



UNITED STATES
**DEPARTMENT OF
THE TREASURY**



LEGACY SECURITIES PUBLIC-PRIVATE INVESTMENT PROGRAM

Program Update – Quarter Ended December 31, 2012

January 30, 2013

OVERVIEW

Introduction

This is the thirteenth 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.

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.treasury.gov/initiatives/financial-stability/Pages/default.aspx.

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.treasury.gov/initiatives/financial-stability/Pages/default.aspx and www.whitehouse.gov/omb/budget, respectively.



CAPITAL ACTIVITY

Following is a summary of the original equity and debt capital commitments by PPIF. The PPIFs completed their fundraising and closed on approximately \$7.5 billion of private sector equity capital commitments, which were matched 100 percent by Treasury, representing \$15 billion of total original equity capital commitments. Treasury also provided \$14.9 billion of debt capital commitments, representing \$29.9 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⁾			
		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
UST/TCW Senior Mortgage Securities Fund, L.P.	09/30/09	156	156	200	513
Wellington Management Legacy Securities PPIF Master Fund, LP	10/01/09	1,149	1,149	2,299	4,598
Total Original Program Commitments		\$ 7,506	\$ 7,506	\$ 14,900	\$ 29,913

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



CAPITAL ACTIVITY

Following is a summary of equity and debt paid in capital⁽¹⁾ by PPIF. As of December 31, 2012, the PPIFs have drawn-down approximately \$24.9 billion of the total original capital committed (83.2% of total original purchasing power), which has been invested in Eligible Assets and cash equivalents, of which \$18.6 billion represents Treasury's investment in the program. As of December 31, 2012 the investment period has ended for all PPIFs.

As of December 31, 2012 Treasury has received a total of \$17.3 billion made up of approximately \$6.3 billion in net cumulative equity distributions, \$10.6 billion in cumulative debt principal payments and \$316 million in cumulative interest payments.

In 2013, year to date, Treasury has received additional income of \$1.5 billion from the PPIFs. As a result, Treasury has now fully recovered its original investment of \$18.6 billion in the PPIP program – plus a positive return to date of \$111 million. Future debt, equity and interest payments will provide an additional positive return for taxpayers.

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

Fund	Original Purchasing Power	Gross Paid in Capital ⁽¹⁾				% Original Purchasing Power	Gross Distributions ⁽²⁾				Total
		Private Equity	Treasury Equity	Treasury Debt	Total		Private Equity	Treasury Equity	Treasury Debt	Treasury Warrant	
AG GECC PPIF Master Fund, L.P.	4,973	1,117	1,117	2,235	4,470	89.9%	982	982	1,851	-	3,815
AllianceBernstein Legacy Securities Master Fund, L.P. ⁽³⁾	4,602	1,064	1,064	2,128	4,256	92.5%	1,533	1,545	2,128	12	5,218
Blackrock PPIF, L.P.	2,780	528	528	1,053	2,109	75.9%	911	921	1,053	10	2,895
Invesco Legacy Securities Master Fund, L.P. ⁽⁴⁾	3,424	581	581	1,162	2,324	67.9%	717	720	1,162	3	2,602
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	1,898	475	475	949	1,898	100.0%	223	223	511	-	958
Oaktree PPIP Fund, L.P.	4,643	556	556	1,111	2,223	47.9%	337	337	601	-	1,275
RLJ Western Asset Public/Private Master Fund, L.P. ⁽⁵⁾	2,482	621	621	1,241	2,482	100.0%	1,031	1,041	1,241	11	3,323
UST/TCW Senior Mortgage Securities Fund, L.P.	513	156	156	200	513	100.0%	176	176	200	1	553
Wellington Management Legacy Securities PPIF Master Fund, LP	4,598	1,149	1,149	2,299	4,598	100.0%	372	372	1,860	-	2,604
Total PPIP - Total Paid in Capital⁽¹⁾	\$ 29,913	\$ 6,248	\$ 6,247	\$ 12,378	\$ 24,873	83.2%	\$ 6,281	\$ 6,317	\$ 10,607	\$ 36	\$ 23,242

⁽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 and interest payments for Treasury Debt.

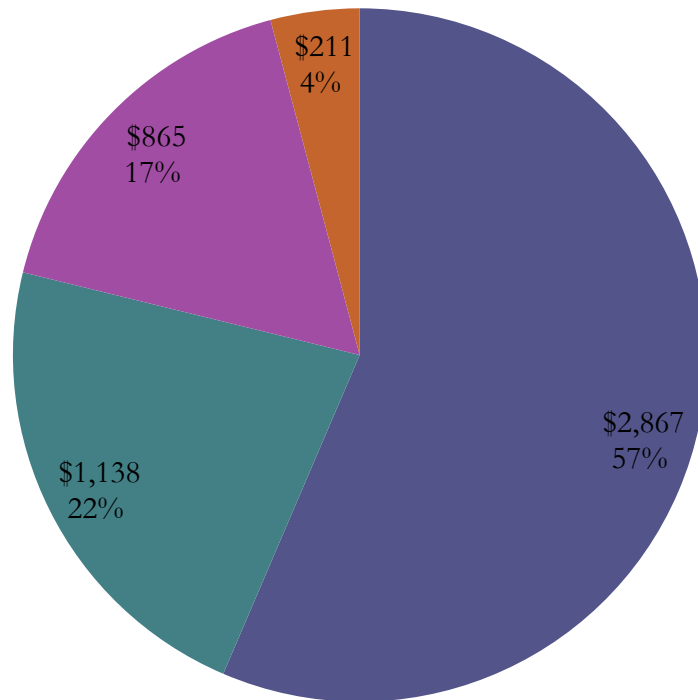
Note: Some numbers may not sum due to rounding



PORTFOLIO HOLDINGS – SUMMARY BY SECTOR

The total market value of Non-Agency RMBS and CMBS held by all PPIFs was approximately \$7.1 billion as of December 31, 2012. Approximately 71.6% of the portfolio holdings are Non-Agency RMBS and 28.4% are CMBS. The charts below show composition of Eligible Assets by sector⁽¹⁾.

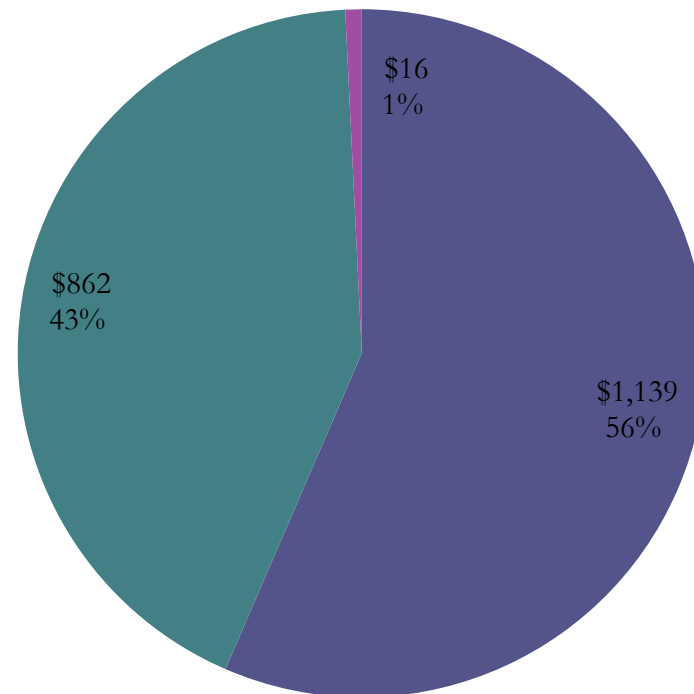
Non-Agency RMBS – \$5.1 Billion



■ Alt-A ■ Prime ■ Subprime ■ Other

(\$ in Millions)

CMBS – \$2.0 Billion



■ AM ■ AJ ■ Other CMBS

(\$ in Millions)

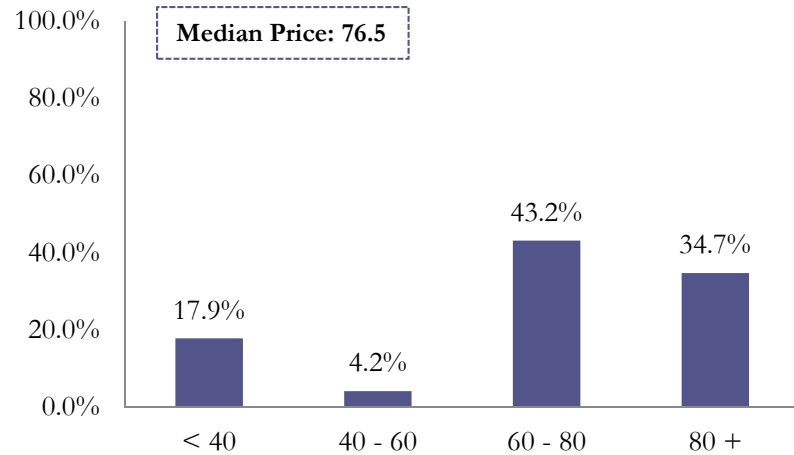
(1) Please see page 9 for a glossary of Non-agency RMBS and CMBS sector definitions.



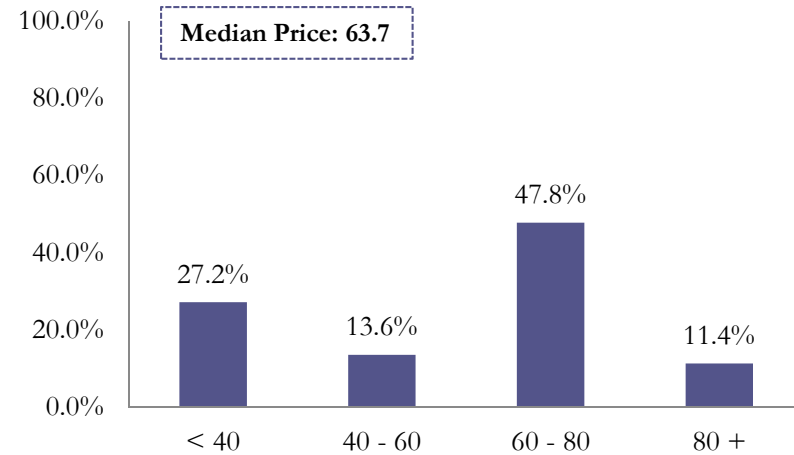
PORTFOLIO HOLDINGS – NON-AGENCY RMBS

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

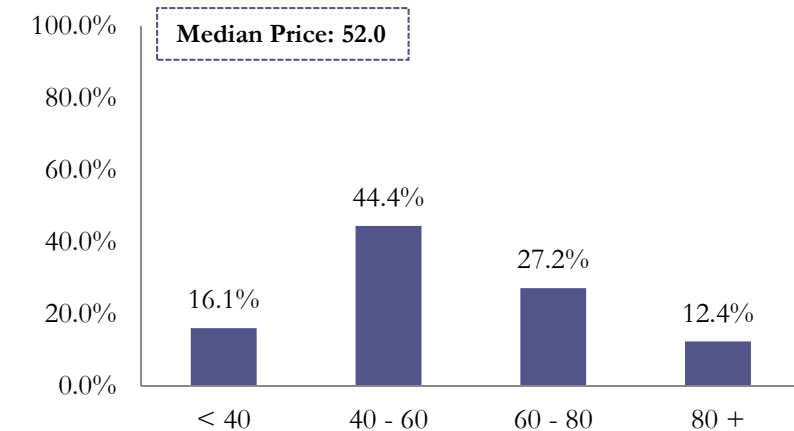
Prime



Alt-A



Subprime

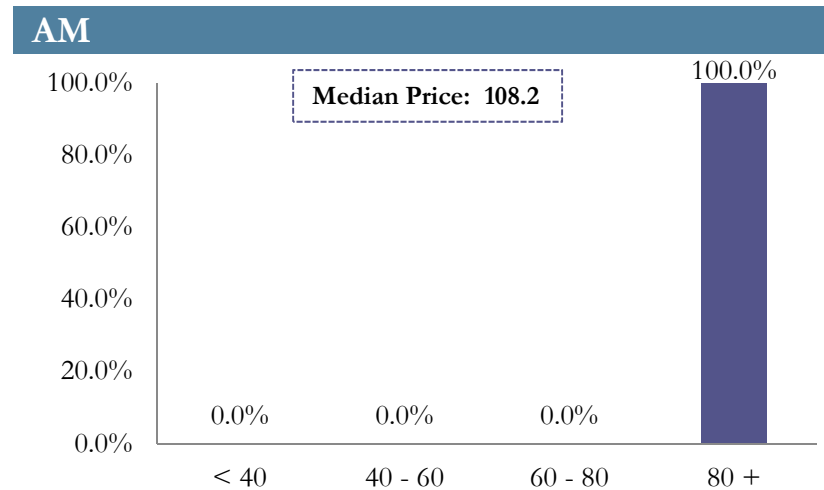
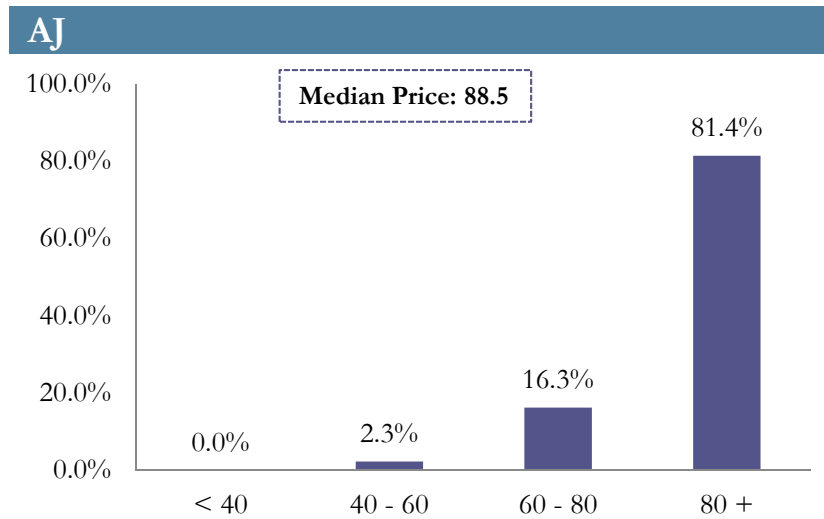


Note: Pricing is based on UST valuation process on a consistent basis across all PPIFs. Excludes Other RMBS.



PORTFOLIO HOLDINGS – CMBS

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



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



PERFORMANCE

Following 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. All PPIFs have completed their three-year investment periods. At this stage, performance analysis done on funds that have yet to complete their investment strategies would be premature to draw long-term conclusions about the performance 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, 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	\$ 7,506	\$ 6,247	\$ 6,293	\$ 3,153	1.51x

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

⁽²⁾ Net of management fees, warrants 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	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⁾
AG GECC PPIF Master Fund, L.P.	11/12/09	10/30/12	125.7%	23.7%	1.62x
AllianceBernstein Legacy Securities Master Fund, L.P.	10/23/09	10/02/12	177.6%	18.7%	1.45x
Blackrock PPIF, L.P.	10/16/09	10/02/12	93.9%	23.1%	1.74x
Invesco Legacy Securities Master Fund, L.P.	10/13/09	09/26/11	33.5%	18.2%	1.23x
Marathon Legacy Securities Public-Private Investment Partnership, L.P.	12/15/09	11/25/12	94.8%	23.0%	1.65x
Oaktree PPIP Fund, L.P.	02/19/10	12/18/12	78.4%	28.1%	1.37x
RLJ Western Asset Public/Private Master Fund, L.P.	11/23/09	07/15/12	106.3%	24.1%	1.69x
UST/TCW Senior Mortgage Securities Fund, L.P.	10/19/09	12/04/09	N/A ⁽⁶⁾	N/A ⁽⁶⁾	1.13x
Wellington Management Legacy Securities PPIF Master Fund, LP	10/19/09	10/01/12	72.2%	18.2%	1.47x

⁽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.

⁽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.

⁽⁶⁾ Not materially significant



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.

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).

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.

