



WMD Capital Markets, LLC **A Higher Form of Investment Firm**

559 San Ysidro Road, Suite I
Santa Barbara, CA 93108
www.wmdcapital.com

WMD Capital Markets, LLC Agreement with the Attorney General for the Commonwealth of Massachusetts for Affordable Loan Modification and Foreclosure Prevention

Contact Dennis E. Carlton, Esq., GENERAL COUNSEL
Phone (805) 565-0150
E-Mail dec@wmdcapital.com

Questions & Answers

Q1: Why is WMD Capital Markets involved in this transaction and what does it hope to accomplish?

A1: WMD Capital Markets is working closely with the Attorney General for the Commonwealth of Massachusetts as she works toward her goal to help provide a workable and constructive solution for a group of homeowners who are facing foreclosure on sub-prime mortgages. We are involved in this transaction because WMD Capital Markets has relevant experience and is active throughout the country as a real estate investor. In this transaction, WMD Capital Markets provides two things: first, our expertise and capital resources to help solve a critical problem for a group of homeowners; second, our financial experience in the mortgage market for the benefit of our investors.

We admire what Attorney General Coakley is doing. We share her mission and also believe it can be carried out profitably.

Q2: What experience and expertise qualifies you to purchase and service this loan portfolio?

A2: Principals of the company have been buying and selling mortgage loans, and overseeing servicing of them, for approximately 25 years. Our highly trained and experienced legal, accounting and finance professionals have specific expertise working with delinquent loans and borrowers.

Q3: How would you describe the sales process that led to this mortgage portfolio sale? How did WMD Capital Markets come to win this business? Were there multiple bidders? Was this a negotiated sale or was it conducted by auction?

A3: Agreement on the transaction was the result of both a bid and negotiations. We are very experienced in this area, and this is now our third transaction with the seller. We look forward to closing a fourth transaction in August 2008. It is a matter of pride that our reputation with sellers of mortgage loan portfolios gives them the confidence to deal with us as trusted, dependable partners in repeat business.

Q4: With so many delinquent loans in other states, why did you choose Massachusetts?

A4: Our many years in the financial services community have exposed us to lenders and borrowers in nearly every state. This Massachusetts portfolio is therefore consistent with our track record. Also, the circumstances of many of the borrowers provide us an opportunity to serve as a problem solver in a turbulent market. The Attorney General for Massachusetts has been very clear about her mission, which we share, to make sure lenders and servicers do everything possible to prevent foreclosures and make loans affordable. We look forward to being an active participant in this process.

How will it work for homeowners?

Q5a: Will the terms for each borrower/homeowner be changed?

A5a: The program will automatically provide three important changes for EVERY borrower (including those loans that are delinquent and those that are performing). First, all loans will convert to a fixed rate for the remaining term of the mortgage. Second, assuming that the current interest rate has gone up, we will readjust the loan's interest rate to the original "teaser" rate. Third, the loan's principal balance will be reduced dollar-for-dollar with the total amount of all fees and points charged when the loan was originated. These changes are specifically directed to the Attorney General's concern for borrowers in the Commonwealth who are facing serious economic issues, including problems associated with sub-prime loan origination practices. We believe these changes will significantly help every borrower in our portfolio.

Q5b: How will you work with homeowners who are having problems making payments?

A5b: We will work with borrowers who remain unable to service the loan under the Affordable Loan Modification and Foreclosure Prevention Agreement for up to three years on a payment program based on household income. An important goal of the program is to return to key underwriting fundamentals — focusing on the borrower's performance, not the volume of loans or profit. Fundamental to our commitment to the Attorney General and the Commonwealth is our belief that successful borrowers become successful homeowners, who in turn strengthen the community's fabric.



Q5c: What about homeowners who simply cannot make the payments?

A5c: Our goal is to avoid foreclosure and provide borrowers who decide not to participate in the program, or cannot afford the minimum criteria to participate, with the opportunity to take advantage of a relocation package that will provide the borrower with a fresh start. At the same time, we will be working to reduce vacant and unproductive housing in every community where we operate.

Q6: What modifications are you considering for loans? Reduced interest rates and if so what ranges? Conversion of adjustable loan to fixed-rate loan? Reduced principal balance and if so, will it be at or below house value?

A6: Modifications that may be made to loans will vary according to numerous factors. There is no simple matrix to explain what will be done. Dialogue between borrowers and our loan servicer will be key to determining the assistance that can be afforded to eligible borrowers. Most significantly, we will be able to convert adjustable rate loans to fixed rate arrangements, and we will work with borrowers to seek payment reductions for them.

Q7: If a loan cannot be modified, will there be a foreclosure?

A7: Foreclosure of a borrower's home is highly unlikely. The range of loan modifications that may be made to provide relief to borrowers who currently cannot afford their homes is significant. Our agreement with Attorney General Coakley is designed to find a workable alternative to foreclosure whenever possible. In the unlikely circumstances that a borrower's income simply does not support even a low mortgage payment based various factors, payments of cash will be offered to provide a "fresh start" in affordable housing.

Q8: Is Massachusetts the first of other states where you plan to do business?

A8: We currently also have a significant presence in California and generally have investments nationwide. For now, we plan on focusing major resources in California and Massachusetts.

Q9: Will you be purchasing additional mortgage loans from other lenders in Massachusetts?

A9: Yes. It is our number-one business development focus, and we expect that our agreement with the Attorney General's office will become a template for owning and managing more loans in this mortgage environment.

Q10: Are you aware of other investors planning to purchase Massachusetts mortgage loans and offer refinancing options similar to what you are offering?

A10: No.

Q11: How much debt financing are you using to purchase these loans?

A11: We are a private firm, and we do not disclose the financial structure of our transactions.



Q12: How much money do you have to purchase other mortgage loans?

A12: Because we generally use joint venture structures with large and financially stable partners, we have significant dollars to invest. This fact is of critical importance to us because we view the Massachusetts program as a pilot project that we hope to implement in deals in other areas.

Q13: What percent of purchased loans are in foreclosure?

A13: Very few in Massachusetts, as the Attorney General has worked hard to keep people in their homes. We will be working with borrowers to avoid further foreclosures.

Q14: What percent of purchased loans are seriously delinquent...60 days or more past due?

A14: Approximately 50%.

Q15: What percent of loans were made at prime and sub-prime?

A15: All of the loans in this portfolio of the Massachusetts loan pool are sub-prime.

Q16: What percent of loans was made to low-income borrowers? Minorities?

A16: We do not know. That is not something we track.

Q17: Can you resell one of the purchased loans to the seller and if so, under what circumstances?

A17: Theoretically, it is possible, but there's absolutely no contemplation of doing so, nor has there been any suggestion that the seller would have any interest in repurchasing any of the loans. In any event, it is important to note that any purchaser of loans subject to our agreement with the Attorney General will be obligated to comply with the terms of the agreement.

Q18: How would you respond to being perceived as an investor who purchases distressed loans at a discount and subsequently sells them at a profit?

A18: We will be providing significant debt relief to Commonwealth borrowers who have been hurt by recent economic upheavals and unfair lending practices. The work we do in this regard requires a substantial investment of capital and personnel. It is not without major economic risk to us. We are attempting to implement a private market solution to public policy issues. As a result, some return on our investment is appropriate, and we are confident that our profit will be compensation deemed to be fair under the circumstances. We would like to add that our concerns in this program also must include a sensitivity to what sellers of loans think of us. We have a long-standing reputation of fair dealing that is important to our relations in the financial community.

