



UNITED STATES
**DEPARTMENT OF
THE TREASURY**



LEGACY SECURITIES PUBLIC-PRIVATE INVESTMENT PROGRAM

Program Update – Quarter Ended March 31, 2012

April 19, 2012

OVERVIEW

Introduction

This is the tenth 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 originally 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.

The performance-related returns and valuations in this report are calculated using an independent third-party market methodology and are not official Treasury estimates as reported in the Financial Statements or the President’s Budget. Furthermore, performance-related returns, as used in this report, may differ materially from estimates reported in the Financial Statements or the President’s Budget, which are calculated pursuant to the requirements of the Federal Credit Reform Act of 1990. Treasury’s Financial Statements and the President’s Budget can be found at www.financialstability.gov and www.whitehouse.gov/omb/budget, respectively.



CAPITAL ACTIVITY

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

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

| Fund | Closing Date | Original Equity and Debt Capital Commitments ⁽¹⁾⁽²⁾ | | | |
|--|--------------|--|-----------------|------------------|------------------|
| | | 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 Original Program Commitments | | \$ 7,350 | \$ 7,350 | \$ 14,700 | \$ 29,400 |

⁽¹⁾ Excludes the effect of any repayments or reductions in the amount of outstanding obligations.

⁽²⁾ 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 March 31, 2012, the PPIFs have drawn-down approximately \$23.4 billion of the total original capital committed (79.4% of total original purchasing power), which has been invested in Eligible Assets and cash equivalents pending investment. Excluding PPIFs that have completed their Investment Period, the PPIFs have drawn-down approximately \$21.0 billion of the total capital committed (81.0% of total purchasing power). In addition, Treasury has received approximately \$1.5 billion in net cumulative equity distributions, approximately \$245 million in cumulative interest payments and approximately \$1.7 billion in cumulative debt principal payments from the PPIFs as of March 31, 2012.

In March 2012, Invesco Legacy Securities Master Fund, L.P. (Invesco) became the first of eight remaining PPIFs to sell its remaining investments and return substantially all of the proceeds to Treasury and its private investors. Invesco is expected to retain a small amount of capital to satisfy remaining obligations of the fund, with a wind up and final liquidation expected to occur in the coming months.

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

| Fund | Original Purchasing Power | Gross Paid in Capital ⁽¹⁾ | | | | % Original Purchasing Power | Gross Distributions ⁽²⁾ | | | | |
|---|---------------------------|--------------------------------------|-----------------|---------------|-----------|-----------------------------|------------------------------------|-----------------|---------------|------------------|----------|
| | | Private Equity | Treasury Equity | Treasury Debt | Total | | Private Equity | Treasury Equity | Treasury Debt | Treasury Warrant | Total |
| Investment Period Open | | | | | | | | | | | |
| AG GECC PPIF Master Fund, L.P. | \$ 4,973 | \$ 1,117 | \$ 1,117 | \$ 2,235 | \$ 4,470 | 89.9% | \$ 325 | \$ 325 | \$ 373 | \$ - | \$ 1,024 |
| AllianceBernstein Legacy Securities Master Fund, L.P. | 4,602 | 1,064 | 1,064 | 2,128 | 4,256 | 92.5% | 167 | 167 | 30 | - | 365 |
| Blackrock PPIF, L.P. | 2,780 | 528 | 528 | 1,053 | 2,109 | 75.9% | 3 | 3 | - | - | 6 |
| Marathon Legacy Securities Public-Private Investment Partnership, | 1,898 | 475 | 475 | 949 | 1,898 | 100.0% | 12 | 12 | - | - | 25 |
| Oaktree PPIP Fund, L.P. | 4,643 | 369 | 369 | 737 | 1,475 | 31.8% | 92 | 92 | 158 | - | 342 |
| RLJ Western Asset Public/Private Master Fund, L.P. | 2,482 | 621 | 621 | 1,241 | 2,482 | 100.0% | 106 | 106 | 14 | - | 225 |
| Wellington Management Legacy Securities PPIF Master Fund, LP | 4,598 | 1,149 | 1,149 | 2,041 | 4,340 | 94.4% | 87 | 87 | - | - | 173 |
| Investment Period Open - Total Paid in Capital ⁽¹⁾ | \$ 25,976 | \$ 5,323 | \$ 5,323 | \$ 10,384 | \$ 21,030 | 81.0% | \$ 792 | \$ 792 | \$ 575 | \$ - | \$ 2,158 |
| Investment Period Closed | | | | | | | | | | | |
| Invesco Legacy Securities Master Fund, L.P. ⁽³⁾ | 3,424 | 581 | 581 | 1,162 | 2,324 | 67.9% | 715 | 718 | 1,162 | 3 | 2,599 |
| Total PPIP - Total Paid in Capital ⁽¹⁾ | \$ 29,400 | \$ 5,904 | \$ 5,904 | \$ 11,546 | \$ 23,354 | 79.4% | \$ 1,507 | \$ 1,510 | \$ 1,737 | \$ 3 | \$ 4,757 |

⁽¹⁾ Excludes the effect of any repayments or reductions in the amount of outstanding obligations.

⁽²⁾ Excludes the effects of management fees and expenses attributable to either Private Equity or Treasury Equity.

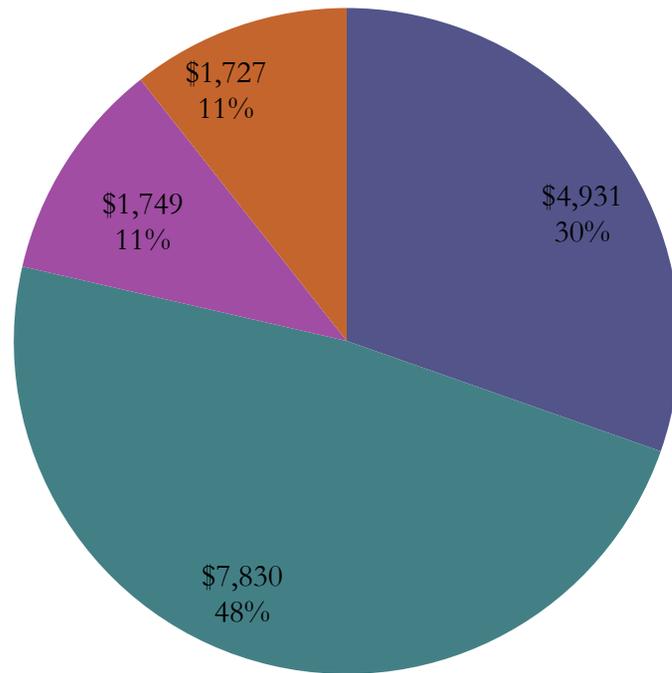
⁽³⁾ On 9/26/11, Invesco notified Treasury that the Investment Period for the PPIF was terminated. As a result, Treasury's debt obligation was reduced by approximately \$550 million to reflect the amount of debt funded and outstanding at this time (\$345 million). In March 2012, Invesco completed the sale of its remaining holdings of Eligible Assets, returning substantially all of its proceeds to Treasury and the private investors as well as fully repaying the Treasury debt. Treasury's equity obligation will be reduced upon the final wind-up and liquidation of the fund.



PORTFOLIO HOLDINGS – SUMMARY BY SECTOR

The total market value of Non-Agency RMBS and CMBS held by all PPIFs was approximately \$21.1 billion as of March 31, 2012. Approximately 77% of the portfolio holdings are Non-Agency RMBS and 23% are CMBS. The charts below show composition of Eligible Assets by sector⁽¹⁾.

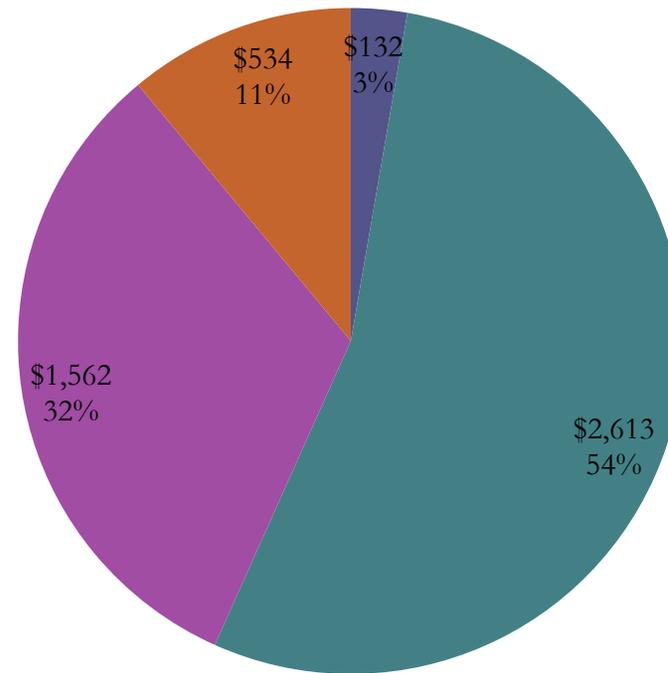
Non-Agency RMBS⁽²⁾ – \$16.3 Billion



■ Prime ■ Alt-A ■ Subprime ■ Option ARM

(\$ in Millions)

CMBS – \$4.8 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 \$50 million of Other RMBS.

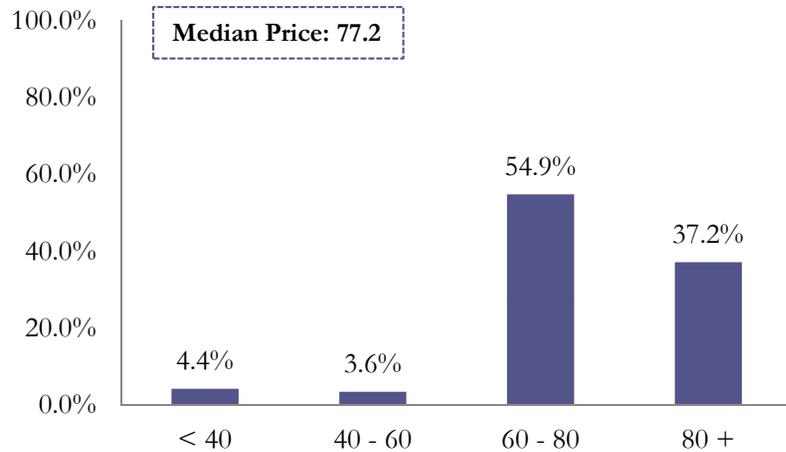
Note: Graphs and figures exclude Invesco, which completed the sale of its remaining holdings of Eligible Assets in March 2012, returning substantially all of its proceeds to Treasury and the private investors.



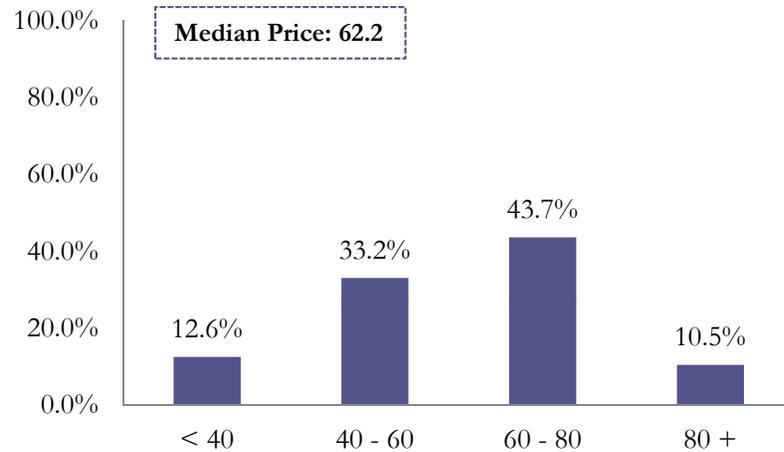
PORTFOLIO HOLDINGS – NON-AGENCY RMBS

The charts below illustrate the range of market prices of Non-Agency RMBS held by all PPIFs as of March 31, 2012. Prices are expressed as a percent of par value.

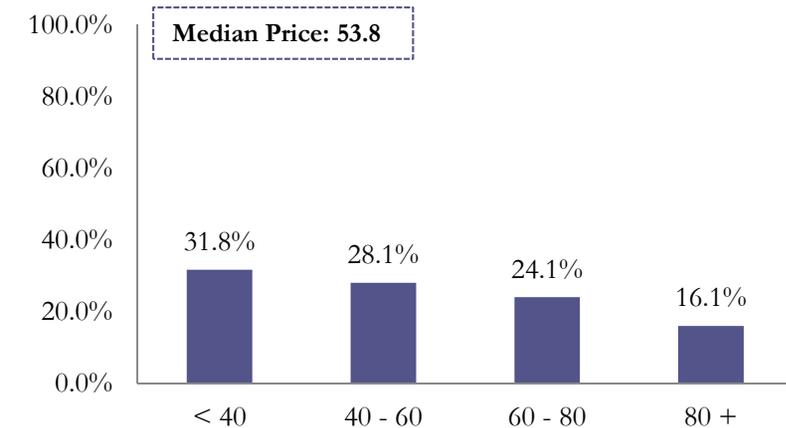
Prime



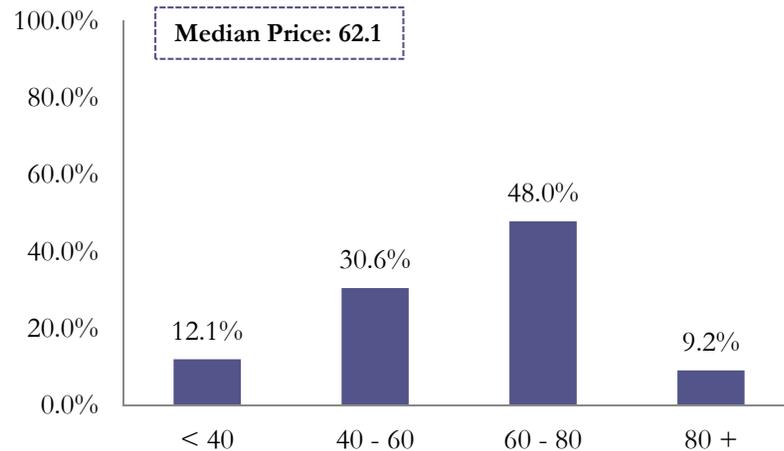
Alt-A



Subprime



Option ARM



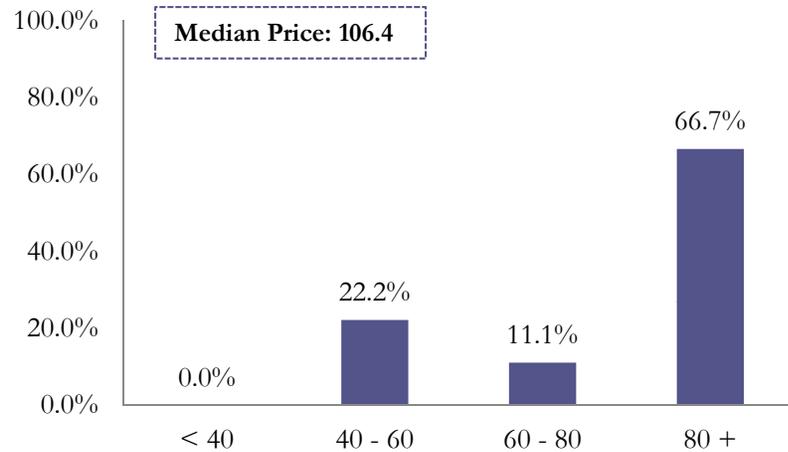
Note: Pricing is based on UST valuation process on a consistent basis across all PPIFs. Excludes Other RMBS. Graphs and figures exclude Invesco, which completed the sale of its remaining holdings of Eligible Assets in March 2012, returning substantially all of its proceeds to Treasury and the private investors.



PORTFOLIO HOLDINGS – CMBS

The charts below illustrate the range of market prices of CMBS held by all PPIFs as of March 31, 2012. Prices are expressed as a percent of par value.

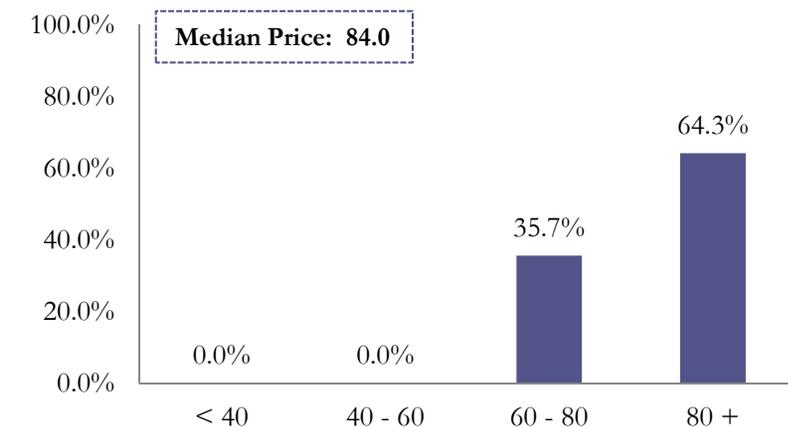
Super Senior



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 have been investing for more than two years and have less than nine months remaining on their three-year investment periods. Performance to date may be disproportionately impacted by the pace of capital deployment by each PPIF. Because of this, industry practice counsels that, at this stage, performance analysis done on funds that have yet to complete their investment strategies would not generate meaningful results and it would be premature to draw long-term conclusions about the performance of active 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 March 31, 2012 (\$ in Millions)

| Program - Cumulative Performance | Original Capital Commitment ⁽¹⁾ | Paid in Capital | Net Cumulative Distributions ⁽²⁾ | Net Ending Capital ⁽²⁾ | Net Multiple of Paid in Capital ⁽²⁾⁽³⁾ |
|---|---|------------------------|--|--|--|
| Total - Treasury Equity | \$ 7,350 | \$ 5,904 | \$ 1,485 | \$ 6,140 | 1.29x |

⁽¹⁾ Excludes the effect of any repayments or reductions in the amount of outstanding obligations.

⁽²⁾ Net of management fees and expenses attributable to Treasury's equity.

⁽³⁾ 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 | Investment Inception Date | Investment Period End Date ⁽¹⁾ | Net Time Weighted Cumulative Return Since Inception ⁽²⁾⁽³⁾ | Net Internal Rate of Return Since Inception ⁽²⁾⁽⁴⁾ | Net Multiple of Paid in Capital ⁽²⁾⁽⁵⁾ |
|---|----------------------------------|--|--|--|--|
| Investment Period Open | | | | | |
| AG GECC PPIF Master Fund, L.P. | 11/12/09 | 10/30/12 | 71.4% | 20.2% | 1.38x |
| AllianceBernstein Legacy Securities Master Fund, L.P. | 10/23/09 | 10/02/12 | 42.4% | 16.7% | 1.33x |
| Blackrock PPIF, L.P. | 10/16/09 | 10/02/12 | 51.5% | 17.0% | 1.39x |
| Marathon Legacy Securities Public-Private Investment Partnership, | 12/15/09 | 11/25/12 | 43.6% | 14.5% | 1.27x |
| Oaktree PPIP Fund, L.P. | 02/19/10 | 12/18/12 | 41.1% | 20.9% | 1.21x |
| RLJ Western Asset Public/Private Master Fund, L.P. | 11/23/09 | 11/05/12 | 52.1% | 19.1% | 1.41x |
| Wellington Management Legacy Securities PPIF Master Fund, LP | 10/19/09 | 10/01/12 | 24.6% | 7.6% | 1.13x |
| Investment Period Closed | | | | | |
| Invesco Legacy Securities Master Fund, L.P. | 10/13/09 | 09/26/11 | 33.5% | 18.2% | 1.23x |

⁽¹⁾ Expires on or before the third anniversary of the PPIF's Initial Closing.

⁽²⁾ Net of management fees and expenses attributable to Treasury's equity.

⁽³⁾ Time-weighted geometrically linked return calculated on a consistent basis across all PPIFs. With respect to Invesco, this figure was calculated through March 29, 2012, and will not be calculated going forward, as the PPIF completed the sale of its remaining holdings of Eligible Assets in March 2012, returning substantially all of its proceeds to Treasury and the private investors.

⁽⁴⁾ Dollar-weighted rate of return calculated on a consistent basis across all PPIFs.

⁽⁵⁾ 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.

