituting a Key Person Event.

From and after (A) a No Fault Vote, (B) the occurrence of an event of

Cause, (C) the occurrence of a Key Person Event or (D) a Private Vehicle Removal, until the earlier to occur of (x) receipt of the written consent of UST or (y) the replacement of the General Partner, (i) the Partnership shall not directly or indirectly make any new Investments (other than Investments with respect to which the Partnership or the General Partner has entered into a legally binding obligation to invest prior to such occurrence or removal) and (ii) the Partnership shall not directly or indirectly dispose of any Investments except to the extent the General Partner determines in good faith that a disposition is necessary to avoid a material loss to the Partnership. The UST Management Fee shall cease to accrue following a Removal Election.

TERM

The Partnership will dissolve eight (8) years from the Closing Date but may be extended at the discretion of the General Partner with the written consent of UST for up to two (2) consecutive one-year periods. The Partnership is subject to earlier dissolution and termination (i) after the expiration or termination of the Investment Period, upon the liquidation of all of the Investments, (ii) upon the bankruptcy, dissolution or any similar event of withdrawal of the General Partner (unless UST agrees in writing to continue the business of the Partnership and to the appointment of another general partner) or (iii) if a change in any law, regulation, rule or governmental order (or change in judicial or regulatory interpretation of any law, regulation or governmental order) would materially adversely impact the General Partner, at least a majority in interest of investors in the Private Vehicles or their respective affiliates as a result of their management of, or participation in, the Partnership. The UST Management Fee shall cease to accrue upon dissolution of the Partnership.

WITHDRAWALS

Partners generally may not withdraw from the Partnership. Investors in the Private Vehicles may only withdraw for legal reasons and, upon any such withdrawal, an investor may only receive a note payable with distributions to the Private Vehicles.

TRANSFER OF INTERESTS

Neither the General Partner nor the Private Vehicles may, directly or indirectly, sell, assign, pledge, exchange or otherwise transfer its Interest, in whole or in part, without the prior written consent of UST. Investors in the Private Vehicles may, directly or indirectly, sell, assign, pledge, exchange or otherwise transfer their interest in the Private Vehicles provided that the General Partner ensures that each transferee is in compliance with the screening requirements described under “Participation in The Private Vehicles” above and each transfer is in compliance with applicable securities laws.

REPORTS AND FINANCIAL INFORMATION

Monthly Reports. Within fifteen (15) calendar days after the end of each month, the General Partner will deliver to UST and the Special Inspector General of the TARP (“SIGTARP”) a monthly report, including:

- a description of the Partnership's holdings (including CUSIP or ISIN, date of purchase, security description, par value, cost, fair market value and accrued income);
- details of securities transactions (including purchases and sales);
- details of capital activity (including contributions and withdrawals of securities and cash);
- a summary of the change in the fair market value of the Partnership's Investments;
- performance data (including 1-month, 3-month, year-to-date, latest 12-months, since inception (cumulative) and since inception (annualized));
- management discussion and analysis of the Partnership's investment activities; and
- an analysis of current market conditions.

The General Partner will furnish such additional periodic or other reports to UST or SIGTARP as may be requested by UST or SIGTARP; *provided* that if such requested report (i) is not (x) of a type customarily provided by investment fund managers or (y) required by law and (ii) will require the General Partner to incur a substantial expense to prepare, UST shall bear the reasonable expenses of the preparation of such requested report.

The General Partner shall provide prompt written notice to UST and SIGTARP of the non-payment by the Partnership or any subsidiary thereof of any amount in respect of indebtedness.

Financial Statements. Within one hundred twenty (120) calendar days after the end of each fiscal year, the General Partner will deliver to UST and SIGTARP audited financial statements of the Partnership prepared in accordance with GAAP.

Within sixty (60) calendar days after the end of each fiscal quarter (except the last fiscal quarter), the General Partner will deliver to UST and SIGTARP unaudited financial statements of the Partnership prepared in accordance with GAAP.

Annual Budget for Partnership. The General Partner will provide to UST and SIGTARP an annual budget of Partnership Expenses no later than thirty (30) days prior to the beginning of the next fiscal year.

Access to Information. The General Partner will provide UST, SIGTARP, the Government Accountability Office and their respective advisors and representatives access to the books and records of the Partnership. The General Partner agrees to cause the Key Persons and other investment professionals to be available to discuss the Partnership and its activities at the request of UST. In addition, the General Partner and its Affiliates will provide UST and its advisors and representatives access to the books and records of the Private Vehicles, including any information in the possession of the

General Partner and its Affiliates regarding (i) the beneficial owners of interests in the Private Vehicles in their capacity as beneficial owners of the Private Vehicles or (ii) notices of events of default, material litigation or other material events.

Notice. The General Partner will provide UST and SIGTARP notice of Events of Default (as defined in the Debt Term Sheet), material litigation, material regulatory investigations and other material events (including defaults or other adverse events in respect of Third Party Debt (as defined in the Debt Term Sheet)).

Information on Eligible Assets. Following the Closing Date, the General Partner will provide UST, SIGTARP, the Government Accountability Office and their respective advisors and representatives a monthly report within fifteen (15) calendar days after the end of each month with respect to information regarding, allocation of investment and disposition opportunities among and purchases and sales of Eligible Assets by other pooled investment funds and separate accounts for which it or any of its Affiliates acts as the manager or primary source of investments (including CUSIP or ISIN, date of purchase, security description, par value, cost, fair market value and accrued income); *provided* that the General Partner will not be required to identify by name the investors in such pooled investment funds or the clients with respect to such separate accounts. In addition, the General Partner will provide UST, SIGTARP, the Government Accountability Office and their respective advisors and representatives access to any additional information requested regarding the subject matter of such reports.

The General Partner shall maintain a document retention policy reasonably satisfactory to UST.

BORROWINGS AND GUARANTEES

The General Partner will have the right, as its option, to cause the Partnership to incur indebtedness as described in the Debt Term Sheet; *provided* that the Partnership and its subsidiaries will not, directly or indirectly, incur, create, issue, assume or guarantee any Additional Debt (as defined in the Debt Term Sheet) without the written consent of UST, which consent shall not be unreasonably withheld; and *provided, further*, that if no Loans (as defined in the Debt Term Sheet) are outstanding, the Partnership and its subsidiaries will not, directly or indirectly, incur, create, issue, assume or guarantee any indebtedness unless on a *pro forma* basis the Leverage Ratio (as defined in the Debt Term Sheet) as of such date does not exceed the maximum leverage allowed pursuant to TALF Debt (as defined in the Debt Term Sheet). For the avoidance of doubt, the General Partner shall not have the right to (i) pledge the Capital Commitment or unpaid Capital Commitment of UST to any person, including a lender or (ii) otherwise assign the right to call capital from UST.

TAX CONSIDERATIONS

It is intended that the Partnership will be treated as a partnership, and not an association taxable as a corporation for U.S. federal income tax

purposes, and will be operated in a manner such that it should not be taxable as a corporation for U.S. federal income tax purposes.

**AMENDMENTS TO THE
PARTNERSHIP AGREEMENT;
MOST FAVORED NATIONS**

The General Partner shall not amend or supplement the Partnership Agreement without obtaining the prior written consent of UST.

UST shall have the right to elect the benefit of any provision of the governing documents of the Private Vehicles and any Side Letter that has the effect of benefiting any investor in the Private Vehicles (other than the General Partner and its Affiliates and their respective officers, directors or employees) in a manner more favorable than the rights and benefits established in favor of UST by the Partnership Agreement, other than any rights or benefits established in favor of any investor in the Private Vehicles by reason of the fact that such investor is subject to any laws, rules or regulations to which UST is not also subject.

VOTING

The direct and indirect interests in the Partnership of the General Partner and any of its Affiliates shall be non-voting interests.

COMPLIANCE WITH LAW

Notwithstanding anything to the contrary contained herein, the Partnership, the General Partner and the Private Vehicles shall comply in all respects with (i) EESA, as implemented by any guidance or regulations issued and/or to be issued thereunder and (ii) all other applicable laws and regulations.

For the avoidance of doubt, the General Partner will comply with the Investment Advisers Act of 1940, including, but not limited to, its: antifraud provisions and its rules regarding record keeping, contracts, advertising, custody of client funds and assets, disclosure and transparency.

The General Partner hereby agrees based on its analysis and judgment and subject to the overall objective of maximizing the value of the Partnership's investments and the General Partner's fiduciary duties, (i) to consent, on behalf of the Partnership, to reasonable requests from servicers or trustees for approval to participate in UST'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 Partnership 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 UST's Home Affordable Modification Program.

**REPRESENTATIONS AND
WARRANTIES**

The Partnership Agreement or other mutually agreed upon document will contain representations and warranties by the General Partner, including with respect to matters set forth in the Preliminary Compliance Due Diligence Questionnaire, the Preliminary Legal Due Diligence Questionnaire and as otherwise deemed applicable by UST.

OPINIONS

UST will receive customary opinions from counsel to the General Partner reasonably satisfactory to UST.

OTHER TERM SHEETS

The terms and conditions of (a) the investment by UST in Legacy Securities Public-Private Investment Funds ("PPIFs") formed by selected sponsors and (b) the senior secured credit facilities to be provided by UST to such PPIFs (other than any Publicly Offered PPIF), will be substantially similar in all material respects, except with respect to the terms and conditions set forth under (i) "Affiliates," "Maximum UST Capital Commitment," "Diversification and Investment Limitations," "Relevant Person," "Key Person" and "Key Person Event" in the Equity Term Sheet and (ii) "Maximum UST Debt Amount" in the Debt Term Sheet, which terms and conditions may be determined separately with respect to each PPIF.

GOVERNING LAW

The law of the State of Delaware (subject to applicable Federal law).

SCHEDULE B

The United States Department of the Treasury (“UST”) has not participated in the preparation of this [*offering material*] or made any representation regarding, and expressly disclaims any liability or responsibility to any investor in the [*Private Vehicle*] for, the accuracy, completeness or correctness of any of the materials contained herein. Without limitation of the foregoing, UST does not approve or disapprove of any tax disclosure or advice set forth herein.

*****THE FOLLOWING DOES NOT CONSTITUTE A CAPITAL COMMITMENT BY UST*****

**LEGACY SECURITIES PUBLIC-PRIVATE INVESTMENT PARTNERSHIP
SUMMARY OF INDICATIVE TERMS AND CONDITIONS OF UST DEBT¹**

FINANCING OVERVIEW

The Borrower (as defined below) will utilize the proceeds of the Capital Commitments and the Loans (as defined below) to acquire (either directly or through subsidiaries) Eligible Assets.

Concurrent with the execution of the Letter of Intent, the Borrower will have the option to elect UST leverage of up to 100% of the Capital Commitments (a “Full Turn Election”) or up to 50% of the Capital Commitments (a “Half Turn Election”) of all Partners. If the Borrower makes a Full Turn Election, the Warrant Percentage will equal 2.5% and no additional debt other than the UST leverage will be permitted. If the Borrower makes a Half Turn Election, the Warrant Percentage will equal 1.5% and additional third party debt will be permitted as described below. If the Borrower has made a Full Turn Election, at any time after the Closing Date during the Investment Period, the Borrower may make a Half Turn Election if, concurrently with such election, the Borrower would otherwise be in compliance on a *pro forma* basis with the provisions of the Credit Documentation (as defined below) that are applicable when a Half Turn Election is in effect, and the Borrower repays the Loans so that the outstanding Loans do not exceed the amount permitted to be outstanding if a Half Turn Election were then in effect. However, the Warrant Percentage will not be adjusted. The Full Turn Election will not be subsequently available if the Borrower makes a Half Turn Election.

If a Half Turn Election is in effect, subject to compliance with the specified incurrence-based leverage test and the specified asset coverage test described below, the Borrower may also finance Eligible Assets using proceeds of borrowings of TALF Debt (as defined below) and proceeds of borrowings of Additional Debt (as defined below) (collectively, “Third Party Debt”). Eligible Assets financed with Third Party Debt must be financed, acquired and held through wholly owned financing subsidiaries of the Borrower (“Financing Subsidiaries”), which subsidiaries may be capitalized with proceeds of Capital Commitments and the Loans. Third Party Debt will be recourse

¹ All capitalized terms used but not defined herein shall have the meaning given to them in the Legacy Securities Public-Private Investment Partnership Summary of Indicative Terms and Conditions (the “Equity Term Sheet”).

solely to the applicable Financing Subsidiary and not to the Borrower or any other Financing Subsidiary.

Investment Proceeds held by the Borrower will be allocated in accordance with the Priority of Payments (as defined below) waterfall to pay certain expenses, interest on the Loans and subject to compliance with the specified incurrence-based leverage test and the specified asset coverage test described below, during the Investment Period, to acquire (including, if a Half Turn Election is in effect, through contributions to Financing Subsidiaries, to allow Financing Subsidiaries to acquire) additional Eligible Assets or to make distributions to the Partners and repay Loans. After the Investment Period, Investment Proceeds not required to pay interest and specified expenses will be allocated to repay Loans and to make distributions to Partners in accordance with an allocation formula described as part of the Priority of Payments waterfall.

Investment Proceeds received from Investments held by Financing Subsidiaries must be utilized by such entities to repay Third Party Debt to the extent required by the relevant lender and any surplus proceeds, to the extent permitted by the terms of such Third Party Debt, must be distributed to the Borrower to be allocated in accordance with the Priority of Payments waterfall.

Asset coverage shall be calculated by reference to the Market Value (as defined below) of all Eligible Assets and Temporary Investments held by the Borrower and the Market Value of all Eligible Assets and Temporary Investments held by a Financing Subsidiary net of the amount of Third Party Debt outstanding at such Financing Subsidiary.

A third-party Valuation Agent (as defined below) will be responsible for calculation of the Market Value of Eligible Assets and Temporary Investments on a monthly basis.

BORROWER

The Partnership (in such capacity, the “Borrower”).

**ADMINISTRATIVE AGENT AND
COLLATERAL AGENT**

UST or its designee (in such capacities, the “Agent”).

**CUSTODIAN AND COLLATERAL
ADMINISTRATOR**

An entity to be named by the Lender, subject to reasonable approval by the General Partner² (in such capacities, the “Custodian”). The Custodian will provide agreed-upon periodic reports and verification of applicable tests. Fees and expenses of the Custodian are to be treated as expenses of the

² If the Partnership has an investment manager, references in this Debt Term Sheet to the General Partner acting in a discretionary capacity shall be deemed to be references to such investment manager.

Borrower.

VALUATION AGENT³

An entity to be named by the Lender, subject to reasonable approval by the General Partner (in such capacity, the “Valuation Agent”). The Valuation Agent will make the determinations as described in the definition of “Market Value” below. Fees and expenses of the Valuation Agent are to be treated as expenses of the Borrower.

LENDER

UST (the “Lender”).

CLOSING DATE

The Closing Date.

TYPE AND AMOUNT OF CREDIT FACILITY

A senior secured multiple-draw term loan facility (the “Facility”; the loans thereunder, the “Loans”) in an aggregate outstanding principal amount not exceeding, on the date of any drawing, the lesser of (x) when a Half Turn Election is in effect, 50%, and when a Full Turn Election is in effect, 100% of the aggregate drawn Capital Commitments of all Partners, as of such date and (y) an amount set forth on Schedule A of the Equity Term Sheet (the “Maximum UST Debt Amount”). The amount of Loans that may be borrowed on any date is the “Available Amount” on such date. Recourse related to the Facility shall be limited solely to the Partnership and its assets, and shall not include the Limited Partners or the General Partner, Sponsor, Advisor or sub-advisor to the Partnership.

AVAILABILITY

The Loans, up to the Available Amount, will be available to be drawn commencing on the Closing Date through and including the last day of the Investment Period; provided that Loans will not be available to the Borrower during the period that investors in the Private Vehicle(s) have voluntary withdrawal rights with respect to their respective capital commitments in the Private Vehicle(s) (subject to the exceptions in “Withdrawals” described in the Equity Term Sheet). Loans repaid or prepaid may not be re-borrowed and shall reduce the Maximum UST Debt Amount.

MATURITY

The Loans shall be due and payable on the earlier of (i) ten years from the Closing Date and (ii) the expiration, termination or dissolution of the Partnership (the “Maturity Date”).

PURPOSE

To finance the purchase of Eligible Assets in a manner consistent with the “Investment Objective” described in the Equity Term Sheet.

³ The same Valuation Agent will be used for all PPIFs. Lender will also name a back-up Valuation Agent, subject to reasonable approval by the General Partner.

ACCRUAL PERIOD	Initially the period from and including the Closing Date to but excluding the first Loan Payment Date, and thereafter each subsequent period from and including a Loan Payment Date to but excluding the next Loan Payment Date (the “ <u>Accrual Period</u> ”).
DETERMINATION DATE	The last business day of each calendar month; provided that the initial Determination Date shall occur in the month following the month in which the Closing Date occurs and the final Determination Date shall occur on the Maturity Date (the “ <u>Determination Date</u> ”).
LOAN PAYMENT DATE	The 5 th business day following each Determination Date; provided that the final Loan Payment Date shall occur on the Maturity Date (each a “ <u>Loan Payment Date</u> ”).
PRINCIPAL AMOUNT	The aggregate principal amount of Loans outstanding as of any date of determination (the “ <u>Principal Amount</u> ”).
INTEREST RATES	As set forth on <u>Exhibit A</u> .
FEES	None.
COLLECTION PERIOD	Initially the period from and including the Closing Date to and including the first Determination Date, and thereafter each subsequent period from but excluding a Determination Date to and including the next Determination Date; <u>provided</u> that the final such period shall end on the Maturity Date (each a “ <u>Collection Period</u> ”).
INTEREST AMOUNT	For any Loan Payment Date, the amount of interest accrued on the Principal Amount from time to time outstanding during the preceding Accrual Period in accordance with <u>Exhibit A</u> (the “ <u>Interest Amount</u> ”).
COLLATERAL	The obligations of the Borrower in respect of the Facility and at the Borrower’s option, in respect of Permitted Interest Rate Hedges (as defined below) shall be secured by, in each case, to the extent owned by the Borrower (a) a perfected first priority security interest in all of the Investments, including Eligible Assets and Temporary Investments owned by the Borrower, (b) a pledge by the Borrower of 100% of the equity interests of the Financing Subsidiaries owned by the Borrower, (c) the Borrower’s rights under Permitted Interest Rate Hedges, (d) all other existing and future assets and property of the Borrower, including the Custodial Account and the Interest Reserve Account (as such terms are defined below) and (e) any and all proceeds of the foregoing (collectively, the “ <u>Collateral</u> ”). Notwithstanding the foregoing, (i) if a Half Turn Election is in effect, in connection with the incurrence of permitted Third Party Debt by a Financing Subsidiary, Eligible Assets may be

contributed to such Financing Subsidiary or may be acquired by such Financing Subsidiary and will not constitute or will cease to constitute, as the case may be, Collateral and will be available to secure such Third Party Debt and (ii) the Borrower may elect to secure Permitted Interest Rate Hedges with cash collateral on customary terms, in which case such collateral will not constitute Collateral and will not be included in the calculation of the Asset Coverage Ratio (as defined below) or the Leverage Ratio (as defined below).

CUSTODIAL ACCOUNT

Eligible Assets and Temporary Investments held by the Borrower will be maintained in a Custodial Account (the "Custodial Account"). All Investment Proceeds in respect of Investments held by the Borrower (but not the Investment Proceeds from Investments held by any Financing Subsidiary unless and until such proceeds are distributed to the Borrower by such Financing Subsidiary) received during each Collection Period shall be deposited into the Custodial Account for allocation and distribution in accordance with the Priority of Payments on the related Loan Payment Date, except in the instance of a withdrawal by the General Partner in accordance with the conditions specified therein. Amounts on deposit in the Custodial Account may be invested in Temporary Investments as determined by the General Partner.

INTEREST RESERVE ACCOUNT

The Borrower shall establish an interest reserve account (the "Interest Reserve Account") with the Custodian for the benefit of the Lender. On the date of the initial Loan, the Borrower shall deposit into the Interest Reserve Account, which may include proceeds from Loans, an amount equal to the amount of interest that the Custodian reasonably determines will accrue on the outstanding Loans during the three Accrual Periods following such date based on the Interest Rate (as defined in Exhibit A) and taking into account the effect of any Permitted Interest Rate Hedges. On each Loan Payment Date, on each date any payment is made on the Loans and on the date of any additional Loan, the Custodian shall recalculate such amount as of the first day of the current Accrual Period or date of such Loan or payment, as the case may be. The amount so determined from time to time is the "Required Interest Reserve Amount". Amounts in the Interest Reserve Account may be invested in Temporary Investments.

OPTIONAL PREPAYMENTS

Loans may be prepaid at any time in whole or in part at the option of the Borrower with funds available for such purpose as provided under the Priority of Payments or with capital contributions made by the Partners, in a minimum principal amount and in multiples to be agreed upon, without premium or penalty.

PRIORITY OF PAYMENTS

On each Loan Payment Date, amounts on deposit in the Custodial Account allocable to the preceding Collection Period shall be applied in accordance with the priority shown in Exhibit B (the "Priority of Payments").

INITIAL CONDITIONS

The availability of the Facility shall be conditioned upon satisfaction of, among other things, the following conditions precedent on or prior to the first borrowing date:

- (a) The Borrower shall have executed and delivered satisfactory definitive financing documentation with respect to the Facility (the "Credit Documentation");
- (b) The Lender, the Agent, the Custodian and the Valuation Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented, on or before the Closing Date;
- (c) Receipt from the General Partner of a representation stating that all material governmental and third party approvals necessary to be obtained by the Partnership and its subsidiaries in connection with the financing contemplated hereby and the continuing operations of the Partnership and its subsidiaries (including Partner approvals, if any) shall have been obtained on satisfactory terms and shall be in full force and effect;
- (d) The Agent shall have received the results of a recent lien search in each relevant jurisdiction with respect to the Borrower, and such search shall reveal no liens on any of the assets of the Borrower;
- (e) The Lender, the Agent, the Custodian and the Valuation Agent shall have received such legal opinions (including opinions from counsel to the Borrower), documents and other instruments as are customary for transactions of this type or as they may reasonably request;
- (f) The Partnership shall have raised a minimum of \$500 million in Capital Commitments from investors, other than UST, which shall be available under the terms of the governing documents of the Partnership to be contributed to the Borrower (through the Partnership);
- (g) The Lender shall have satisfactorily completed all due diligence including legal, compliance and business due diligence and shall have received copies of all governing documents and subscription agreements of the Partnership and related Side Letters (Lender intends, subject to applicable law, regulation or

governmental order, to hold this information confidential);

- (h) All representations and warranties of the Borrower shall be true and correct in all material respects, or, in the case of representations and warranties qualified by materiality, in all respects;
- (i) The Borrower shall have complied with all affirmative and negative covenants in the Credit Documentation and no incipient or matured Event of Default shall be continuing; and
- (j) The Lender shall have received an officers' certificate with respect to the matters in clauses (c), (f), (h) and (i) above and such other documentation and certificates as shall be reasonably requested by the Lender to evidence satisfaction of the foregoing conditions.

ON-GOING CONDITIONS

The making of each Loan shall be conditioned upon:

- (a) Receipt by the Agent and the Lender of a customary borrowing notice;
- (b) The accuracy in all material respects, or, in the case of representations and warranties qualified by materiality, in all respects, of all representations and warranties in the Credit Documentation;
- (c) There being no incipient or matured Event of Default in existence at the time of, or after giving effect to the making of, such Loan;
- (d) The amount of Loans made on any borrowing date not exceeding the Available Amount;
- (e) The Asset Coverage Test (as defined below) and, if the Half Turn Election is in effect, the Leverage Ratio Test (as defined below) will be satisfied, on a *pro forma* basis after giving effect to the borrowing to be made on such borrowing date and the use of proceeds thereof, and after giving effect to all distributions to be made on such borrowing date under clauses A.4, A.6, A.7, A.8, A.9 and A.10 under Priority of Payments;
- (f) Receipt by the Agent and the Lender of a certificate of the General Partner to the effect set forth in clauses (b), (c) and (e) above and setting forth, in the case of clause (e), in reasonable detail the calculations supporting such certification and certifying that the Borrower owns only Eligible Assets, Temporary Investments and

the equity interests of its Financing Subsidiaries; and

- (g) The deposit into the Interest Reserve Account of the amount if any that will cause the amount on deposit therein to equal the Required Interest Reserve Amount on the date of such Loan.

**CERTAIN DOCUMENTATION
MATTERS**

The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type, with exceptions, baskets, materiality qualifications and grace periods, as applicable, satisfactory to the Lender and other terms deemed appropriate by the Lender with respect to the Partnership, the Borrower, its subsidiaries and the General Partner, including, without limitation:

**REPRESENTATIONS AND
WARRANTIES**

Customary for financings of this type, including: Financial statements; absence of material undisclosed liabilities; organizational existence; compliance with law (including, to the extent applicable, the Emergency Economic Stabilization Act of 2008, as amended (“EESA”) and the Employ American Workers Act (“EAWA”)); no government or third party approvals or consents required; organizational power and authority; enforceability of Credit Documentation; no conflict with law, Partnership organizational documents or material contractual obligations; no material litigation; no default; ownership of property and rights in Collateral; no liens or adverse claims, other than permitted liens; taxes; Federal Reserve regulations; ERISA; Investment Company Act; subsidiaries; accuracy of disclosure; USA PATRIOT Act and Anti-Money laundering; and creation, validity, perfection and priority of security interests.

AFFIRMATIVE COVENANTS

Customary for financings of this type, including:

- (a) Delivery of audited annual financial statements of the Partnership and its subsidiaries within one hundred twenty (120) calendar days after the end of each fiscal year, unaudited quarterly financial statements of the Partnership and its subsidiaries within sixty (60) calendar days after the end of each fiscal quarter, monthly reports (as set forth in Equity Term Sheet) within fifteen (15) calendar days after the end of each month, or if the Borrower is not in compliance with the Asset Coverage Test, weekly reports (including delivery of Market Value reports on all Eligible Assets and Temporary Investments owned by the Borrower and the Financing Subsidiaries and current calculations of the Asset Coverage Ratio and, if the Half Turn Election is in effect, the Leverage Ratio), annual accountants’ letters and reports, monthly officers’ certificates and other information reasonably requested

by the Lender;

- (b) Delivery of Eligible Assets and Temporary Investments to Custodian to be held in Custodial Account, together with certificate certifying as to ownership, CUSIP, par value, cost basis and Market Value as of the day of purchase;
- (c) Notices of Events of Default, material litigation, other material events (including defaults or other adverse events in respect of Third Party Debt);
- (d) Compliance with requirements of EESA (including, establishments of an expense policy and a compensation committee) and EAWA, if applicable;
- (e) Compliance with investment policies (including diversification) adopted by the Borrower as of the Closing Date, which shall be reasonably satisfactory to the Lender;
- (f) Implementation of a conflict of interest mitigation plan effective as of the Closing Date, which shall be reasonably satisfactory to the Lender;
- (g) Implementation of a code of ethics effective as of the Closing Date, which shall be reasonably satisfactory to the Lender;
- (h) Payment of taxes and other obligations;
- (i) Continuation of business and maintenance of existence and material rights and privileges;
- (j) Compliance with laws (including Investment Company Act);
- (k) Compliance with material contractual obligations;
- (l) Maintenance of property;
- (m) Maintenance of books and records;
- (n) Right of the Lender, the Special Inspector General of the TARP, the Government Accountability Office and their respective advisors and representatives, to inspect property and books and records and meet with the General Partner;
- (o) Maintenance of validity, perfection and priority of

security interests on Collateral;

- (p) Further assurances (including, without limitation, with respect to security interests in after-acquired property); and
- (q) Distributions of Investment Proceeds by Financing Subsidiaries to the Borrower, unless prohibited by Third Party Debt.

NEGATIVE COVENANTS

Customary for financings of this type, including limitations on:

- (a) The Borrower and its subsidiaries will not, directly or indirectly, incur, create, issue, assume or guarantee any indebtedness, with exceptions for:

- Loans;
- if a Half Turn Election is in effect, Indebtedness of a Financing Subsidiary under a Term Asset-Backed Securities Loan Facility (the “TALF Debt”);
- if a Half Turn Election is in effect, Indebtedness of a Financing Subsidiary provided by other third parties (the “Additional Debt”), subject to prior written consent of the Lender, which consent will not be unreasonably withheld;

provided that, in each case, (i) no incipient or matured Event of Default is continuing and (ii) after giving effect to the incurrence and to the use of proceeds thereof, the Asset Coverage Test and, if a Half Turn Election is in effect, the Leverage Ratio Test would be satisfied on a *pro forma* basis; and

- Permitted Interest Rate Hedges.

In addition the Borrower may be obligated in respect of the Contingent Interest Note.⁴

“Asset Coverage Ratio” means, as of any date of determination, a number, expressed as a percentage calculated by dividing (x) the sum of (1) the aggregate Market Value of all Eligible Assets and all Temporary Investments held directly by the Borrower (including those in the Interest Reserve Account) and (2) the aggregate Market Value of all Eligible Assets and all

⁴ The Contingent Interest Note evidences the Warrant Percentage described in the Equity Term Sheet and will not be taken into account in determining the Leverage Ratio or the Asset Coverage Ratio.

Temporary Investments held directly by any Financing Subsidiary less the principal amount and any accrued and unpaid interest and other amounts due under all Third Party Debt outstanding (but not less than zero) in respect of such Financing Subsidiary, in each case as of the applicable determination date by (y) the Principal Amount and accrued and unpaid Interest Amount.

“Asset Coverage Test” means a test that shall be satisfied on any determination date, if the Asset Coverage Ratio as of such date is equal to or greater than, if a Half Turn Election is in effect, 225%; otherwise 150%.

“Leverage Ratio” of the Borrower and its Financing Subsidiaries at any time is the ratio of Total Indebtedness at such time to Net Asset Value at such time.

“Leverage Ratio Test” means a test that is satisfied on any determination date, (i) if no Loans are outstanding, if the Leverage Ratio as of such date does not exceed the maximum leverage allowed pursuant to TALF Debt and (ii) if Loans are outstanding, if the Leverage Ratio as of such date does not exceed, if a Half Turn Election is in effect, 5.00 to 1.00. The Leverage Ratio Test will not be applicable if a Full Turn Election is in effect.

“Net Asset Value” of the Borrower and its Financing Subsidiaries means, on any particular date, Total Assets minus Total Indebtedness, as of such date.

“Total Assets” of the Borrower and its Financing Subsidiaries means, on any particular date, the Market Value of all Eligible Assets and Temporary Investments as of such date.

“Total Indebtedness” of the Borrower and its Financing Subsidiaries means, on any particular date, the sum of the Principal Amount and the outstanding principal amount and any accrued and unpaid interest and other amounts due under Third Party Debt on such date.

The market value (“Market Value”) as of any date of determination as determined by the Valuation Agent,

(i) with respect to each Eligible Asset:

(A) the most recent bid-side price obtained within three business days of the related Measurement Date from an Independent Pricing Service; or

(B) if no price is available pursuant to clause (A), the average of three bid-side market values obtained from

Independent Broker-Dealers or, if three such bid-side market values are not available, the lower of two bid-side market values obtained from Independent Broker-Dealers, or, if two such bid side market values are not available, the bid side market value obtained from one Independent Broker-Dealer in each case obtained within three business days of the related Measurement Date; or

(C) if a price cannot be determined pursuant to clause (A) or (B), until the Measurement Date on which a price is available pursuant to clause (A) or (B), the fair market value of such Eligible Asset as determined by the Valuation Agent determined using a methodology reasonably satisfactory to the Lender (based on a pricing model driven by default, loss severity, prepayment and cumulative loss estimates); provided that with respect to any Eligible Asset for which a price cannot be determined pursuant to clause (A) or (B) for more than 180 consecutive days, the Market Value shall be zero until the Measurement Date on which a price is available pursuant to clause (A) or (B); and

(ii) with respect to each Temporary Investment, its bid side price or, if such price is not available, 98% of its par amount; provided that prior to the initial Measurement Date with respect to an Eligible Asset or Temporary Investment, the Market Value shall be deemed to be the purchase price of such Eligible Asset or Temporary Investment.

“Independent Broker-Dealer” means, any nationally recognized registered broker dealer making a market in the relevant obligation, other than (i) the General Partner or any of its Affiliates, (ii) other investors in the General Partner or their respective Affiliates or (iii) another Limited Partner or any of its Affiliates, whose aggregate Capital Commitments to the Partnership exceed 9.9%.

“Independent Pricing Service” means, in respect of a particular type of asset, a customary pricing service for such asset that is not an Affiliate of the General Partner or of a Limited Partner whose aggregate Capital Commitments to the Partnership exceeds 9.9% selected by the Valuation Agent.

“Measurement Date” means with respect to an Eligible Asset or Temporary Investment, each Determination Date commencing with the first such date to occur after such asset is acquired by the Borrower or a Financing Subsidiary; provided that during any period when the Borrower is obligated to furnish weekly reports, the last business day of each calendar week of each month (other than the last week) shall also be a Measurement Date.

- (b) Liens and other adverse claims, other than liens securing the Loans, if a Half Turn Election is in effect, liens securing Third Party Debt and liens on assets owned by the Borrower or its Financing Subsidiaries securing Permitted Interest Rate Hedges;
- (c) Guarantee obligations;
- (d) Mergers, consolidations, liquidations and dissolutions, except that any Financing Subsidiary may (i) be dissolved or merged with or into the Borrower if the Third Party Debt incurred by such Financing Subsidiary has been repaid in full or (ii) be merged with or into another Financing Subsidiary if permitted by the terms of the Third Party Debt incurred by the involved Financing Subsidiaries;
- (e) Restricted payments, other than distributions made by Financing Subsidiaries to the Borrower or under clause A.10 or B.5, as applicable, under Priority of Payments;
- (f) Capitalization of subsidiaries, other than if a Half Turn Election is in effect, subject to *pro forma* compliance with the Leverage Ratio and the Asset Coverage Ratio and so long as no matured or incipient or matured Event of Default is then continuing, Financing Subsidiaries formed for the purpose of acquiring Eligible Assets using the proceeds of Third Party Debt;
- (g) Investments, loans and advances other than, (i) in Temporary Investments and (ii) during the Investment Period and subject to *pro forma* compliance with the Leverage Ratio and the Asset Coverage Ratio and so long as no incipient or matured Event of Default is then continuing, in Eligible Assets and, if a Half Turn Election is in effect, concurrently with receipt of Third Party Debt, in Financing Subsidiaries to be utilized by such Financing Subsidiaries, together with such Third Party Debt, to purchase Eligible Assets;
- (h) Transactions with Affiliates without the prior written consent of the Lender;
- (i) Negative pledge clauses or impairments of Lender's rights in the Collateral or restrictions on subsidiary distributions other than in connection with permitted Third Party Debt or requirements of applicable law;
- (j) Modification of agreements with Affiliates and modifications of the organizational documents of the Partnership and, if applicable, the Borrower, in each

case to the extent adverse to the Lender in any material respect;

- (k) Interest rate swaps, caps and collars solely for the purpose of hedging interest rate mismatches between the Loans and Eligible Assets (“Permitted Interest Rate Hedges”); and
- (l) Engage in any business other than the purchasing, holding and disposition of Eligible Assets or Temporary Investments either directly or, if a Half Turn Election is in effect, through Financing Subsidiaries to the extent otherwise permitted.

EVENTS OF DEFAULT

Customary for financings of this type, including, without limitation, (such events, “Events of Default”):

Non-payment of principal of the Loans at maturity; non-payment of interest or other amounts owing on the Loans after a grace period to be agreed upon; inaccuracy of representations and warranties in the Credit Documentation in any material respect (or, in the case of representations and warranties qualified by materiality, in any respect); violation of Credit Documentation negative (but not the Asset Coverage Ratio or Leverage Ratio) and affirmative covenants (subject, in the case of certain affirmative covenants, to a grace period to be agreed upon); cross-default to the debt of the Borrower and its Financing Subsidiaries (a materiality threshold of which is to be agreed); bankruptcy events of the Borrower and its Financing Subsidiaries and the General Partner; certain ERISA events; material judgments (a materiality threshold of which is to be agreed); actual or asserted invalidity of any security document or security interest; event of Cause or Key Person Event (and such event of Cause or Key Person Event is not resolved in a manner satisfactory to the Lender within 30 days or such longer period as the Lender in its sole discretion may permit); the withdrawal, commencement of liquidation proceedings, insolvency or dissolution of the General Partner; the UST and the requisite private investors vote to remove the General Partner; and a change of control (the definition of which is to be agreed).

VOTING

Amendments and waivers with respect to the Credit Documentation shall require the approval of the Lender and the Borrower.

EXPENSES AND INDEMNIFICATION

The Borrower shall pay, on and after the Closing Date, (a) all reasonable out-of-pocket expenses of the Agent, the Custodian and the Valuation Agent associated with the preparation, execution and delivery of the Credit Documentation (including the reasonable fees, disbursements and other charges of

counsel), (b) all reasonable out-of-pocket expenses of the Agent, the Custodian and the Valuation Agent associated with the administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel) and (c) all out-of-pocket expenses of the Agent, the Custodian, the Valuation Agent and the Lender (including the reasonable fees, disbursements and other charges of counsel) in connection with the enforcement of the Credit Documentation.

The Agent, the Custodian, the Valuation Agent and the Lender (and their affiliates and their respective officers, directors, employees, advisors and agents) will have no liability for, and will be indemnified and held harmless by the Borrower against, any loss, liability, cost or expense incurred in respect of the financing contemplated hereby or the use or the proposed use of proceeds thereof (with respect to the Custodian and Valuation Agent only, except to the extent resulting from the gross negligence, bad faith or willful misconduct of the indemnified party).

GOVERNING LAW AND FORUM

The law of the State of New York (subject to applicable United States Federal law).

WAIVER OF JURY TRIAL

All parties to the Credit Documentation waive the right to trial by jury.

COUNSEL TO THE LENDER

Simpson Thacher & Bartlett LLP.

CONFIDENTIALITY

The Lender, Agent, Custodian and Valuation Agent will keep confidential any information obtained from the Borrower, the General Partner or any of their Affiliates as part of this Facility (subject to applicable law).

CONFLICTS OF INTERESTS

The General Partner will implement a conflicts of interest mitigation plan reasonably satisfactory to the Lender.

ETHICS

The General Partner will implement a code of ethics reasonably satisfactory to the Lender.

Interest

INTEREST RATE

The Loans will bear interest at a rate per annum equal to the LIBOR Rate plus the Applicable Margin for each Accrual Period. If for any reason a LIBOR Rate cannot be determined, then the rate applicable to the Loans shall be equal to the Prime Rate plus the Applicable Margin (the interest rate applicable to the Loans at a particular time, the “Interest Rate”).

As used herein:

“Prime Rate” means the rate of interest per annum published by the Wall Street Journal from time to time as the prime lending rate.

“Applicable Margin” means (a) initially, (i) in the case of Loans bearing interest at the Prime Rate, if a Half Turn Election is in effect, 1.00%, and if a Full Turn Election is in effect, 0.0%; and (ii) in the case of Loans bearing interest at the LIBOR Rate, if a Half Turn Election is in effect, 2.00%, and if a Full Turn Election is in effect, 1.00% and (b) on and after the date any Third Party Debt is incurred, the greater of (x) 2.00% and (y) 100 basis points higher than the weighted average applicable margin applicable to all Third Party Debt outstanding.

“LIBOR Rate” means the rate for eurodollar deposits for a period equal to one month appearing on Reuters Screen LIBOR01 Page or if such rate ceases to appear on Reuters Screen LIBOR01 Page, on any other service providing comparable rate quotations at approximately 11:00 a.m., London time on the date of determination. The LIBOR Rate applicable to each Accrual Period shall be determined on the second business proceeding the first day of such Accrual Period.

DEFAULT RATE

During an Event of Default, the Applicable Margin shall be 2.00% above the rate otherwise applicable. Overdue interest and other amounts shall bear interest at the rate then applicable to the Loans.

RATE BASIS

All per annum rates shall be calculated on the basis of a 360-day year for the actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

Priority of Payments

On each Loan Payment Date, amounts on deposit in the Custodial Account attributable to the related Collection Period (including amounts held as Temporary Investments) shall be applied in accordance with the following priority; provided that during the Investment Period the General Partner may withdraw funds from the Custodial Account for the purpose of making investments in additional Eligible Assets on any day so long as after giving effect thereto and to the use of proceeds thereof, (i) no incipient or matured Event of Default is then continuing, (ii) the Asset Coverage Test would be satisfied on a *pro forma* basis, (iii) there will be on deposit in the Custodial Account in the reasonable judgment of the General Partner sufficient funds to make the payments required under clauses A.1, A.2 and A.3 below on the next Loan Payment Date, (iv) the Required Interest Reserve Amount would be satisfied on a *pro forma* basis and (v) the General Partner provides certification to the Agent and the Lender to such effect. In addition the General Partner may withdraw funds at any time for the purpose of repaying the Loans or making scheduled payments on Permitted Interest Rate Hedges or Partnership Expenses provided that the conditions in clauses (iii) and (iv) above will be satisfied after giving effect thereto:

A. Non-Default Waterfall

1. Administrative expenses of the Borrower (including the expenses of the Agent, Custodian, Valuation Agent, UST Management Fees, Partnership Expenses and management fees payable by the investors in the Private Vehicles, but excluding taxes);
2. Payments on Permitted Interest Rate Hedges (other than early termination payments attributable to counterparty default);
3. Payment of the current Interest Amount and any other amounts (other than Principal Amount) due to the Lender;
4. To the Interest Reserve Account in an amount equal to the amount, if any, by which the amount on deposit therein is less than the Required Interest Reserve Amount on such date;
5. If the Asset Coverage Test is not satisfied as of the preceding Determination Date, then to the payment of the Principal Amount to the extent necessary to cause such Asset Coverage Test to be satisfied as of such Determination Date or until the Principal Amount has been paid in full;
6. Early termination payments under Permitted Interest Rate Hedges attributable to counterparty default;
7. During the Investment Period and so long as no incipient or matured Event of Default is then continuing, at the option of the General Partner, for investments in Temporary Investments, for investment in Eligible Assets (including by way of contribution to a Financing Subsidiary to the extent then permitted by the terms of the Credit Documentation) or as an optional prepayment of the Loans (in proportions determined by the General Partner);
8. Commencing with the Loan Payment Date occurring in January, 2010, so long as after giving effect to the distribution described in this clause A.8, if the Half Turn Election is in effect, the Asset Coverage Ratio is greater than 300% and, if the Full Turn Election is in effect, the Asset Coverage Ratio is greater than 200%, an amount not to exceed in any period of twelve months (or if shorter, the period commencing on the Closing Date and ending on the last day of the month

immediately preceding such Loan Payment Date), the lesser of (x) 8% of the funded Capital Commitments and (y) the cumulative net interest income of the Borrower for the preceding period of twelve months (or if shorter, the period commencing on the Closing Date and ending on the last day of the month immediately preceding such Loan Payment Date), to the Borrower for distribution to the Partners (to be allocated among the Partners as provided in the Equity Term Sheet);

9. To the payment of the Principal Amount, in amount equal to the lesser of (i) the product of (x) the applicable Prepayment Percentage for either the Half Turn Election or the Full Turn Election, as applicable, multiplied by (y) the amount remaining on deposit in the Custodial Account available to be distributed and (ii) an amount which reduces the Principal Amount to zero (minus any amounts paid on such Loan Payment Date as provided in clauses 5 and 7 above); and
10. So long as no incipient Event of Default is then continuing, to the Borrower for distribution to the Partners (to be allocated among the Partners as provided in the Equity Term Sheet) or as an optional prepayment of the Loans (in proportions determined by the General Partner).

If on any Loan Payment Date the amount on deposit in the Custodial Account and available to pay the amounts described in clauses 2 and 3 above is less than the amount required to pay such amounts in full, the lesser of the amount of such deficiency and the amount then on deposit in the Interest Reserve Account shall be allocated to pay such amounts. If on any Loan Payment Date the amount on deposit in the Interest Reserve Account exceeds the Required Interest Reserve Amount, the amount of such excess shall be available for distribution in accordance with the Priority of Payments.

PREPAYMENT PERCENTAGE

The percentage set forth opposite the applicable period in the following table (the “Prepayment Percentage”):

Period	Prepayment Percentage for Half Turn Election
Year 1	33.3%
Year 2	33.3%
Year 3	33.3%
Year 4	50.0%
Year 5	75.0%
Year 6	100.0%
Year 7	100.0%
Year 8	100.0%
Year 9	100.0%
Year 10	100.0%;

Period	Prepayment Percentage for Full Turn Election
Year 1	50.0%
Year 2	50.0%
Year 3	50.0%
Year 4	75.0%
Year 5	100.0%
Year 6	100.0%

Year 7	100.0%
Year 8	100.0%
Year 9	100.0%
Year 10	100.0%;

provided that, the Prepayment Percentage shall be 100% during the occurrence and continuance of any Event of Default.

B. Default Waterfall

Upon the occurrence and during the continuance of any Event of Default on each Loan Payment Date, amounts on deposit in the Custodial Account attributable to the related Collection Period shall be applied in accordance with the following priority:

1. Permitted administrative expenses of the Borrower (including the expenses of the Agent, Custodian, Valuation Agent and Lender, but excluding General Partner expenses and taxes);
2. Payments on Permitted Interest Rate Hedges that are secured by the Collateral (other than early termination payments attributable to counterparty default);
3. Payment of the Principal Amount, Interest Amount and any other amounts due to the Lender;
4. Early termination payments under Permitted Interest Rate Hedges that are secured by the Collateral attributable to counterparty default; and
5. To the Borrower for distribution to the Partners (to be allocated among the Partners as provided in the Equity Term Sheet) or satisfaction of other obligations of the Borrower.