

**UNITED STATES DEPARTMENT OF THE TREASURY**

January 4, 2010

  
c/o TCW Asset Management Company  
865 S. Figueroa Street  
Los Angeles, CA 90017

**Winding-Up and Liquidation Agreement (this “Agreement”)**

Ladies and Gentlemen:

Reference is made to (i) the Amended and Restated Limited Partnership Agreement of UST/TCW Senior Mortgage Securities Fund, L.P., dated as of September 30, 2009 (as the same may be amended, modified or supplemented from time to time, the “Partnership Agreement”) and (ii) the Loan Agreement, dated as of the date set forth on Schedule A thereto, by and among UST/TCW Senior Mortgage Securities Fund, L.P., as Borrower, The Bank of New York Mellon, as Administrative Agent and Collateral Agent, and The United States Department of the Treasury, as Lender (as the same may be amended, modified or supplemented from time to time, the “Loan Agreement”). Capitalized terms used but not defined herein have the meanings set forth in the Partnership Agreement or the Loan Agreement, as applicable.

The parties hereto wish to enter into this Agreement to amend certain provisions of the Partnership Agreement and Loan Agreement, including to provide for the dissolution and winding up of the Partnership, the cancellation of the Investment Period and UST Management Fee, the release of each Limited Partner from its obligations with respect to its Capital Commitment, the priority of distributions in connection with the Final Distribution and the payment by the General Partner of certain expenses incurred by UST. The parties hereto also wish to provide for the General Partner to backstop a certain amount of the aggregate losses incurred by UST.

Notwithstanding anything to the contrary in the Partnership Agreement or in the Loan Agreement, the parties hereto agree as follows:

1. Winding-up. The parties hereto agree that there shall be deemed to be an Event of Dissolution and the Partnership shall be wound up and liquidated pursuant to the Winding-Up and Liquidation Plan (as defined below). The General Partner shall proceed with the Dissolution Sale and the Final Distribution. In the Dissolution Sale, the General Partner shall use its reasonable best efforts to reduce to Cash and Temporary Investments such assets of the Partnership as the General Partner shall deem it advisable to sell, subject to obtaining fair value for such assets.
2. Winding-Up and Liquidation Plan. The General Partner has provided to UST a winding-up and liquidation plan (the “Winding-Up and Liquidation Plan”) attached hereto as Annex A that (i) describes in detail the steps expected to be taken and the expected timeframe to liquidate the Partnership’s portfolio and (ii) includes a budget of Partnership Expenses expected to be incurred during the winding-up and liquidation. Any

amendment or supplement to the Winding-Up and Liquidation Plan shall require the prior written consent of UST.

3. Capital Commitments/Termination of Investment Period. The General Partner hereby agrees that the Investment Period is hereby terminated and each Limited Partner is hereby released from any future obligation with respect to its Capital Commitment. The General Partner may not admit any additional Limited Partner or permit any existing Partner to increase its Capital Commitment.
4. Capital Contributions. No Limited Partner shall be required to make any Capital Contribution to the Partnership on or after the date hereof.
5. Working Capital Reserve Account. The General Partner hereby represents that (i) Column 1 in Schedule A attached hereto accurately sets forth the amount held in each Partner's Working Capital Reserve Account as of the date of this Agreement and (ii) Column 2 in Schedule A accurately sets forth the amounts held in each Partner's Working Capital Reserve Account that are required to satisfy the existing legally binding obligations of the Partnership pursuant to clause (D) of Section 3.2(b) of the Partnership Agreement. The parties agree that (i) the amounts set forth in Column 3 in Schedule A may be retained by the Partnership and used for Partnership Expenses (the amount set forth in the third row under Column 3 in Schedule A being the "Expense Cap") and (ii) except as described in Section 11 of this Agreement, the Limited Partners shall not be liable for any Partnership Expenses in excess of the Expense Cap. For the avoidance of doubt, the Partnership shall also be permitted to retain Investment Proceeds and Temporary Investment Income for payment of Partnership Expenses up to the Expense Cap. The General Partner hereby agrees that the amounts set forth in Column 4 in Schedule A for UST and the Private Partner shall be refunded to such Partner within two (2) Business Days of the date of this Agreement. The General Partner shall promptly refund any unused amounts retained for Partnership Expenses upon the earlier to occur of (i) notice of its removal as general partner of the Partnership and (ii) the Final Distribution.
6. Partnership Obligations. Neither the General Partner nor any of its Affiliates shall cause the Partnership to (i) incur or enter into any agreement to incur any additional Indebtedness, (ii) acquire (except as permitted pursuant to clause (D) of Section 3.2(b) of the Partnership Agreement), or enter into any agreement to acquire, any Investment or (iii) incur any other obligation (other than obligations that are reasonably necessary or incidental to the disposition of assets and other wind-down activities of the Partnership pursuant to the Winding-Up and Liquidation Plan).
7. Management Fee. No UST Management Fee shall be payable by UST, including any UST Management Fee that has accrued to date, and any such fee is hereby extinguished. Any UST Management Fee previously received by the Fee Recipient shall be refunded to UST within two (2) Business Days of the date of this Agreement. Neither the Partnership nor the Fee Recipient may withhold Investment Proceeds or Temporary Investment Income otherwise distributable to satisfy any amount in respect of the UST Management Fee.
8. Expenses. Within two (2) Business Days of the date hereof, the General Partner shall pay for and reimburse UST in Cash for all documented legal expenses incurred by UST as of the date hereof in connection with the matters contemplated hereby, including in

connection with its capacity as Limited Partner and Lender (“Legal Expenses”). As of the date hereof, UST’s Legal Expenses equal the amount set forth on Schedule B attached hereto. The General Partner shall provide UST with written notice at least ten (10) Business Days prior to the Final Distribution. Not less than five (5) Business Days prior to the Final Distribution, UST shall provide the General Partner with the amount of Legal Expenses incurred from and after the date hereof including any additional amounts estimated in connection with the Winding-Up and Liquidation Plan (“Subsequent Expenses”). The General Partner shall pay for and reimburse UST in Cash the amount of the Subsequent Expenses no later than two (2) Business Days following the Final Distribution.

9. Loss Backstop. To the extent that, after giving effect to the Final Distribution, aggregate distributions from the Partnership to UST in its capacity as Limited Partner and Lender (excluding, for the avoidance of doubt, any amounts returned to UST pursuant to Section 3.2 of the Partnership Agreement and Section 5 of this Agreement) are less than the sum of (i) aggregate Capital Contributions to the Partnership by UST in its capacity as Limited Partner, (ii) the aggregate principal amount of Loans and (iii) all accrued and unpaid interest incurred pursuant to the Loan Agreement (such sum, the “Aggregate Exposure”), the General Partner shall, within two (2) Business Days of the Final Distribution, pay to UST in Cash an amount equal to such shortfall.

The above notwithstanding, in the event that UST removes the General Partner in accordance with Section 12 of this Agreement or suspends the disposition of Investments of the Partnership in accordance with Section 13 of this Agreement (the date the General Partner receives notice of either such event being referred to as the “Determination Date”), the General Partner shall (upon the election of UST in the case of a suspension in accordance with Section 13 of this Agreement), within five (5) Business Days of the Determination Date:

(a) pay UST in Cash an amount equal to the product of:

(i) the positive sum, if any, equal to (x) the aggregate Total Cost (defined below) of all Investments that were sold prior to the Determination Date (such Investments, including Investments for which sell orders are executed prior to the Determination Date and settled after such date, the “Realized Investments” and all Investments that have not been sold prior to the Determination Date being the “Unrealized Investments”) minus (y) the aggregate proceeds actually deposited into the Custodial Account of the Partnership from such Realized Investments minus (z) all Partnership Expenses incurred prior to the Determination Date; multiplied by

(ii) UST’s Percentage Interest (as defined on Schedule B); and

(b) place into an escrow account at the same financial institution as the Custodial Account administered by the Custodian (the “Backstop Account”) an amount (the amount placed into the Backstop Account pursuant to this clause (b) being referred to as the “Escrow Payment”) equal to:

(i) the positive sum, if any, if clause (1) below is greater than clause (2), of

1. the aggregate Total Cost of all Unrealized Investments minus

2. the aggregate Fair Market Value of all Unrealized Investments as of the Determination Date minus
3. the amount, if any, by which the aggregate proceeds actually deposited into the Custodial Account of the Partnership from Realized Investments exceeded the sum of (x) aggregate Total Cost of all Realized Investments and (y) all Partnership Expenses incurred prior to the Determination Date; multiplied by

(ii) UST's Percentage Interest.

(c) In the event that, after giving effect to the Final Distribution, the aggregate Total Cost of all Unrealized Investments is greater than:

(i) the aggregate proceeds actually deposited into the Custodial Account of the Partnership from Unrealized Investments minus

(ii) the aggregate Partnership Expenses incurred following the Determination Date (such difference being the "Net Unrealized Proceeds");

(such excess being the "Ultimate Unrealized Shortfall"), the General Partner shall cause to be distributed to UST from the Backstop Account an amount equal to the lesser of:

(x) an amount equal to (I) the Escrow Payment plus (II) the sum of (x) all management or other fees and expenses paid by UST to the replacement general partner and (y) all out-of-pocket expenses incurred by UST in connection with the removal and replacement of the general partner (the amount in this clause (II) being the "UST Fees and Expenses") and

(y) an amount equal to (I) the Ultimate Unrealized Shortfall multiplied by (II) UST's Percentage Interest plus (III) UST Fees and Expenses.

For the avoidance of doubt, any amount remaining in the Backstop Account after the distribution, if any, made under this Section 9(c) shall be released to the General Partner.

(d) In the event that, after giving effect to the Final Distribution, Net Unrealized Proceeds is greater than the aggregate Total Cost of all Unrealized Investments (such difference being, the "Ultimate Unrealized Gain"), then

(i) if the amount equal to (I) the Ultimate Unrealized Gain multiplied by (II) UST's Percentage Interest minus (III) the UST Fees and Expenses (such amount, the "Final Calculation") is greater than zero, the full Escrow Payment shall be released to the General Partner; and

(ii) if the Final Calculation is less than zero, the General Partner shall cause to be distributed to UST from the Backstop Account an amount equal to the lesser of the Escrow Payment and the absolute value of the Final Calculation.

“Total Cost” shall mean the total cost of each Investment as set forth in Column J on Schedule C attached hereto.

Notwithstanding anything set forth herein to the contrary, the aggregate liability of the General Partner pursuant to this Section 9 shall not exceed the Maximum Exposure as defined on Schedule B.

10. Repayment of Indebtedness. Notwithstanding anything in the Loan Agreement to the contrary, other than amounts payable on each Loan Payment Date for Permitted Borrower Administrative Expenses (excluding Partnership Expenses) as permitted pursuant to Section 2.07(b) of the Loan Agreement and only Partnership Expenses permitted by this Agreement, any amounts on deposit from time to time in the Custodial Account and the Interest Reserve Account and any other amounts shall be immediately paid to the Lender for the payment of the aggregate principal amount of the Loans and all accrued and unpaid interest on the Loans and other amounts owing under the Loan Agreement to the Lender in its capacity as such until all such amounts have been repaid in full, in each case whether or not then due. The Lender hereby agrees that, notwithstanding any Event of Default under the Loan Agreement that may occur as a result of the Key Person Event for which notice was provided to the Lender on December 4, 2009, until such time that the Lender notifies the Borrower otherwise, interest payable on any Loan under the Loan Agreement will not bear interest at the Default Rate as a result of such Event of Default.
11. Distributions. Notwithstanding Section 3.4(f) of the Partnership Agreement and subject to Section 10 of this Agreement, Investment Proceeds and Temporary Investment Income may not be retained by the Partnership for any purpose, other than for payment of any other Partnership Expenses permitted by this Agreement. Following distribution by the Partnership to UST of an amount equal to the Aggregate Exposure and before any other distributions under this Agreement or the Partnership Agreement, the Partnership may apply the Partnership Expenses Percentage (as defined on Schedule B) of any Investment Proceeds and Temporary Investment Income to the payment of any Partnership Expenses that exceed the Expense Cap; *provided* that the aggregate amount of Partnership Expenses payable pursuant to this sentence shall not exceed the Maximum Amount (as defined on Schedule B). For the avoidance of doubt, the Remaining Percentage (as defined on Schedule B) of Investment Proceeds and Temporary Investment Income not applied in accordance with the preceding sentence shall be distributed to the Partners in accordance with Section 3.5 of the Partnership Agreement. Subject to the foregoing, all distributions shall be made in accordance with Section 8.3 of the Partnership Agreement.
12. No Fault Removal of the General Partner. UST at any time may require the removal, effective immediately upon notice to the General Partner of such removal, of the General Partner from the Partnership (a “No Fault Removal”) and the appointment of another Person as general partner or liquidator of the Partnership (which liquidator or general partner, as applicable, shall be approved by UST and a Majority in Interest of the Private Investors).
13. Suspension. UST at any time may require the suspension, effective immediately upon notice to the General Partner, of any direct or indirect dispositions of any Investments by the Partnership except to the extent the General Partner determines in good faith that a disposition is necessary to avoid a material loss to the Partnership.


14. Key Person Event. The General Partner shall provide prompt notice of any Key Person Event as defined on Schedule B.
15. Guarantee. TCW (the “Guarantor”) hereby unconditionally and irrevocably guarantees, for the benefit of UST, the payment in Cash and performance when due of the General Partner’s obligations to UST pursuant to Sections 8 and 9 of this Agreement (the “Giveback Obligation”), and to the extent that for any reason the General Partner shall fail to fully and punctually to pay and perform the Giveback Obligation, the Guarantor shall pay to UST such amount in Cash.
16. MFN. For the avoidance of doubt, the provisions of Section 11.2 of the Partnership Agreement shall apply with respect to any agreement entered into by the General Partner or any of its Affiliates with any Private Vehicle, Feeder Vehicle or Private Investor in connection with any of the matters contemplated herein.

This Agreement is subject to and without waiver of all of UST’s rights in law and equity, including, without limitation its rights to pursue claims for damages and other relief against the General Partner and any of its Affiliates arising out of UST’s investment in the Partnership, as a Limited Partner and/or its role as Lender under the Loan Agreement, it being understood that the General Partner has entered into this Agreement with UST without any impairment of any other rights it may have. This Agreement constitutes a valid and binding agreement of the General Partner, on its own behalf and on behalf of the Partnership. In the event of any inconsistency between the terms and provisions of this Agreement and the terms and provisions of the Partnership Agreement or the Loan Documents, the terms and provisions of this Agreement shall supersede and control the terms and provisions of the Partnership Agreement and the Loan Documents.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York and may be executed in any number of counterparts, any one of which need not contain the signatures of more than one party, but all of such counterparts together shall constitute one agreement.

If the foregoing terms and conditions are acceptable to you, please execute and return to us the executed letter.

UNITED STATES DEPARTMENT OF THE  
TREASURY, as a Limited Partner in the  
Partnership and as Lender

By:   
Name: David Miller  
Title: Acting Chief Investment Officer

ACCEPTED AND AGREED:

