



UNITED STATES
**DEPARTMENT OF
THE TREASURY**



LEGACY SECURITIES PUBLIC-PRIVATE INVESTMENT PROGRAM

Program Update – Quarter Ended December 31, 2010

January 24, 2011

OVERVIEW

Introduction

This is the fifth quarterly report on the Legacy Securities Public-Private Investment Program (“PPIP”). This report includes a summary of PPIP capital activity, portfolio holdings and current pricing, and program and fund performance. Treasury expects to provide additional information as the program continues to mature in subsequent quarterly reports.

PPIP Overview

PPIP is designed to support market functioning and facilitate price discovery in the mortgage-backed securities markets, allowing banks and other financial institutions to re-deploy capital and extend new credit to households and businesses. The investment objective of PPIP is to generate attractive returns for taxpayers and private investors through long-term opportunistic investments in Eligible Assets (as defined below) by following predominantly a buy and hold strategy. Under the program, Treasury has committed \$22.1 billion of equity and debt in public-private investment funds (“PPIFs”) established by private sector fund managers for the purpose of purchasing Eligible Assets. The fund managers and private investors have also committed capital to the funds. PPIFs have eight-year terms which may be extended for consecutive periods of up to one-year each, up to a maximum of two years. To qualify for purchase by a PPIF, the securities must have been issued prior to 2009 and have originally been rated AAA – or an equivalent rating by two or more nationally recognized statistical rating organizations – without ratings enhancement and must be secured directly by the actual mortgage loans, leases, or other assets (“Eligible Assets”).

Please see page 9 of this program update for a glossary of terms used throughout this document. Additional information on PPIP can also be found at www.financialstability.gov.

Neither this report nor the information contained herein constitutes an offer to sell or the solicitation of an offer to buy any securities. Any such offer or solicitation with respect to any PPIF may only be made by the applicable fund manager. This presentation has not been reviewed by any of the fund managers.



CAPITAL ACTIVITY

Set forth below is a summary of equity and debt capital commitments by PPIF. The PPIFs have completed their fundraising and have closed on approximately \$7.4 billion of private sector equity capital commitments, which has been matched 100 percent by Treasury, representing \$14.7 billion of total equity capital commitments. Treasury has also provided \$14.7 billion of debt capital commitments, representing \$29.4 billion of total purchasing power.

Summary of Capital Commitments by PPIF (\$ in Millions)

Fund	Closing Date	Closed Equity and Debt Capital Commitments ⁽¹⁾			
		Private Equity	Treasury Equity	Treasury Debt	Purchasing Power
AG GECC PPIF Master Fund, L.P.	10/30/09	\$ 1,243	\$ 1,243	\$ 2,487	\$ 4,973
AllianceBernstein Legacy Securities Master Fund, L.P.	10/02/09	1,150	1,150	2,301	4,602
Blackrock PPIF, L.P.	10/02/09	695	695	1,390	2,780
Invesco Legacy Securities Master Fund, L.P.	09/30/09	856	856	1,712	3,424
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	11/25/09	475	475	949	1,898
Oaktree PPIP Fund, L.P.	12/18/09	1,161	1,161	2,322	4,643
RLJ Western Asset Public/Private Master Fund, L.P.	11/05/09	621	621	1,241	2,482
Wellington Management Legacy Securities PPIF Master Fund, LP	10/01/09	1,149	1,149	2,299	4,598
Total Program Closed Commitments		\$ 7,350	\$ 7,350	\$ 14,700	\$ 29,400

⁽¹⁾ Excludes \$4.1 billion in total purchasing power within UST/TCW Senior Mortgage Securities Fund, L.P., which was wound-up and liquidated during 1Q 2010. Treasury realized a profit of \$20.1 million on its \$156.3 million equity investment in UST/TCW Senior Mortgage Securities Fund, L.P., equal to a 1.13x multiple of paid in capital on Treasury's equity.



CAPITAL ACTIVITY

Set forth below is a summary of equity and debt paid in capital⁽¹⁾ by PPIF. As of December 31, 2010, the PPIFs have drawn-down approximately \$20.4 billion of the total capital committed (69.3% of total purchasing power), which has been invested in Eligible Assets and cash equivalents pending investment. In addition, Treasury has received approximately \$314 million in net cumulative equity distributions, approximately \$85 million in cumulative interest payments and approximately \$237 million in cumulative debt principal payments from the PPIFs as of December 31, 2010.

Summary of Paid in Capital by PPIF (\$ in Millions)

Fund	Inception Date	Purchasing Power	Paid in Capital ⁽¹⁾				Purchasing Power
			Private Equity	Treasury Equity	Treasury Debt	Total	
AG GECC PPIF Master Fund, L.P.	11/12/09	\$ 4,973	\$ 1,055	\$ 1,055	\$ 2,110	\$ 4,221	84.9%
AllianceBernstein Legacy Securities Master Fund, L.P.	10/23/09	4,602	978	978	1,955	3,911	85.0%
Blackrock PPIF, L.P.	10/16/09	2,780	528	528	1,053	2,109	75.9%
Invesco Legacy Securities Master Fund, L.P.	10/13/09	3,424	581	581	1,162	2,324	67.9%
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	12/15/09	1,898	380	380	716	1,475	77.7%
Oaktree PPIP Fund, L.P.	02/19/10	4,643	117	117	141	375	8.1%
RLJ Western Asset Public/Private Master Fund, L.P.	11/23/09	2,482	621	621	1,241	2,482	100.0%
Wellington Management Legacy Securities PPIF Master Fund, LP	10/19/09	4,598	921	921	1,646	3,488	75.9%
Total Paid in Capital ⁽¹⁾		\$ 29,400	\$ 5,180	\$ 5,180	\$ 10,024	\$ 20,385	69.3%

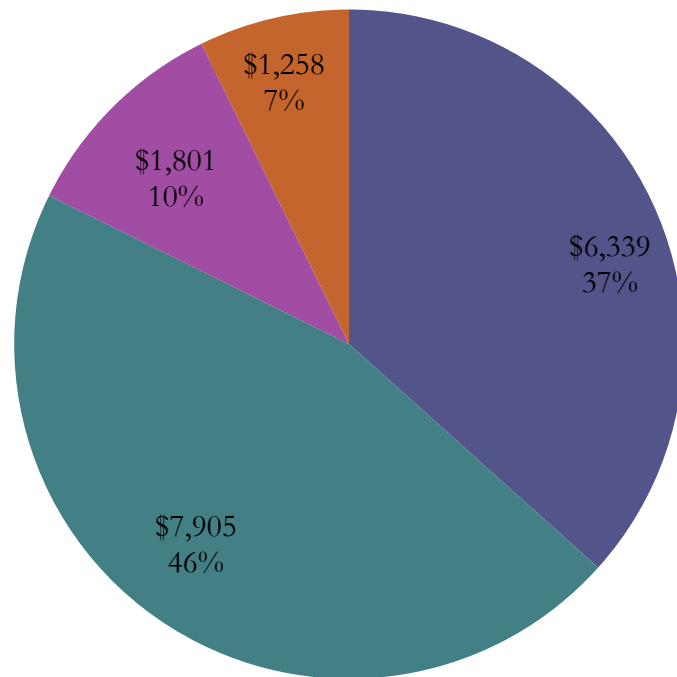
⁽¹⁾ Excludes net cumulative equity distributions and cumulative debt principal payments.



PORTFOLIO HOLDINGS – SUMMARY BY SECTOR

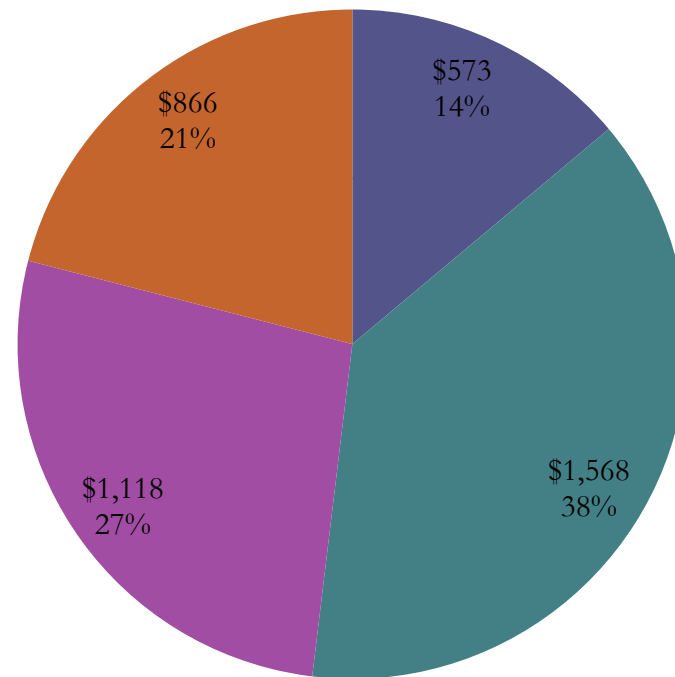
The total market value of Non-Agency RMBS and CMBS held by all PPIFs was approximately \$21.5 billion as of December 31, 2010. Approximately 81% of the portfolio holdings are Non-Agency RMBS and 19% are CMBS. The charts below show composition of Eligible Assets by sector⁽¹⁾.

Non-Agency RMBS⁽²⁾ – \$17.3 Billion



■ Prime ■ Alt-A ■ Subprime ■ Option ARM
(\$ in Millions)

CMBS – \$4.1 Billion



■ Super Senior ■ AM ■ AJ ■ Other CMBS
(\$ in Millions)

(1) Please see page 9 for a glossary of Non-agency RMBS and CMBS sector definitions.

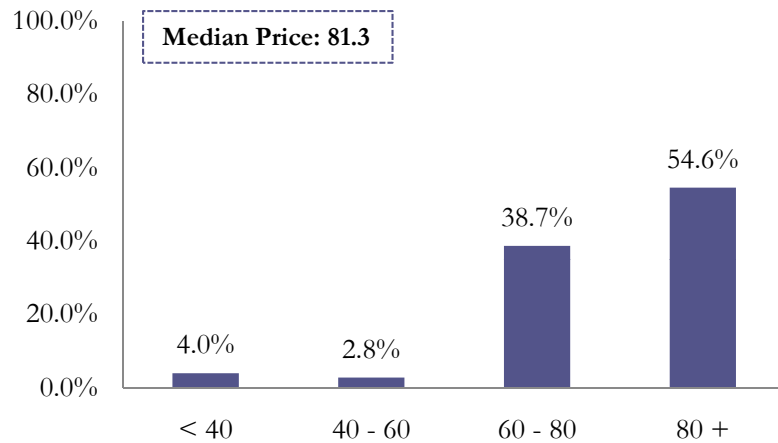
(2) Non-agency RMBS chart excludes \$37 million of Other RMBS.



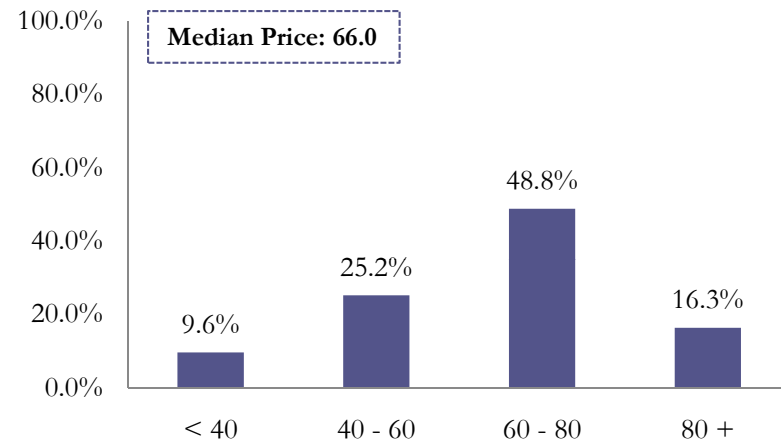
PORTFOLIO HOLDINGS – NON-AGENCY RMBS

The charts below illustrate the range of market prices of Non-Agency RMBS held by all PPIFs as of December 31, 2010. Prices are expressed as a percent of par value.

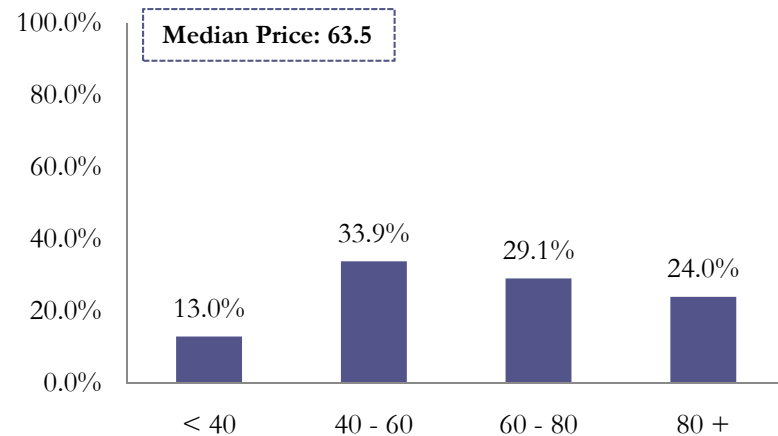
Prime



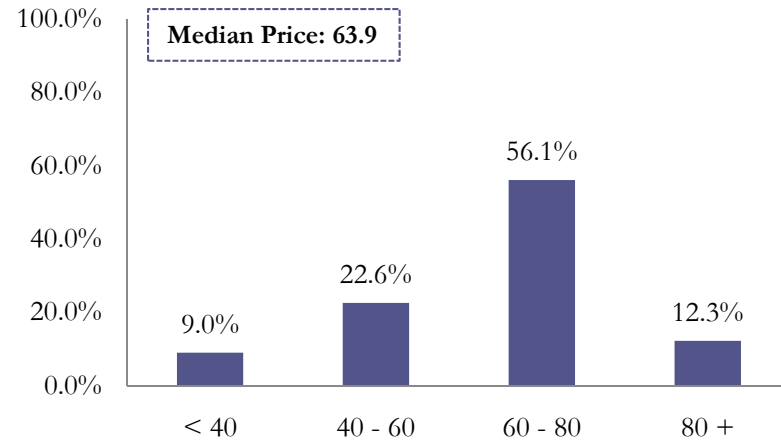
Alt-A



Subprime



Option ARM



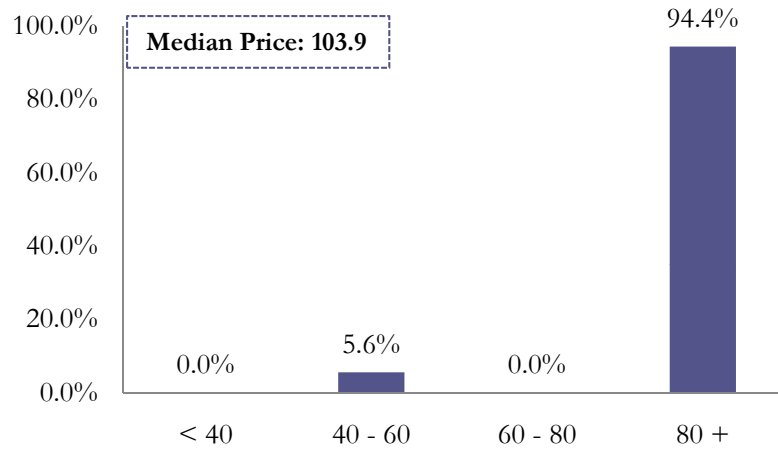
Note: Pricing is based on UST valuation process on a consistent basis across all PPIFs. Excludes Other RMBS.



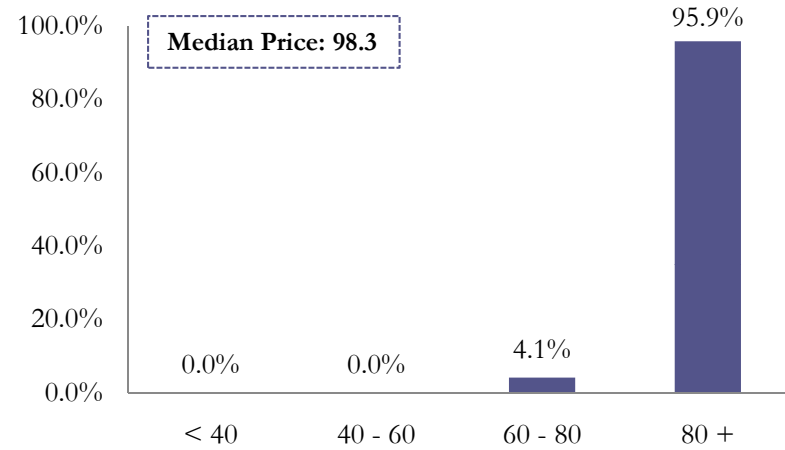
PORTFOLIO HOLDINGS – CMBS

The charts below illustrate the range of market prices of CMBS held by all PPIFs as of December 31, 2010. Prices are expressed as a percent of par value.

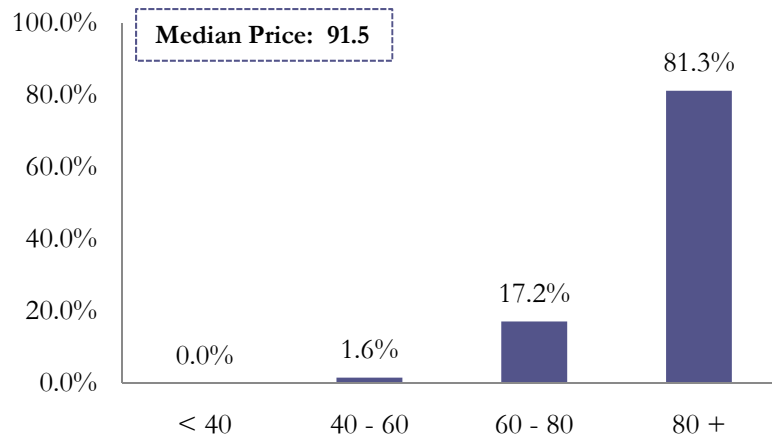
Super Senior



AM



AJ



Note: Pricing is based on UST valuation process on a consistent basis across all PPIFs. Excludes Other CMBS.



PERFORMANCE

Set forth below is a summary of performance of Treasury's equity since inception for the program and by fund manager. Note performance will vary among PPIFs due to different risk/return objectives, leverage ratios, and sector allocations among other reasons. The influence of these factors as well as others on performance may evolve over time based on market conditions. PPIFs still remain in the early stages of their three-year investment periods and early performance may be disproportionately impacted by structuring and transaction costs and the pace of capital deployment by each PPIF. Because of this, industry practice counsels that, at this stage, any performance analysis done on these funds would not generate meaningful results and it would be premature to draw any long-term conclusions about the performance of individual PPIFs or PPIP in general from the data reported to date. It should be noted that the current and past performance of a PPIF is not indicative of its future performance.

Performance Since Inception as of December 31, 2010 (\$ in Millions)

Program - Cumulative Performance	Capital Commitment	Paid in Capital	Net Cumulative Distributions ⁽¹⁾	Net Ending Capital ⁽¹⁾	Net Multiple of Paid in Capital ⁽¹⁾⁽²⁾
Treasury Equity	\$ 7,350	\$ 5,180	\$ 314	\$ 6,262	1.27x

⁽¹⁾ Net of management fees and expenses attributable to Treasury's equity.

⁽²⁾ Calculated as the sum of Net Cumulative Distributions received and Ending Capital balance of Treasury's equity position as a multiple of Paid in Capital.

Fund	Inception Date	Net Time Weighted Cumulative Return Since Inception ⁽¹⁾⁽²⁾	Net Internal Rate of Return Since Inception ⁽¹⁾⁽³⁾	Net Multiple of Paid in Capital ⁽¹⁾⁽⁴⁾
AG GECC PPIF Master Fund, L.P.	11/12/09	63.6%	59.7%	1.36x
AllianceBernstein Legacy Securities Master Fund, L.P.	10/23/09	35.0%	37.4%	1.29x
Blackrock PPIF, L.P.	10/16/09	41.6%	35.7%	1.30x
Invesco Legacy Securities Master Fund, L.P.	10/13/09	34.8%	30.8%	1.22x
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	12/15/09	37.2%	42.8%	1.28x
Oaktree PPIP Fund, L.P.	02/19/10	19.2%	27.8%	1.17x
RLJ Western Asset Public/Private Master Fund, L.P.	11/23/09	36.2%	34.8%	1.28x
Wellington Management Legacy Securities PPIF Master Fund, LP	10/19/09	24.4%	23.8%	1.15x

⁽¹⁾ Net of management fees and expenses attributable to Treasury's equity.

⁽²⁾ Time-weighted geometrically linked return calculated on a consistent basis across all PPIFs.

⁽³⁾ Dollar-weighted rate of return calculated on a consistent basis across all PPIFs.

⁽⁴⁾ Calculated as the sum of Net Cumulative Distributions received and Ending Capital balance of Treasury's equity position as a multiple of Paid in Capital.



GLOSSARY OF TERMS

Non-Agency Residential Mortgage-Backed Securities (RMBS)

Non-Agency Residential Mortgage Backed Securities (RMBS): Type of mortgage-backed security that is secured by loans on residential properties that are not issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae, or any other United States federal government-sponsored enterprise (GSE) or a United States federal government agency. Non-Agency RMBS are typically classified by underlying collateral / type of mortgage (i.e. Prime, Alt-A, Subprime, Option ARM).

Prime: Mortgage loan made to a borrower with good credit that generally meets the lender's strictest underwriting criteria. Non-Agency Prime loans generally are loans that exceed the dollar amount eligible for purchase by the GSEs (jumbo loans), but may include lower balance loans as well.

Alt-A: Mortgage loan made to a borrower with good credit but with limited documentation, or other characteristics that do not meet the standards for Prime loans. An Alt-A loan may have a borrower with a lower FICO score, a higher loan-to-value ratio, or limited or no documentation compared to a Prime loan.

Subprime: Mortgage loan made to a borrower with poor credit, typically having a FICO score of 620 or less.

Option ARM: Mortgage loan that gives the borrower a set of choices of how much interest and principal to pay each month. This may result in negative amortization (i.e. an increasing loan principal balance over time).

Commercial Mortgage-Backed Securities (CMBS)

Commercial Mortgage Backed Securities (CMBS): Type of mortgage-backed security that is secured by loans on commercial properties such as office buildings, retail buildings, apartment buildings, hotels, etc. CMBS are typically classified by position in the capital structure (i.e. Super Senior, AM, AJ).

Super Senior: Most senior originally rated AAA bonds in a CMBS securitization with the highest level of credit enhancement. Credit enhancement refers to the percentage of the underlying mortgage pool by balance that must be written down before the bond experiences any losses. Super Senior bonds often comprised 70% of a securitization and therefore had 30% credit enhancement at issuance.

AM: Mezzanine-level originally rated AAA bond. AM bonds often comprised 10% of a CMBS securitization and therefore had 20% credit enhancement at issuance, versus 30% for Super Senior bonds.

AJ: The most junior bond in a CMBS securitization that attained a AAA rating at issuance.

