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THE BANK OF NEW YORK MELLON (f/k/a The Bank of New York) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (f/k/a The Bank of New York Trust Company, N.A.), as trustees for the trusts listed in Exhibit A in the Second Amended Complaint

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

THE BANK OF NEW YORK MELLON *et al.*, Plaintiffs, v. CITY OF RICHMOND, CALIFORNIA, a municipality; RICHMOND CITY COUNCIL; MORTGAGE RESOLUTION PARTNERS L.L.C., a Delaware limited liability company; AND GORDIAN SWORD LLC, a Delaware limited liability company; Defendants.	Case No. 13-cv-3664-CRB **DECLARATION OF BRONWYN F. POLLOCK IN SUPPORT OF PLAINTIFFS' OPPOSITION TO MOTION TO DISMISS** Date: November 1, 2013 Time: 10:00 a.m. Ctrm: 6, 17th Floor Judge: Honorable Charles R. Breyer

DECLARATION OF BRONWYN F. POLLOCK

I, Bronwyn F. Pollock, declare as follows:

1. I am a partner in the Los Angeles office of Mayer Brown LLP, counsel for Plaintiffs The Bank of New York Mellon (f/k/a The Bank of New York) and The Bank of New York Mellon Trust Company, N.A. (f/k/a The Bank of New York Trust Company, N.A.), as trustees for the trusts listed in Exhibit A in the Second Amended Complaint, in the above captioned matter. I am an active member in good standing of the United States District Court for the Northern District of California. This declaration is made in support of Plaintiffs' Opposition to Defendants' Motion to Dismiss. I have personal knowledge of the matters set forth in this declaration, and, if called as a witness, could and would testify competently thereto.

2. Attached hereto as **Exhibit 1** is a true and correct copy of the Richmond City Council minutes from the April 2, 2013 meeting in which they approved the Advisory Agreement with Mortgage Resolution Partners LLC ("MRP"), available at http://www.ci.richmond.ca.us/ArchiveCenter/ViewFile/Item/5138 (last visited Oct. 2, 2013).

3. Attached hereto as **Exhibit 2** is a true and correct copy of the MRP Advisory Agreement that the Richmond City Council considered and approved on April 2, 2013 and executed by the City Manager on July 25, 2013, available at http://www.ci.richmond.ca.us/documentcenter/view/27354 (last visited Oct. 2, 2013).

4. Attached hereto as **Exhibit 3** is a true and correct copy the webpage entitled "Fact or Fiction" on MRP's website, available at http://www.mortgageresolution.com/fact-or-fiction (last visited Oct. 2, 2013).

5. Attached hereto as **Exhibit 4** is a true and correct copy of the webpage entitled "FAQs" on MRP's website, available at http://www.mortgageresolution.com/faqs (last visited Oct. 2, 2013).

6. Attached hereto as **Exhibit 5** is a true and correct copy of a MRP power point presentation published by the Wall Street Journal, available at http://online.wsj.com/public/resources/documents/EMINENT-powerpoint.pdf (last visited Oct. 2, 2013).

7. Attached hereto as **Exhibit 6** is a true and correct copy of the MRP's "Frequently Asked Questions" published by the Wall Street Journal, available at http://online.wsj.com/public/resources/documents/EMINENT-faqs.pdf (last visited Oct. 2, 2013).

8. Attached hereto as **Exhibit 7** is a true and correct copy of a presentation by MRP to the City of Richmond entitled "Richmond CARES," which is the name of Defendants' seizure program, available at http://sireweb.ci.richmond.ca.us/sirepub/cache/2/mb1qpzgj4mcgl3zqu31kl0y3/36546408062013071309684.PDF (last visited August 6, 2013).

9. At my request, counsel representing Plaintiffs in the related action, *Wells Fargo Bank, Nat'l Ass'n, et al. v. City of Richmond, el al.*, no. 13-cv-3663-CRB (N.D. Cal.), provided copies of the documents produced by the City of Richmond in response to a Public Record Act request ("PRA Request") pursuant to Government Code section 6250 *et seq.*

10. Attached hereto as Exhibits 8 through 11 are true and correct copies of a number of these documents.

11. Attached hereto as **Exhibit 8** is a true and correct copy of a December 12, 2012 email from Bill Higgins of MRP to Richmond City Manager Bill Lindsay attaching MRP marketing materials that were discussed during a meeting between MRP and the City of Richmond the previous day.

12. Attached hereto as **Exhibit 9** is a true and correct copy of a May 17, 2013 email from Graham Williams of MRP to Richmond City Manager Bill Lindsay and Richmond Housing Director Patrick Lynch attaching "corrected slides" from a presentation previously sent to Messrs. Lindsay and Lynch.

13. Attached hereto as **Exhibit 10** is a true and correct copy of an April 3, 2013 email from Richmond City Manager Bill Lindsay to Graham Williams of MRP regarding the City Council's vote to approve the Advisory Services Agreement between the City and MRP.

14. Attached hereto as **Exhibit 11** is a true and correct copy a June 21, 2013 email from LaShonda White, Management Analyst in the City Manager's Office of the City of Richmond to Nicole Valentino in the Office of the Mayor regarding a resident who wishes to

participate in the MRP program.

15. On August 13, 2013, I sent a letter to Richmond City Manager Bill Lindsay on behalf of The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A., as trustees for the trusts listed in Exhibit A of the Second Amended Complaint. Attached hereto as **Exhibit 12** is a true and correct copy of my August 13, 2013 letter.

16. On September 10, 2013, I attended the Richmond City Council meeting wherein the City Council discussed the seizure program. I attended the entire meeting, which began at approximately 5:00 p.m. and ended in the early morning hours of September 11, 2013. The City Council considered two proposals that would have conditioned or terminated the seizure program. The first proposal was for the City to withdraw its loan purchase offers and to eliminate the option to use eminent domain to seize loans. The City Council rejected this proposal by a supermajority, 5-2. The second proposal was to cease the seizure program unless and until MRP provided insurance to protect the City. The City Council also rejected this proposal. The City Council approved a third proposal to work to establish a Joint Powers Authority with other municipalities to implement MRP's plan, and to continue to work with MRP to resolve legal issues with the seizure program.

17. Attached hereto as **Exhibit 13** is a true and correct copy of the Richmond City Council minutes from the September 10, 2013 meeting, available at http://www.ci.richmond.ca.us/ArchiveCenter/ViewFile/Item/5412 (last visited Oct. 2, 2013). The minutes do not accurately reflect the council vote on the first proposal to withdraw the loan purchase offers. The minutes state that Councilman Rogers voted in favor of the proposal, but in fact he did not. The video of the September 10 meeting is available at http://richmond.granicus.com/MediaPlayer.php?view_id=11&clip_id=3345 (last visited October 4, 2013). The vote on the first proposal occurs at approximately the 6:02 mark. The video accurately reflects my recollection of the meeting. Councilman Bates and Vice Mayor Booze voted in favor of withdrawing the loan purchase offers. The remaining five council members, including Councilman Rogers, voted against it.

I declare under penalty of perjury of the laws of the United States that the foregoing is true and correct.

Executed at Denver, Colorado on the fourth day of October, 2013.

/s/ Bronwyn F. Pollock
Bronwyn F. Pollock

Exhibit 1

RICHMOND, CALIFORNIA, April 2, 2013

The Richmond City Council Evening Open Session was called to order at 5:32 p.m.

ROLL CALL

Present: Councilmembers Beckles, Butt, Myrick, and Mayor McLaughlin. **Absent:** Councilmember Bates, Rogers, and Vice Mayor Boozé arrived after the City Council adjourned to Closed Session.

PUBLIC COMMENT

The deputy city clerk announced that the purpose of the Evening Open Session was for the City Council to hear public comments on the following items to be discussed in Closed Session:

CITY COUNCIL

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Initiation of litigation pursuant to Subdivision (c) of Government Code Section 54956.9):

One Case

There were no public speakers.

The Evening Open Session adjourned to Closed Session at 5:33 p.m. The Closed Session adjourned at 6:28 p.m.

The Regular Meeting of the Richmond City Council was called to order at 6:30 p.m. by Mayor McLaughlin who led the Pledge of Allegiance to the Flag.

ROLL CALL

Present: Councilmembers Bates, Beckles, Butt, Myrick, Rogers, and Mayor McLaughlin. **Absent:** Vice Mayor Boozé, was absent during Roll Call..

READING OF THE CODE OF ETHICS

Deputy City Clerk Ursula Deloa read the Code of Ethics.

STATEMENT OF CONFLICT OF INTEREST

None.

AGENDA REVIEW

Removed Items I-4, I-5, I-8, I-9, and I-11 from the Consent Calendar; continued Item I-10 to April 16, 2013; and withdrew Item J-1 from the agenda to be agendize on the April 16, 2013, City Council Agenda under Closed Session.

OPEN FORUM FOR PUBLIC COMMENT

Yolanda Jones expressed disappointment that her business was not included on the small business certified contractor's list.

Charlie Walker expressed disappointment that black contractors are not given the opportunities to work on projects in Richmond.

Antwon Cloird gave comments that another councilmember apologized for comments made by a councilmember. He stated that councilmembers must respect one another.

Henry Parker invited everyone to the Second Annual "Reach for the Stars" Full Inclusion Fashion Show and Showcase working with children on the Autism spectrum, being held April, 27, 2013, at Lavonya Dejean Middle School, 3400 Macdonald Avenue, from 5:30p.m. to 9:00 p.m. tickets are $10.00.

Joseph Puleo gave comments regarding the behavior of Human Resources Director and Assistant City Manager Leslie Knight and the lack of discipline for her behavior due to double-standards.

Etta Jones expressed disappointment that Yolanda Jones Construction Company was omitted from the small business certified contractor's list. She encouraged the city council to make sure that it does not happen again.

Kathleen Wimer stated that those on the public payroll must act above not only impropriety but above the appearance of impropriety. Ms. Wimer stated that the City of Richmond cannot have a reputation as being corrupt for our own future together. Therefore, whatever discipline was imposed on Ms. Knight's employment has to correct and extinguish this appearing of impropriety without granting any preferential treatment.

Alpha Buie gave comments regarding the plight of young African Americans seeking employment specifically ex-offenders returning to the community. She stated that many African American contractors are excluded from lists to bid for funding for their programs.

Paul Rodgers stated the residents living near Booker T. Anderson Park were not able to use the park because of the continuous use of the fields for soccer. He encouraged the City Council to exam the issue so that residents in the area were able to enjoy the park also.

Stacie Plummer gave comments regarding the Richmond Charter. She stated that charter was created by the Richmond voters based on an unwavering foundation of public trust. Ms. Plummer stated that the charter starts with where the city manager must live, the prosecutorial duties of the city attorney, and entrust powers and duties of the City Council, and Personnel Board. She also stated that trust cannot be off-limits to the people. Ms. Plummer also stated that a debate regarding public trust began with City Manager Bill Lindsay's press release.

Jackie Thompson stated that permits for soccer were issued for certain sections of Booker T. Anderson Park; however, the entire park was being used for soccer. Ms. Thompson also stated that bullying can be physical, mental, and emotional. She encouraged the City Council to review the Personnel Rules. She also stated that department heads should establish employee anti-bullying training.

Wesley Ellis stated that Councilmember Beckles should not flatter herself by thinking she could hurt his feelings. He stated that the rift between he and Councilmember Beckles began when she told him that he did not have a clue about anything, and called his name out among all the citizens seated in the Council Chambers.

Stan Fleury thanked Mayor McLaughlin and Councilmember Beckles for having the courage to start a discussion among the leadership of the City of Richmond regarding current issues taking place within the City of Richmond. Mr. Fleury stated that it was with great peril that issues were brought fourth to the City Council, and he encouraged the City Council to help employees and continue to listen to what they have to say.

Niechelle Gordan stated that she was trying to acquire a new business license within the City of Richmond and left a message with the appropriate department; however, no one returned her call. Mr. Lindsay will follow-up with the department.

Lalo Herrera gave comments regarding Human Resources Director and Assistance City Manager Leslie Knight stating she was the worst offender of the City's policies and procedures.

Andre Soto congratulated Councilmember Beckles for apologizing to the public for hurtful comments she made. He also thanked Mayor McLaughlin and Councilmember Beckles for demanding accountability, justice, and equality for all employees within the City of Richmond. Mr. Soto also stated that the kind of favoritism that has been shown undermines the credibility of management and he hopes that issues are resolved in a fair and equitable manner that preserves the integrity of city government.

Raymond Dryer thanked the City Council for pulling the resolution regarding Human Resources Director and Assistance City Manager Leslie Knight and taking the issue to Closed Session to hear the report in its entirety. Mr. Dryer stated that as children you learn that taking something that does not belong to you was theft, and encouraged the City Council to following through with a proper decision.

Michael Beer stated that there will not be a Silly Parade this year and thanked the many organizations and individuals for past support.

Bea Roberson encouraged citizens to attend the Marine Clean Energy (MCE) Meeting, Monday, April 22, 2013, from 6:30 p.m. to 8:30 p.m. in the Multipurpose Room at Levone De Jean Middle School, 3400 Mac Donald Avenue; citizens will learn and be able to ask questions regarding their options when MCE rolls out its program.

Sam Casas encouraged the City Council to establish an ethics commission and also to demand a detailed budget to restore public trust.

Bishop Andre Jackson invited everyone to a public meeting with Senator Loni Hancock, Friday, April 5, 2013; 1:30 to 3:30 p.m. in the Richmond Council Chambers, regarding the findings of the Chevron fire.

Marilyn Langlois stated that according the investigative report summary released there has been a violation of public trust by Human Resources Director and Assistance City Manager Leslie Knight; a top leader that should be a role-model to all employees and should be held accountable. Ms. Langlois stated that since the information that was shared indicated a misuse of public funds, the pubic wants and needs to know what would be done about it. Ms. Langlois also stated that she supports the residents and city employees that are calling for honesty, integrity, and fairness.

Juan Reardon stated that Richmond residents pay taxes to pay salaries of city staff, and it was essential that residents could trust the people spending the money. Mr. Reardon stated that those that manage others should be held to the highest standards of accountability. Mr. Reardon also reminded everyone that when Mayor McLaughlin learned that an individual in her office was embezzling funds, she immediately terminated the individual and initiated criminal charges. He also stated that an investigation revealed that Human Resources Director and Assistance City

Manager Leslie Knight knowingly took money that she was not entitled to from the City of Richmond and has been given a pass by City Manager Bill Lindsay. He encouraged the Mr. Lindsay to following the example of Mayor McLaughlin and immediately stop tolerating fraud and remove those committing it.

Texanita Bluitt thanked the City Council for holding the joint meeting with the West Contra Costa County School Board and promoting renovations to the Kennedy Swim Center and schools throughout the City of Richmond. Ms. Bluitt stated that the community needs to work together to improve the quality of education for our children.

Rodney Ferguson stated that justice delayed was justice denied and that it was time for the City Council do the right thing. He encouraged the City Council to be an example to all people that were trying to get their lives together and if the City Council could not make the hard decisions, then it would be difficult for others to make the hard decisions.

Charles Smith started his address to the City Council by quoting from a speech by President Obama that stated "everyone plays by the same set of rules." Ms. Smith stated that everyone playing by the same rules was one of the most cherished values. Mr. Smith stated that he would suggest that if Mr. Lindsay does not believe that Human Resources Director and Assistant City Manager Leslie Knight has committed crimes that merit the termination of her contract, then he was ethnically challenged.

Mike Parker thanked Stacie Plummer for the courage to demand that the City live up to the standards of integrity that citizens want. He also stated that a city only works when the citizens have trust in city government and that public trust in the City of Richmond leadership must be restored. Mr. Parker also stated that the City of Richmond must find a way to make it clear that there would be zero tolerance for any managers of the City of Richmond who believes that they are above the rules.

REPORT FROM THE CITY ATTORNEY OF FINAL DECISIONS MADE AND NON-CONFIDENTIAL DISCUSSIONS HELD DURING CLOSED SESSION

City Attorney Bruce Reed Goodmiller stated that there were no reportable actions.

CITY COUNCIL CONSENT CALENDAR

On motion of Councilmember Rogers, seconded by Councilmember Beckles all items marked with an (*) were approved by the unanimous vote of the Council.

*- Authorized the library and cultural services director to accept federal Library Services and Technology Act (LSTA) Reimbursement Funds in the amount of $6,000, and approve an amendment to the Fiscal Year 2012/13 operating budget, increasing library fund revenue and expenditures in the amount of $6,000, allowing these LSTA funds to be used to purchase literacy materials for the Literacy for Every Adult Program (LEAP).

*-Approved a contract with CPS HR Consulting to develop and administer promotional examinations for Fire Captain, Fire Engineer, and Fire Inspector I in an amount not to exceed $55,000 and for a term of April 3, 2013, to June 30, 2015.

*-Adopted **Resolution No. 25-13** amending the City of Richmond's Position Classification Plan to add the new classification of Duplicating/Mail Specialist I/II and delete the classifications of Duplicating/Mail Assistant and Senior Duplicating/Mail Assistant.

The matter to introduce an ordinance for first reading establishing the wages, salary, and compensation for the new classification of Duplicating/Mail Specialist I (Salary Range No. 12: $3,403 - $4,137/month) and, the new classification of Duplicating/ Mail Specialist II (Salary Range No. 18: $3,743 - $4,551/month) was presented by City Manager Bill Lindsay. Diane Canepa gave comments. **The matter was continued to April 16, 2013, to gather more information.**

The matter to approve an amendment to the contract with Strongbuilt Construction Company for building repair work performed at 1350 Kelsey Street in the amount of $5,912.77, increasing the total cost of the project to $12,792.77, and extending the term through March 31, 2013, was presented by Project Manager Craig Murray. On motion of Vice Mayor Booze, seconded by Councilmember Myrick approved an amendment to the contract with Strongbuilt Construction Company by the following vote: **Ayes:** Councilmembers Bates, Butt, Myrick, Rogers, Vice Mayor Booze, and Mayor McLaughlin. **Noes:** None. **Abstentions:** None. **Absent:** Councilmember Beckles.

*-Approved an amendment to the lease of property located at 500 23rd Street (RichmondBUILD III), extending the term for the six-months ending June 30, 2013, at a cost of $5,000 per month, for a total lease payment of $30,000.

*-Approved an amendment to the contract with The Glen Price Group to develop the Richmond Workforce Investment Board Strategic Plan for 2013-2017 and various grant applications by the agreed upon target dates. The amended contract term will be September 20, 2012, through December 31, 2013. The

contract amount will be increased by $46,000 for an amount not to exceed $55,500.

The matter to approve a one-year contract with Regina Almaguer, LLC for services as project manager of the Port of Richmond Public Art Project in an amount not to exceed $33,750 was presented by Arts Director Michele Seville. Angel Perez, Bruce Beyaert, Tom Leatherman, and Fletcher Oakes gave comments. A motion was made by Councilmember Bates, seconded by Councilmember Beckles to approve a one-year contract with Regina Almaguer, LLC for services as project manager of the Port of Richmond Public Art Project. A substitute motion was made by Councilmember Butt to direct the Port Department to contribute the entire cost of $600,000 and contribute $225,000 to the Arts Advisory Committee and another $225,000 to finish the Bay Trail Project failed for lack of a second. The original motion passed by the following vote: **Ayes:** Councilmembers Bates, Beckles, Rogers, Vice Mayor Booze, and Mayor McLaughlin. **Noes:** Councilmember Butt. **Abstentions:** Councilmember Myrick. **Absent:** None.

The matter to approve the following reappointments to: Commission on Aging: Myrtle Braxton, incumbent, term expiring May 19, 2015; Delores Johnson, incumbent, term expiring May 19, 2015; Beverly Wallace, incumbent, term expiring May 19, 2014; Eli Williams, incumbent, term expiring May 19, 2014; Human Relations and Human Rights Commission: Betty Burrus-Wright, incumbent, term expiring March 30, 2016; Point Molate Citizen Advisory Committee: Charles Smith, incumbent, term expiring May 3, 2015; Recreation and Parks Commission: Pam Saucer-Bilbo, incumbent, term expiring October 26, 2015; Economic Development Commission: Qiana Riley, incumbent, term expiring March 30, 2016, was pulled for public comments by Jackie Thompson. Following public comment on motion of Vice Mayor Booze, seconded by Councilmember Bates approved the reappointments by the unanimous vote of the City Council.

*-Adopted **Ordinance No. 4-13** establishing the wages, salary, and compensation for the new classification of Source Control Superintendent (Salary Range No. 064D: $7,277 - $8,829/month).

The matter to approve an Advisory Services Agreement with Mortgage Resolution Partners, LLC to assist the City of Richmond in reducing the impact of the mortgage crisis, by advising on the acquisition of mortgage loans through the use of eminent domain, in order to restructure or refinance the loans and thereby preserving home ownership, restoring homeowner equity and stabilizing the communities' housing market and economy by allowing many homeowners to remain in their homes was presented by City Manager Bill Lindsay. ***(At 11:00 p.m. on motion of Councilmember***

Myrick, seconded by Mayor McLaughlin extended the meeting to finish the current item with Councilmember Butt voting Noe). Councilmember Butt left the meeting at ll:15 p.m. Leland Chan and Melvin Willis gave comments. A motion was made by Councilmember Beckles, seconded by Councilmember Myrick to approve an Advisory Services Agreement with Mortgage Resolution Partners, LLC. Councilmember Myrick requested a report back from staff regarding loan criteria and specifics. A substitute motion was made by Vice Mayor Booze, seconded by Councilmember Bates to hold the item over for 30 days to gather more information. Following discussion, Councilmember Bates withdrew his second. The original motion to approve an Advisory Services Agreement with Mortgage Resolution Partners, LLC passed by the following vote: **Ayes:** Councilmembers Bates, Beckles, Myrick, Rogers, Vice Mayor Booze, and Mayor McLaughlin. **Noes:** None. **Abstentions:** None. **Absent:** Councilmember Butt.

RESOLUTIONS

Withdrew from the agenda the matter to adopt a resolution calling for restoration of public trust through the removal of an executive City employee from current position.

The matter to adopt a resolution in support of AB 218 (Dickinson) to expand the "Ban the Box" policy to state employment to eliminate the inquiry about criminal history on any initial employment application was presented by Councilmember Beckles and Mayor McLaughlin. Jackie Thompson, Marilyn Langlois, and Eduardo Martinez gave comments. On motion of Councilmember Beckles, seconded by Councilmember Myrick adopted **Resolution No. 26-13** by the unanimous vote of the City Council.

COUNCIL AS A WHOLE

The matter to review the proposed Term Sheet for post-collection services as negotiated between RecycleMore and Republic Services and authorize an agreement based on this Term Sheet and review the proposed solid waste collection services based on the Term Sheet, and other possible modifications to collection services, and authorize staff to develop a proposed agreement with Republic Services regarding these service modifications for subsequent Council approval was presented by Sustainability Associate Jennifer Ly and Rob Hilton, from HF&H Consultants. A motion was made by Vice Mayor Booze, seconded by Councilmember Myrick to review the proposed Term Sheet for post-collection services as negotiated between RecycleMore and Republic Services and authorize an agreement based on this Term Sheet and review the proposed solid waste collection services based on the Term Sheet, and other possible modifications to collection services, and authorize staff to develop a proposed agreement with Republic Services regarding these service modifications for subsequent Council. Councilmember Myrick offered a friendly amendment to negotiate the best deals for the citizens for Richmond as details are worked out. The friendly amendment was accepted. Councilmember Bates requested that staff prepare an analysis of the benefits of keeping the JPA. The motion including the friendly amendment was approved by the unanimous vote o the City Council.

The matter to discuss and give direction to staff regarding the Code Enforcement Department's use of contractors outside the City of Richmond for Code Enforcement demolitions was presented by Vice Mayor Boozé and Code Enforcement Manager Tim Higarres. This item was referred to the Public Safety Committee, and Vice Mayor Boozé also requested that a staff form a committee in addition to the Public Safety Committee specifically to discuss the issue.

The matter to consider directing the city manager to prepare a plan to publicize and to assist residents to take advantage of programs for free or reduced cost access to the Internet, including seeking out grants was presented by Councilmember Rogers and Mayor McLaughlin. Councilmember Bates suggested that staff outreach to the Richmond Neighborhood Councils to inform citizens. Jackie Thompson and Ken Maxey gave comments. On motion of Councilmember Rogers, seconded by Mayor McLaughlin directed the city manager to prepare a plan to publicize and to assist residents to take advantage of programs for free or reduced cost access to the Internet, including seeking out grants by the unanimous vote of the City Council.

The matter to receive a report from staff on the status of proposed solar powered streetlights along Richmond Parkway was presented Councilmember Beckles. City Manager Bill Lindsay gave an oral report. Councilmember Beckles directed staff to submit a feasibility study of solar powered streetlights. Vice Mayor Booze stated that the installation of lighting on the Richmond Parkway was currently underway. Sims Thompson gave comments.

<u>REPORTS OF OFFICERS: STANDING COMMITTEE REPORTS, REFERRALS TO STAFF, AND GENERAL REPORTS (INCLUDING AB 1234 REPORTS)</u>

Councilmember Bate announced that Richmond citizen Myrtle Hunt passed and requested that Mayor McLaughlin adjourn the meeting in honor of her memory.

ADJOURNMENT

There being no further business, the meeting adjourned at 11:31 p.m. in memory of Richmond resident Myrtle Hunt, to meet again on Tuesday, April 16, 2013, at 6:30 p.m.

City Clerk

(SEAL)

Approved:

Mayor

Exhibit 2

ADVISORY SERVICES AGREEMENT

This Advisory Services Agreement ("Agreement") is entered into by and between Mortgage Resolution Partners LLC, a Delaware limited liability company ("MRP") and the City of Richmond, a municipal corporation and charter city (the "City") and is effective as of May 21, 2013 (the "Effective Date").

RECITALS

A. MRP is a community advisory firm advising public agencies on ways to assist the agency in reducing the impact of the mortgage crisis with its communities including, if necessary, by acquiring mortgage loans through the use of eminent domain, in order to restructure or refinance the loans and thereby preserving home ownership, restoring homeowner equity and stabilizing the communities' housing market and economy by allowing many homeowners to remain in their homes.

B. America in general and the City in particular are each experiencing an historic home mortgage crisis and as a result of the home mortgage crisis, many homeowners in the City have lost significant portions of their disposable income, and some have been unable to make timely mortgage payments on their homes. This has resulted in unprecedented rates of default and foreclosure, loss of homeowner equity, loss of family wealth, and even loss of shelter for some families. The home mortgage crisis has resulted in other adverse impacts within the City such as job losses, reductions in income, consumer demand, and investment, a spiraling reduction in property values, a reduction in property and payroll tax revenues, vandalism, abandoned homes and a general decline in the economy and the quality of life for residents. Restructuring or refinancing mortgage loans will benefit the City's residents by preserving home ownership; restoring homeowner equity; and likely also increasing income, property values, consumer demand, investment, and property and payroll tax revenue.

C. The City is interested in retaining MRP to act as its advisor to assist the City in exploring potential solutions to the mortgage crisis; to assist the City by negotiating on the City's behalf with entities which will provide the necessary funding to the City in order to allow the City to acquire loans; and to assist the City in negotiating contracts with third parties including owners of loans, attorneys, lenders, data companies, other government agencies and others as necessary to implement a program or programs to benefit the City's residents.

NOW THEREFORE, in consideration of the foregoing, MRP and the City agree as follows:

1. PURPOSE. The purpose of this Agreement is to enable the City and MRP to work together to assess and implement a program or programs designed to ease the impacts of the mortgage crisis on the residents of the City.

2. SERVICES. MRP agrees to provide the following services ("Services"), and the City authorizes MRP to represent the City as described:

(a) to advise the City on various alternatives in order to provide assistance to its residents who are burdened with mortgage loans including assessing the possibility and benefits of the formation of a joint powers authority;

(b) to identify and negotiate with companies acceptable to the City, in City's sole and absolute discretion, to lend funds to the City on a fully secured, non-recourse basis if such funds are required in order to provide the necessary relief;

(c) to provide extensive legal research acquired by MRP on all aspects of the acquisition and refinancing of mortgage loans including each of the legal steps necessary to implement the necessary programs;

(d) to identify and negotiate with law firms acceptable to the City, in City's sole and absolute discretion, to work with the City to implement the programs which the City elects to implement;

(e) to negotiate with other local, state and federal governments and agencies as necessary to implement programs chosen by the City;

(f) to negotiate on behalf of the City with the holders of mortgage loans secured by property owned by residents of the City (and with trustees, servicers, investors and other parties having a relationship with the holders of the loans);

(g) to work with the City to identify mortgage loans to target based upon the City's criteria;

(h) to negotiate on behalf of the City with any other third party as necessary to implement programs which the City elects to implement; and

(i) to work with the City to establish education and communication programs to address residents' questions about a program or programs the City implements.

Provided, however, MRP shall not take action or implement programs or tasks set forth in subsection (b), (d), (e), (f) and (h) hereof without the express written consent of City in advance, which consent may be withheld in the City's sole and absolute discretion. Provided further, however, in no event shall MRP have the authority to enter into any contracts on behalf of the City.

3. COMPENSATION. As its sole and exclusive compensation for the performance of the Services (the "Advisory Fee"), MRP shall receive the sum of $4,500 per loan for each loan ultimately acquired by the City or otherwise resolved in a manner which results in the restructuring or refinancing of a loan through a program implemented by the City. The Advisory Fee shall be paid only through the programs implemented by the City and shall not be paid directly by the City. City shall not be responsible for any cost or expense arising out of or related to this Agreement or any program or programs the City implements.

4. ASSIGNMENT. MRP shall not have the right to assign and/or delegate its duties hereunder without the prior written consent of City, which consent may be withheld in the City's sole and absolute discretion.

5. COOPERATION. Each party agrees to cooperate to carry out the purpose of this Agreement and to perform all acts and execute all documents reasonably required to institute the programs chosen by the City pursuant to the terms of this Agreement or as are or may become necessary or convenient to effectuate and carry out this Agreement.

6. RELATIONSHIP OF PARTIES. The relationship of MRP to the City shall at all times be that of an independent contractor. MRP expressly acknowledges and agrees that it does not have the authority to bind the City by contract or otherwise.

7. TERM. This Agreement shall be in effect for a period of one (1) year from the Effective Date and will be renewed automatically for successive terms of one (1) year each unless either party gives notice to the other at least sixty (60) days prior to the termination of any term. Upon any such termination, this Agreement shall be null and void and of no further force or effect, except as to those provisions which expressly survive the termination of the Agreement.

8. INDEMNITY.

(a) Except to the extent caused by the sole active negligence or willful misconduct of City, City and City's representatives shall not be liable for any liability, penalties, costs, losses, damages, expenses, causes of action, claims or judgments, including attorney's fees and other defense costs (collectively, "Claims"), resulting from injury to or death sustained by any person, or damage to property of any kind, or any other injury or damage whatsoever, which Claims arise out of or are in any way connected with this Agreement or any programs or tasks implemented pursuant to this Agreement.

(b) Except to the extent caused by the sole active negligence or willful misconduct of City, MRP shall indemnify, protect, defend and hold the City and its representatives, harmless of and from any and all Claims arising out of or in any way related to or resulting directly or indirectly from (i) this Agreement, (ii) the programs or tasks implemented pursuant to this Agreement, (iii) any failure to comply with any applicable law, and (iv) any default or breach by MRP in the performance of any obligation of MRP under this Agreement.

(c) The provisions of this Section 8 shall survive the expiration or sooner termination of this Agreement.

9. INSURANCE. Upon receiving approval from the City to take action or implement programs or tasks set forth in subsection (b) of Section 2, MRP, at its own cost and expense, shall provide and maintain insurance coverage as required in Exhibit A, "City of Richmond Insurance Requirements – Type II: Professional Services". MRP shall submit current certificates of insurance for the policies required in this Section 9 before taking action or implementing any programs or tasks set forth in subsections (b), (d), (e), (f) and (h) of Section 2.

10. GENERAL PROVISIONS.

(a) Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. A signature transmitted via scanning and emailing or facsimile shall have the same effect as an original signature.

(b) Modification of Agreement. This Agreement may be modified only by a writing signed by MRP and the City.

(c) Entire Agreement. This Agreement together with any Nondisclosure and/or Common Interest Agreements entered into between the parties either prior or subsequent to the Effective Date constitute the entire understanding and agreement between the parties concerning this subject matter.

(d) Severability. If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of the Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

(e) Governing Law. This Agreement is governed by and shall be interpreted according to the laws of the State of California. This Agreement is made in Contra Costa County, California, and any action relating to this Agreement shall be instituted and prosecuted in the courts of Contra Costa County, California.

(f) Waiver of Breach. No waiver of breach of any term or provision of this Agreement shall be construed to be, or shall be, a waiver of any other breach of this Agreement.

(g) Arms-Length Transaction. This Agreement is a product of arms-length negotiations and each party has had an opportunity to receive independent legal advice from attorneys of its own choosing. Thus, neither party can claim that any ambiguities in any term of this Agreement should be construed against any other party.

(h) No Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any person other than the parties hereto and their permitted successors and permitted assigns.

11. NOTICES. All notices under this Agreement shall be in writing and shall be transmitted by personal delivery or reputable overnight courier service such as FedEx to the parties at the following addresses:

MRP:
Mortgage Resolution Partners, LLC
33 Pier South Embarcadero, Suite 201
San Francisco, CA 94111
Attn: CEO

The City:
450 Civic Center Plaza
Richmond, CA 94804
Attn: City Manager

With copy to:

450 Civic Center Plaza
Richmond, CA 94804
Attn: City Attorney

Such notice shall be deemed given upon personal delivery to the appropriate address or on the next business day if sent by overnight courier service.

WHEREFORE, the parties indicate by their signatures below their entry into this legally-binding Agreement.

The City

7/25/13

(signature) (date)

Name (printed): WILLIAM A. LINDSAY

Mailing address: 450 CIVIC CENTER PLAZA

Telephone no.: 510-620-6512

E-mail address: Bill_Lindsay@ci.richmond.ca.us

Date of Signing: JULY 25, 2013

Attest

City Clerk

Approved as to form:

City Attorney

Mortgage Resolution Partners LLC

Representative:	______________ 7-25-13 (signature) (date)
Name (printed):	Graham Williams
Mailing address:	33 Pier South Embarcadero, Suite 201, San Francisco, CA 94111
Telephone no.:	415~~-795-2032~~ 971-1771
E-mail address:	gwilliams@mortgageresolutionpartners.com
Date of Signing:	7-25-13

Exhibit A
Insurance Requirements

___ **Exhibit A**

City of Richmond - Insurance Requirements - Type 2: Professional Services

In all instances where CONTRACTOR or its representatives will provide professional services *(architects, engineers, construction management, counselors, medical professionals, hospitals, clinics, attorneys, consultants, accountants, etc.)* to the City of Richmond (City), the City requires the following MINIMUM insurance requirements and limits.

CONTRACTOR shall procure and maintain for the duration of the contract, agreement, or other order for work, services or supplies, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the CONTRACTOR, its agents, representatives, employees or subcontractors. **Maintenance of proper insurance coverage is a material element of the contract. Failure to maintain or renew coverage or to provide evidence of renewal may be treated by the City as a material breach of contract.**

CONTRACTOR agrees that in the event of loss due to any of the perils for which it has agreed to provide Commercial General Liability insurance, CONTRACTOR shall look solely to its insurance for recovery. CONTRACTOR hereby grants to CITY, on behalf of any insurer providing Commercial General Liability insurance to either CONTRACTOR or CITY with respect to the services of CONSULTANT herein, a waiver of any right to subrogation which any such insurer of said CONTRACTOR may acquire against the CITY by virtue of the payment of any loss under such insurance.

Original, signed certificates and original, separate policy endorsements, naming the City as an additional insured for general liability coverage, as well as a waiver of subrogation for Workers' Compensation insurance, shall be received and approved by the City **before any work may begin**. However, failure to do so shall not operate as a waiver of these insurance requirements.

City reserves the right to modify or require additional coverages for specific risk exposures depending on scope of CONTRACTORS work.

Minimum coverage is detailed below. The policy limits of coverage shall be made available to the full limits of the policy. The minimum limits stated herein shall not serve to reduce the policy limits of coverage of CONTRACTOR.

Minimum Scope of Insurance – the following forms shall be provided and coverage shall be at least as broad as the following:

1. Insurance Services Office Commercial General Liability coverage (ISO Occurrence Form CG 0001), and including coverage for bodily and personal injury, property damage, and products and completed operations (if applicable).
2. Insurance Services Office Automobile Liability coverage (ISO Form CA 0001, Code 1, Any Auto).
3. Original and Separate Additional Insured Endorsement for General Liability (ISO Form CG 20 10 11/85 or its equivalent) with primary and non-contributory language.
4. Workers' Compensation Insurance as required by the State of California including Employer's Liability coverage.
5. Original and Separate Waiver of Subrogation for Workers' Compensation insurance.
6. Professional Liability or Errors & Omissions Liability Insurance appropriate to the CONTRACTOR's profession (if required.)

Required Coverage	Minimum Limits
Workers' Compensation and Employers' Liability	Statutory limits as required by the State of California including $1 million Employers' Liability per accident, per employee for bodily injury or disease. If CONTRACTOR is self-insured, provide a certificate of Permission to Self-Insure, signed by the California Department of Industrial Relations and Self-Insurance. If contractor is a sole proprietor (has no employees) than contractor must sign "Contractor Release of Liability" found at: ***http://www.ci.richmond.ca.us/index.aspx?nid=61.***
General Liability *(primary and excess limits combined)*	**$2,000,000** per occurrence for bodily injury, personal injury and property damage. If the policy includes a general aggregate, either the general aggregate shall apply separately to this project, service or location or the **minimum required aggregate limit shall be twice the per occurrence limit ($4 million aggregate limit).** Policy shall be endorsed to name the City of Richmond as an additional insured per the conditions detailed below.

City of Richmond - Insurance Requirements - Type 2: Professional Services

Automobile Liability	**$1,000,000** per occurrence for bodily injury and property damage.
Professional Liability or Errors & Omissions Liability – *Required for all professionals including architects, engineers, consultants, construction management, counselors, medical professionals, hospitals, clinics, attorneys and accountants, & other consultants as may be required by the City.*	**$3,000,000** per occurrence

Required Policy Conditions	
Additional Insured Endorsement	Applicable to General Liability coverage. The City of Richmond, its officers, officials, employees, agents and volunteers are to be named as additional insureds for all liability arising out of the operations by or on behalf of the named insured including bodily injury, deaths and property damage or destruction arising in any respect directly or indirectly in the performance of this contract. ***ISO form CG 20 10 (11/85) or its equivalent is required. If the Contractor is supplying their product or providing a service then the endorsement <u>must not</u> exclude products and completed operations coverage. If it does, then CG 20 37 (10/01) is also required. SAMPLE Endorsements can be found at http://www.ci.richmond.ca.us/index.aspx?nid=61.***
Primary and Noncontributory	The contractor's insurance coverage must be primary coverage as it pertains to the City, its officers, officials, employees, agents and volunteers. Any insurance or self insurance maintained by the City is wholly separate from the insurance of the contractor and in no way relieves the contractor from its responsibility to provide insurance.
Waiver of Subrogation Endorsement Form	Contractor's insurer will provide a Waiver of Subrogation in favor of the City for Workers' Compensation Insurance during the life of this contract. SAMPLE Endorsements can be found at ***http://www.ci.richmond.ca.us/index.aspx?nid=61.***
Deductibles and Self-Insured Retentions	Any deductible or self-insured retention must be declared to and approved by the City. At the option of the City either the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the City or the CONTRACTOR shall procure a financial guarantee in an amount equal to the deductible or self-insured retention guaranteeing payment of losses and related investigations, claims administration and defense expenses. Contractor is responsible for satisfaction of the deductible and/or self-insured retention for each loss.
A. M. Best Rating	A:VII or Better. If the A.M. Best Rating falls below the required rating, CONTRACTOR must replace coverage immediately and provide notice to City.

Umbrella/Excess Liability Policies

If an Umbrella or Excess Liability Policy is used to meet the liability limits, coverage shall be as broad as specified for underlying coverage's and cover those insured in the underlying policies.

City of Richmond - Insurance Requirements - Type 2: Professional Services

Claims-Made Policies

If any insurance policy is written on a claims-made form: 1) the retroactive date must be shown, and must be before the date of the contract or the beginning of contract work. 2) Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work. 3) If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective date, the Contractor must purchase an extended period coverage for a minimum of five (5) years after completion of contract work.

Subcontractors

CONTRACTOR shall include all subcontractors as insured under its policies or shall furnish to the City for review and approval, separate certificates and endorsements for each subcontractor. All coverage for subcontractors shall be subject to all of the requirements stated herein.

CONTRACTOR agrees to defend and indemnify the City of Richmond for any damage resulting to it from failure of either CONTRACTOR or any subcontractor to take out or maintain the required insurance policies. The fact that insurance is obtained by CONTRACTOR, and/or CONTRACTOR's subcontractors, will not be deemed to release or diminish the liability of CONTRACTOR, including, without limitation, liability under the indemnity provisions of this contract. Damages recoverable by CITY from CONTRACTOR or any third party will not be limited by the amount of the required insurance coverage.

Verification of Coverage

All original certificates and endorsements shall be received and approved by the City ***before work may begin***. The City of Richmond reserves the right to require complete, certified copies of all required insurance policies including endorsements affecting the coverage at any time.

Original insurance certificates and required policy endorsements shall be mailed or delivered to the Designated Project Manager for the City of Richmond.

Insurance certificates and endorsements may be faxed to the Designated Project Manger. However, CONTRACTOR must mail the original certificates and endorsements to Designated Project Manager once faxed.

Continuous Coverage

CONTRACTOR shall maintain the required insurance for the life of the contract. Should the CONTRACTOR cease to have insurance as required during this time, all work by the CONTRACTOR pursuant to this agreement shall cease until insurance acceptable to the City is provided. In the event that CONTRACTOR fails to comply with the City's insurance requirements, the City may take such action as it deems necessary to protect the City's interests. Such action may include but is not limited to termination of the contract, withholding of payments, or other actions as the City deems appropriate.

If services or the scope of work extend beyond the expiration dates of the required insurance policies initially approved by the City, CONTRACTOR must provide updated certificates and endorsements indicating that the required coverage, terms and conditions are still in place. **Renewal certificates and updated endorsements shall be mailed to the Designated Project Manager.**

Cancellation

CONTRACTOR shall ensure that coverage shall not be cancelled, reduced or otherwise materially changed except after thirty (30) days' prior written notice has been given to the City.

Reporting Requirements

Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the City, its officers, officials, employees or volunteers.

Consistent with Public Policy

The insuring provisions, insofar as they may be judged to be against public policy shall be void and unenforceable only to the minimum extent necessary so that the remaining terms and provisions herein may be consistent with public policy and thus enforceable.

Exhibit 3

Home
MRP Blog
Press Room
FAQs
Fact or Fiction
How You Can Help
The Team
Contact Us

A number of special interests publicly oppose keeping American families in their homes through purchasing and refinancing their loans using eminent domain. They use fictitious arguments in a transparent attempt to intimidate local governments. Here are their fictions, and the actual facts.

Fiction: Using eminent domain to acquire and refinance deeply underwater mortgage loans is "appalling" and "an abhorrent misuse of the power of the state."[1]

Fact: It is appalling and abhorrent that our opponents plan to needlessly foreclose on millions of American families and evict them from their homes. Using eminent domain to help families remain in their homes is appropriate and may be the only way to stop the underwater mortgage crisis from continuing to devastate local communities. Opponents believe that it is appropriate to use eminent domain to acquire a house to widen a road, moving a couple out of the home in which they raised a family and a neighborhood of lifelong friends, but it is appalling and abhorrent to purchase loans to save that very home and neighborhood from destruction.

In fact, it is appalling and abhorrent to elevate mere financial assets above the safety and well-being of families, neighbors and communities. Our opponents simply wish to evict families and cherry pick the best houses to buy at steep foreclosure discounts to rent to others for large profits, leaving communities to deal with the discarded homes that remain.[2]

Fiction: Using eminent domain to purchase underwater mortgage loans violates the Contract Clause of the U.S. Constitution.

Fact: The Contract Clause does not apply when communities purchase underwater mortgage loans by eminent domain. The communities will purchase loans outright, not impair them. Once the community owns a loan it is free to restructure the loan as it sees fit. The U.S. Supreme Court has unanimously rejected the Contract Clause argument, stating that it has *no merit* because *no one* has ever thought that the Contract Clause protects anyone against the sovereign power of eminent domain.[3] In fact, the Supreme Court has prescribed the use of eminent domain in our current circumstances. "If the public interest requires, and permits, the taking of property of individual mortgagees in order to relieve the necessities of individual mortgagors, resort must be had to proceedings by eminent domain . . ."[4]

Fiction: A law firm has written an opinion concluding that the use of eminent domain to acquire mortgage loans is highly likely to be unconstitutional on several grounds.

Fact: The proposal is entirely constitutional and will withstand any legal challenge. The firm has merely written an outline of potential constitutional arguments that might be made, and it does not in fact opine that the program is unconstitutional on any ground. In addition, the outline acknowledges that any conclusion will differ if the assumed facts are incorrect -- which they are.

Fiction: You propose to cherry pick the best loans.

Fact: The best loans in private securitizations are ones that are current and above water. They have lower default rates, equity to protect the lender, and above market interest rates that the borrowers have failed to refinance. Local governments will not pick these cherries. Instead, they might purchase deeply underwater loans that are highly likely to default and cause further losses to both the securitization trusts and the communities.

Fiction: There is no reason to believe that deeply underwater loans in private securitizations will default.

Fact: Fannie Mae projects remaining cumulative default rates of 40-69% on typical loans originated in the peak bubble years for private securitizations. And Amherst Securities, a respected firm that covers the mortgage market, projects a future default rate of 55% even for loans that already have been modified. The very high expected default rates of deeply underwater securitized mortgage loans are highly publicized and well documented by the mortgage industry.

Fiction: There is no public purpose to acquire and refinance current, deeply underwater, securitized loans. Governments should purchase defaulted loans to help those most in need.

Fact: The purpose of acquiring and resolving underwater loans is to protect neighbors and the broader community from defaults, foreclosures, and the losses that they cause. The Federal Housing Finance Agency has concluded that the single best best way to reduce losses is to proactively fix loans that are current, deeply underwater, and securitized. Once a borrower stops paying, the ability to mitigate loss falls dramatically. Each local government has the power to determine whether to acquire loans, and if so which loans. It might rightly purchase loans that are current, delinquent or in default. It chooses the public goals and methods that it wants to pursue -- not private financial interests who want taxpayers to bail them out of their holdings of defaulted loans.

Fiction: It is impossible to determine the value of deeply underwater mortgage loans; local governments will have to litigate price all the way to the U.S. Supreme Court.

Fact: Mortgage loans are simple financial assets. Financial firms of all kinds price these assets every day using consistent, standard methodologies and data from actual market transactions. In fact, on any given day the market values even more complicated financial assets like long term, underwater European government debt denominated in euros -- even for governments that are likely to abandon that currency. Anyone who claims that Wall Street cannot price a mortgage loan is misrepresenting the facts.

Moreover, the value of a loan is an issue of fact for a jury to determine. California appellate courts defer to a jury's factual determination except in the most extraordinary circumstances, and the U.S. Supreme Court does not review such facts. California law gives eminent domain priority over all other civil matters. Trial courts will expeditiously hear these cases, and appellate courts will not review a jury's decision on value.

Fiction: It is not economically possible to cover administrative and capital costs unless the local government pays less than fair value for the loans.

Fact: The local government can cover these costs because the public-private partnership will invest additional money, time and effort to refinance the loans into more valuable, fully documented loans with a far lower probability of default. In fact, the public-private partnership will be more successful at refinancing the loans then a private enterprise would be acting alone, without the credibility and participation of the local government and community. This is precisely the same as when a government purchases a farmer's land and develops it into a toll road or an airport. The project can cover its costs (and more) because the toll road or airport produces far more revenue than the farmland.

Fiction: Private lenders will shun communities that use eminent domain to prevent defaults.

Fact: Wall Street firms are raising billions of dollars to buy houses cheaply in foreclosure sales to convert into profitable rentals -- they don't care that Hawaii used its power of eminent domain to purchase rental homes from landlords to sell to tenants throughout the state.

These same firms are selling bonds backed by the foreclosed homes to finance themselves -- they don't care that Connecticut used its power of eminent domain to condemn bondholder rights in $4 billion of its own state debt.

Wall Street financiers regularly start new businesses, issue and trade stock in corporations, and go hunting together -- they don't care that American governments have used their powers of eminent domain to purchase business franchises, corporate stock, and hunting rights.

The fact is that private lenders will always seek to earn profits from loans. They are currently shunning communities precisely because they expect the debt overhang to continue to drive home prices down. Communities that use eminent domain to clear out a dangerous inventory of underwater mortgages will be more attractive to lenders as a result, not less -- and will get there sooner than communities that do nothing. Using eminent domain in this crisis will not affect lending in a normal market, in which there will be no public purpose for acquiring mortgage loans. The mortgage lending market is broad, deep and competitive when home prices are stable.

Fiction: MRP is a venture capital firm that will make an enormous profit on buying and refinancing underwater mortgages.

Fact: MRP is a community advisory firm that will assist communities that choose to use eminent domain to purchase underwater mortgages. MRP will earn a government approved flat fee per mortgage -- the same fee that any major bank earns today if it successfully modifies a loan under the federal government's Home Affordable Modification Program. MRP is not a venture capital firm and will not earn any profit share.

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[1] "Cities Consider Seizing Mortgages," Wall Street Journal, July 4, 2012 (quoting Scott Simon of PIMCO describing the proposal as "appalling"), http://online.wsj.com/article/SB10001424052702303933404577505013392791018.html; letter from SIFMA to the Hons. Ben Bernanke, Timothy Geithner, and Shaun Donovan, dated July 21, 2012 (describing the proposal as "an abhorrent misuse of the power of the state.").

[2] "Private equity bets billions on foreclosures," Businessweek, July 26, 2012, quoting Scott Simon of PIMCO, a noted opponent of helping homeowners through eminent domain (http://www.businessweek.com/articles/2012-07-26/private-equity-bets-billions-on-foreclosures); "Ex-Morgan Stanley housing chief launches foreclosed home fund," Reuters, Aug. 1, 2012 (http://www.reuters.com/article/2012/08/01/us-fund-foreclosure-chang-idUSBRE8700QV20120801).

[3] *Hawaii Housing Authority v. Midkiff*, 467 U.S. 229, 243 n. 6 (1984).

[4] *Louisville Joint Stock Land Bank v. Radford*, 295 U.S. 555, 602 (1935).

Exhibit 4

OPEN ALL CLOSE ALL

Home
MRP Blog
Press Room
FAQs
Fact or Fiction
How You Can Help
The Team
Contact Us

Doesn't eminent domain only apply to real estate?

No. The power of eminent domain applies to every kind of property, including real estate, tangible personal property (goods), and intangible personal property (loans and other contracts).

Can the local government acquire both performing loans and defaulted loans?

As long as it is acting to further a public purpose, a local government may acquire any kind of loan including performing, delinquent or defaulted loans. A government may purchase underwater performing loans to further a number of purposes -- as years of crisis have proven, negative equity is the single greatest predictor of future default, and it creates harm even absent default (including reduced homeowner investment in property maintenance and dislocation in the local property sales market and worker mobility because of restrictions on short sales). Each local government will determine which types of loans to acquire to further the public purposes it wants to serve.

Why do you need eminent domain? Why don't you just buy loans in the market?

Private securitization trusts hold approximately $1.1 trillion of loans; we could offer to buy their underwater loans, but their trust agreements do not allow for voluntary sales. Eminent domain allows us to purchase those loans as well as related second mortgage loans if the holders of the seconds are also unable (or unwilling) to sell. Eminent domain is a way to successfully consolidate ownership of a homeowner's mortgage loans in the hands of someone with the economic incentive and freedom to modify or otherwise resolve them.

Doesn't the Contract Clause of the U.S. Constitution forbid purchasing contracts (like loans) through eminent domain?

The U.S. Supreme Court expressly considered this question and unanimously rejected it in Hawaii Housing Authority v. Midkiff, saying that "the Contract Clause has never been thought to protect against the exercise of the power of eminent domain."

Isn't it novel and unprecedented to consider using eminent domain to acquire debt?

Not at all. Connecticut has used its power of eminent domain to condemn bondholder rights in $4 billion of tax-exempt state debt, converting it to taxable debt. New York State law explicitly authorizes the Long Island Power Authority to use eminent domain to acquire debt. In addition, Congress has considered using eminent domain to acquire underwater debt owed by railroads, and Florida has considered forming a state board with the authority to use eminent domain to acquire debt owed by Florida municipalities.

Who will choose the mortgages?

Local governments will choose. They will determine which loans to acquire and in which areas in order to make a meaningful difference to their communities. We will partner with these committed local governments to screen loans for eligibility and inclusion in their programs.

What rights and obligations will homeowners have when the local government acquires their loans? What happens to homeowners who do not refinance?

Homeowners will have the same rights and the same obligations that they have now under their loan agreements. This program simply changes the owner of their loans, not the terms of the loans. The program does not create any additional risk for the homeowners. If they do not refinance then they simply continue to pay on their existing loans.

Is your program a giveaway to the undeserving who borrowed more than they should have to purchase houses they never should have owned?

No. Everyone in California has the opportunity to purchase a home by borrowing from a lender who is willing to take a loss if home prices decline by more than the homeowner's down payment. The lender willingly takes the risk when making the loan, and the fair market value of the loan reflects that risk. By purchasing the loan at fair value, the local government gives the lender the benefit of its bargain. By accepting an economically rational refinancing or other resolution with homeowners, the local government affords them the benefit of their bargain without forcing them to default and flood the local housing market with additional foreclosed homes.

Regardless of the legal niceties, is it just wrong and a moral hazard to let these homeowners stay in their homes?

No. We protect our neighbors' homes, even allowing them to keep the equity in their homes while canceling their debts in bankruptcy, because it is the right thing for them and the right thing for us. In the U.S. we do not put our neighbors into debtor's prison, or make them homeless unnecessarily. America is facing an economic crisis and the solution requires practical action that keeps people in their homes which benefits the entire community. The real moral hazard is that the system is forcing homeowners to default in order to achieve rational solutions.

How much will the local government pay for the loans? Will the purchase create losses for the trusts that hold the loans?

The local government will pay the fair value of the loans, as both state and federal law require. The purchase will not create any losses for the trusts that hold the loans; the fair value of the loans reflects losses that have already occurred because of the extraordinary collapse of real estate prices in affected communities.

What is the fair market value of a loan, and how will you determine it?

Fair market value is the price that a willing buyer would pay a willing seller, neither under any obligation to buy or sell. Similar sales of troubled loans in the secondary market exist and are good evidence of fair value. These sales occur at a significant discount to the fair value of the home because of the "foreclosure discount" -- the market's recognition of the cost in time, money and effort to foreclose on the homeowner and thereafter to maintain and sell the property. We will use these market data points and supplemental methods including discounted cash flow modeling.

Who really owns the loans?

Securitization trusts typically hold the first mortgage loans that will be purchased by eminent domain. A variety of investors including hedge funds and mutual funds own interests in the trusts and thus the ultimate right to payments for the loans. Third party banks service the loans, and third party trustees monitor the servicers. Banks typically hold the second mortgage loans.

What rights will the loan owners have?

The trusts that currently hold the mortgage loans will have the right to receive the fair market value of the loans. This includes the right to a trial to determine the fair value of the loans if the trusts disagree with the local government's valuation.

Who pays the costs of legal challenges to the Program?

Mortgage Resolution Partners

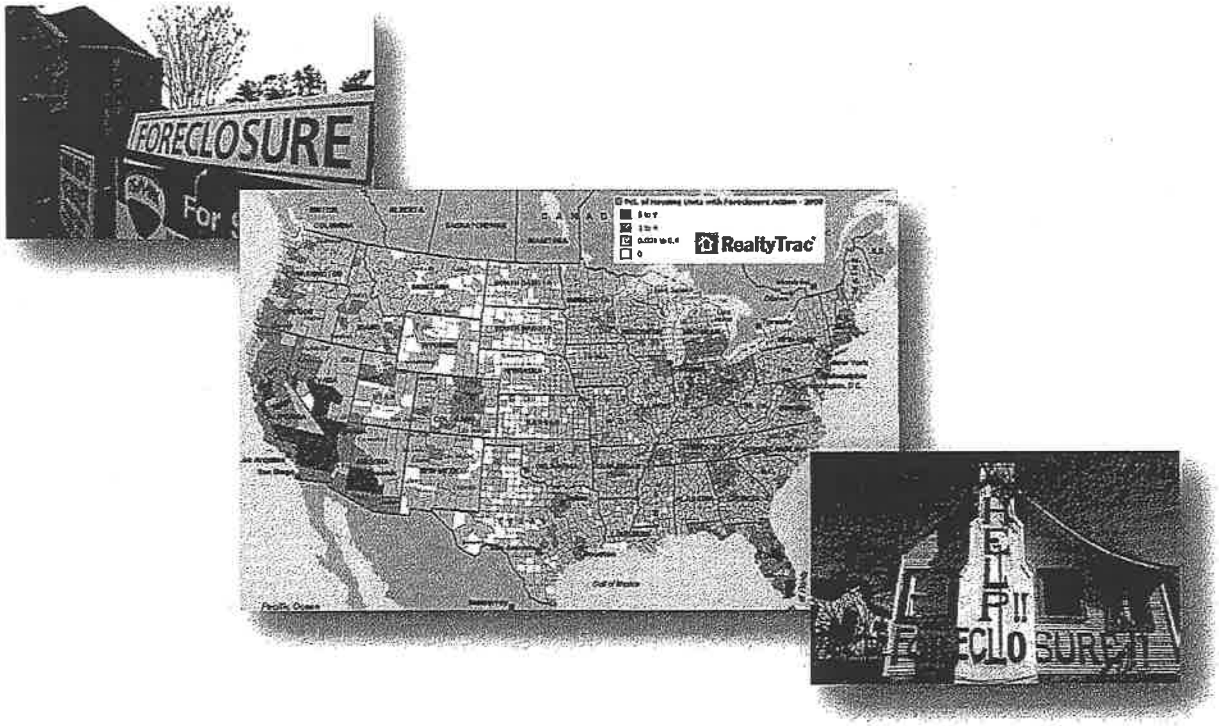
How is MRP paid?

The community does not pay MRP. The funder pays MRP a fee for each loan acquired by the community. This fee is very similar to the fee paid by the federal government to banks that modify mortgages under federal programs. The MRP fee does not depend on the price the community pays for the acquired loans. MRP is not a private equity firm, a hedge fund or a mortgage lender or servicer.

How is the Funder paid?

The Funder lends money that is used to acquire underwater mortgages to the community and earns interest income. The Funder's collateral is the underwater mortgages and the lender has no other recourse to the community.

Exhibit 5



Homeownership Protection Program

A Solution to a Critical Problem

Mortgage Resolution
PARTNERS

Homeownership Protection Program

This presentation has been prepared for discussion purposes only and does not constitute a legally binding commitment or obligation of any of the referenced entities herein to enter into the transactions described. The terms and conditions outlined herein are not a comprehensive statement of the applicable terms and conditions that would be contained in the definitive documentation for the transactions contemplated herein. This presentation should not be deemed a comprehensive disclosure of risks or other implications of the transactions discussed herein.

A program term sheet and FAQ is intended to be part of this presentation and contains additional information.

The Real State of U.S. Housing Today

Home prices continue to deteriorate, jeopardizing mortgage loans and homeowners

- In June of 2006, U.S. residential housing prices hit their peak. Now, nearly six years later, the market is once again at a record post-2006 low (down 33.8% from peak as of year-end 2011).
- Over 22% of the 52.5 million U.S. homes that are mortgaged had "underwater" mortgage loans at the beginning of 2012.
- Such mortgages are generally concentrated in states that experienced acute housing price increases during the bubble -- Arizona, California, Florida and Nevada, to name but a few.
- After short-lived and shallow periods of home price appreciation in mid 2010 and again in 2011, recent pricing trends have turned decidedly negative (the S&P Case Shiller 20 City Index is down 7.5% nationwide from its previous post-crash high in May of 2010).
- The National Association of Realtors, in its December 2011 survey, found that foreclosure sales averaged a discount of 22% compared with non-distressed home sales (up from 20% a year earlier). Short sales, with the cooperation of the lender, averaged 13% below market value. RealtyTrac found even larger differences in 2011.
- **Despite hopes to the contrary, the situation is not materially improving.**

The Homeownership Protection Program Will Help End this National Nightmare

Empowering communities to do what Washington and the private sector have been unable to

- The Program employs the ultimate right of local communities and governments – *through the constitutionally guaranteed power of eminent domain* – to retake control over the welfare of their neighborhoods and their fiscal solvency.

- Organized by Mortgage Resolution Partners – in public/private ventures with cities and counties that have been most affected by the mortgage and housing crisis – the Program will force lenders to surrender their mortgage loans to governments for full and fair value as determined by local courts in condemnation proceedings.

- As the current fair market value of such mortgage loans is considerably less than the face amount thereof, governments will be able to restructure the mortgage loans acquired though eminent domain and refinance severely underwater homeowners (with the ability and creditworthiness to make payments on their restructured loans) into new loans to be sold to large, private sector investors as FHA GinnieMae securities.

- **<u>No taxpayer funds</u> will be used in connection with the Program and the Program requires <u>no state or federal legislation</u>, or administrative action.**

Communities are the Principal Drivers of the Homeownership Protection Program

Municipalities have enormous incentives to adopt and execute the Program

- Defaulted mortgages are typically associated with the cessation of real estate tax payments and other ratable and usage charges payable to localities. This stresses local budgets and financing.

- Throughout the mortgage crisis, underwater loans have demonstrated high default levels – regardless of other borrower circumstances. This tendency poses a threat to areas continuing to see price depreciation.

- Large volumes of defaulted mortgages result in neighborhood blight, abandonment, unkempt property and transience. These factors exacerbate the already compromised housing economics in affected areas and accelerate price depreciation.

- Municipal, county and state governments, and agencies, have a public interest in halting defaults and consequent neighborhood deterioration.

- **The Program provides a practical and efficient solution to this intractable dilemma.**

A Grass Roots Crisis That Demands a Solution

The impact on cities must be resolved locally as broader national policies have proven inadequate

- Post-crash, cities and towns have suffered greatly, often in seldom understood ways:
- For example, when a foreclosed home is sold by a lender in foreclosure, the home's respective tax assessment is permanently reset in many communities.
    - Consider, for example, a home that was purchased for $400,000 with a $360,000 mortgage and has a current tax assessment of the purchase price.

      If that home sells in foreclosure for $200,000, its tax assessment is reset, and can only increase by a small amount each year in many communities. The rate of increase may be tied to inflation, which erodes tax revenues until the home is again sold.

    - Conversely, consider what would happen if the same homeowner refinanced the mortgage and (quite reasonably) contested its real estate tax assessment.

      The home's assessment may be reduced to $200,000, but the assessment could float freely back up to $400,000 as markets recover. Of course, once the assessment reaches $400,000, the rate of increase will be limited on an annual basis in many communities.

A Half-Decade of Partial Mortgage Resolution Solutions have Come up Short

Why does the mortgage crisis still burden the U.S., given the plethora of other programs to end it?

- Private- and government-sponsored modification programs generally have not worked because they do not emphasize significant principal reduction. Overall, fewer than 50% of the 2.26 million mortgages modified from 2008 – 2011 were current at year-end 2011. The majority of modifications have merely capitalized missed payments or reduced monthly payments by less than 10%.

- While encouraging lenders and servicers to pursue loan modifications in lieu of foreclosure, government programs (together with aftermath of the late 2010 "document-gate" foreclosure scandal) have curtailed the pace of foreclosures and liquidations. As a result, Q3 2011 saw a backlog of 394,000 repossessed homes awaiting liquidation, plus an additional 2.86 million homes securing mortgages that were 12 months or more delinquent, for a total "shadow inventory" of homes well down the foreclosure pipeline of 3.25 million. This excludes another approximately 1.4 million loans that are between 60 days and 11 months delinquent.

- As of January 2012, based on current default rates for various categories of loans, Amherst Securities estimated that between 7.4 million and 9.4 million additional home mortgage loans are in danger of defaulting over the next six years, <u>assuming no further price declines or changes to interest rates</u>.

A Half-Decade of Partial Mortgage Resolution Solutions have Come up Short (cont'd)

Systemic problems in the housing and mortgage industries have diluted other solutions' effectiveness

- At its post-bubble peak, the excess inventory of vacant housing rose to nearly 2.1 million units. That number has declined somewhat – particularly in the case of rental housing. Legacy excess unutilized vacant housing remains at over one million units.

- $873 billion of 2nd lien/HELOC (Home Equity Lines of Credit) mortgage loans exist behind a large portion of the most heavily underwater first mortgage loans. This has made resolution of underwater first mortgages by methods other than foreclosure and liquidation nearly impossible; second mortgage lenders (most of which are large banks) are not willing to offer proportionate relief, despite their subordinate lien status.

- Ironically, many borrowers continue to pay their second-lien lenders even as they are in default on their first mortgage, in order to maintain revolving lines of credit.

- **The $1.1 trillion of remaining "private-label" residential mortgage backed securities pose extraordinary additional problems by virtue of contractual documentation that never envisioned a housing price meltdown. Servicers are paralyzed by restrictive servicing contracts generally forbidding loan sales and limiting loan modifications. With shrinking margins and continued risks of litigation, servicers act only when forced to.**

The Homeownership Protection Program: A Practical Solution that Works

Why will the Program succeed where other solutions have failed?

- The Program operates at at the local level to acquire underwater mortgages through ***eminent domain,*** which is a public – not a private – right.

- Mortgage Resolution Partners (MRP) acts as manager and forms partnerships with local governments to facilitate the eminent domain and mortgage restructuring process.
  - MRP coordinates with local officials to identify subject mortgages and refine program structure.
  - MRP and third-parties preliminarily screens for loans qualifying for modification and refinancing.
  - MRP earns a fair, flat and transparent per-loan fee for its services.

- Not all borrowers will qualify for Program. Only borrowers who appear likely to repay their loans will be accepted. The Program will initially acquire loans that are (i) significantly underwater and (ii) relatively current (not in default)—emphasizing loans held by private-label securitization trusts.

- Loans and liens will be acquired through eminent domain at *fair value,* which is expected to be <u>less</u> than the market value of the home.

- **The Program will partner with institutional investors that fund the condemnation action in order to obtain access to attractively priced, GinnieMae-backed mortgage securities that will result from the restructuring and refinancing of the mortgages acquired under the Program. Investors will approve acquired mortgage pools and will earn all payments received on the acquired mortgages prior the re-securitization thereof.**

The Program Begins Where it is Most Urgently Needed – The State of California

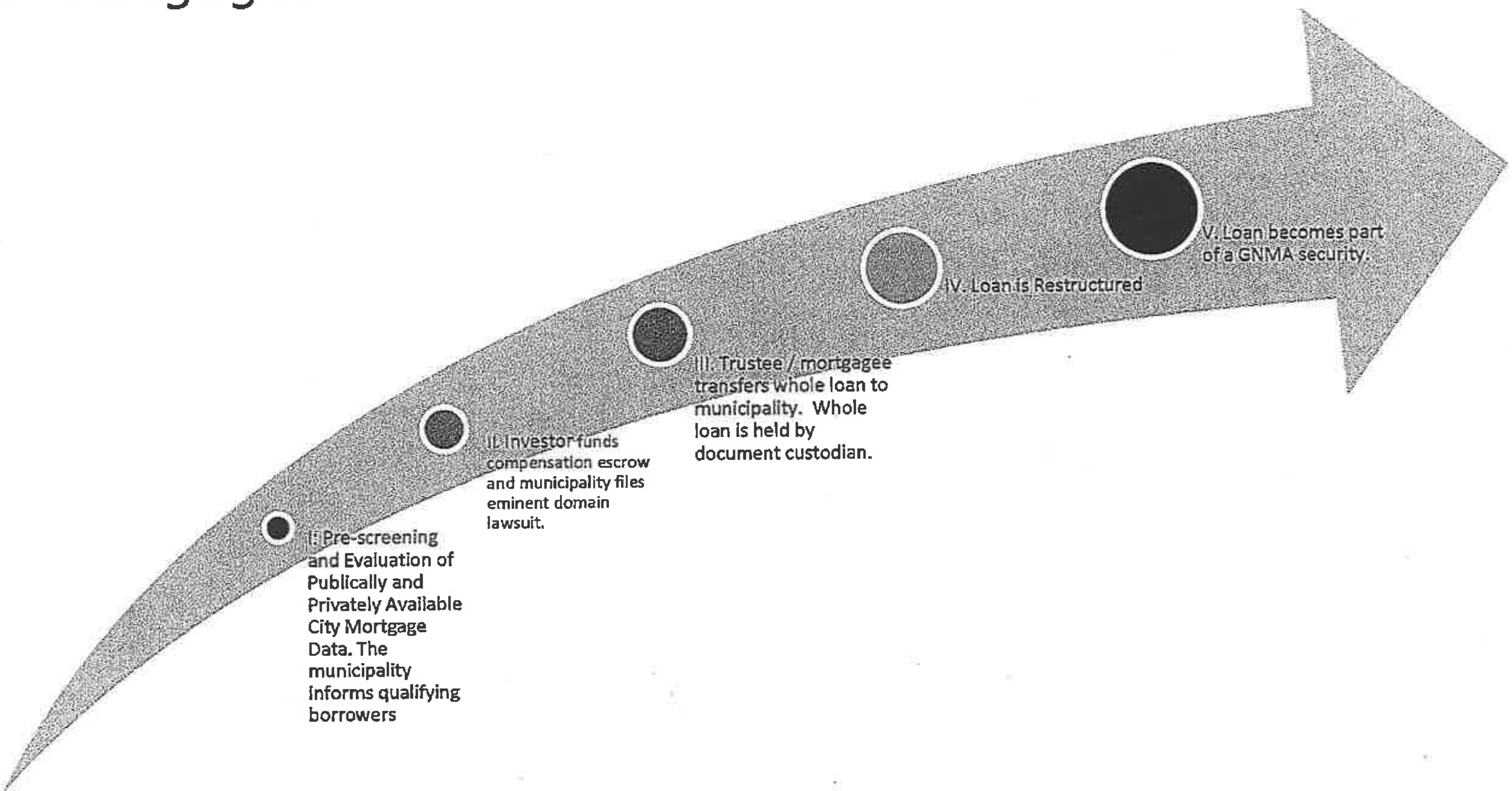
A $5 billion, initial series to kickoff an up-to-$500 billion, 3,000,000-home, multi-state effort.

- California has one of the highest percentages and the highest dollar amount of at-risk loans. It is a natural and efficient first state for the program.
- California legal precedent and political posture favor the Program and constitute an ideal proving ground.
- Counties and cities should have the authority under California and Federal law to acquire by eminent domain residential mortgage loans secured by real property when the debtor and the secured property are within its jurisdiction.
- A consortium of the county and city governments in San Bernardino County, California (the largest county in the United States, outside of Alaska) is promulgating a "Joint Powers Authority" to undertake the first series of the Program together with MRP.
- The Program has obtained supporting legal opinions of national counsel specializing in constitutional law and financial regulation. At the California and local level, the Program relies on firms with expertise and experience in local eminent domain law and litigation. San Bernardino County has conducted its own legal review before proceeding with the Program.

In addition, Robert Hockett, Cornell University Law School Professor of Financial and Economic Law has authored a memorandum of law and white paper on the issue of public taking of mortgage loans and liens for the purposes of the Program.

The Program's "Five Stages of Relief"

The Program's five stages for resolving underwater mortgages at the local level



Mortgage Resolution PARTNERS

A Step-by-Step Analysis of the Program's Operational Methodology

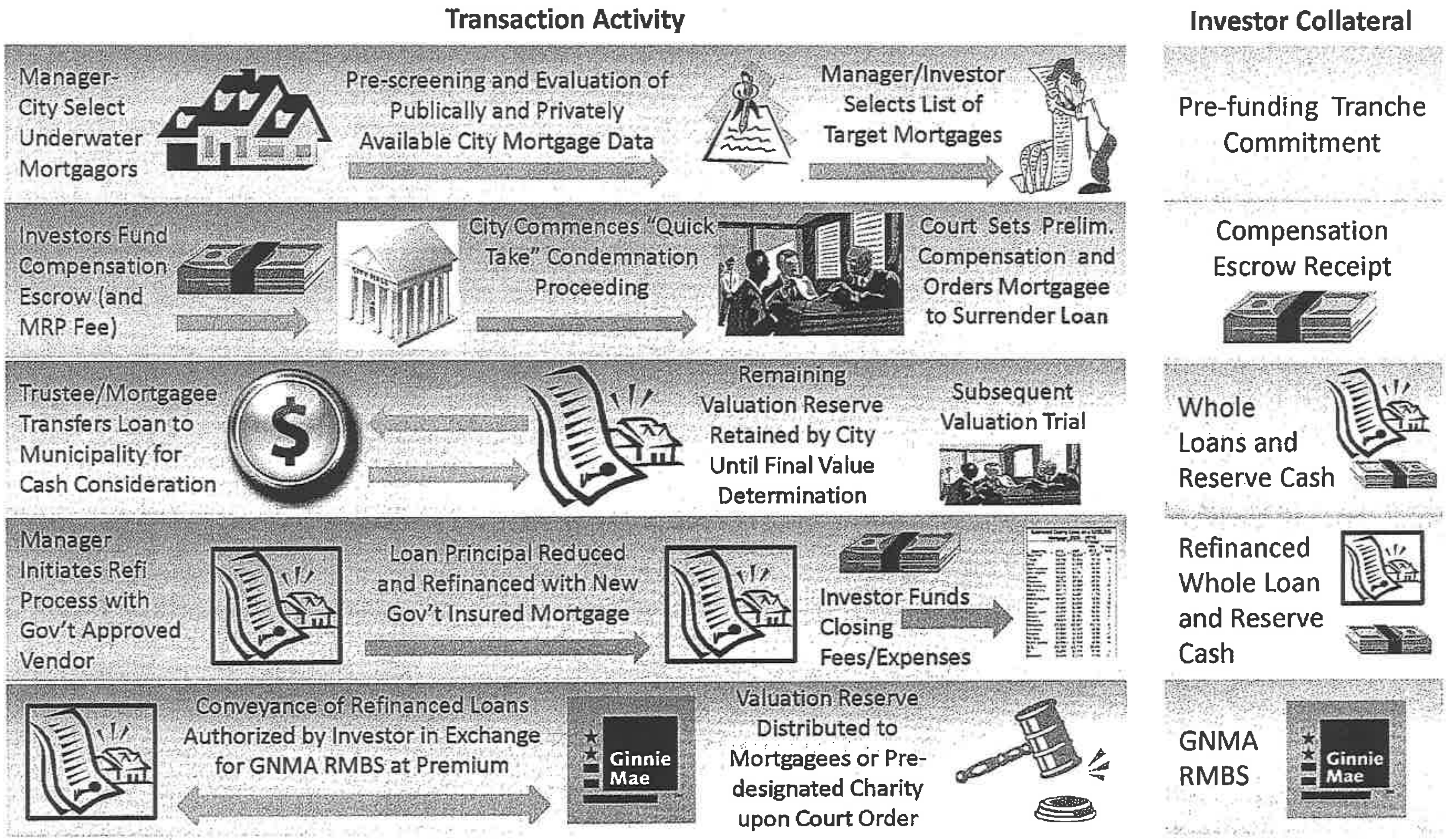


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Exhibit 6

FREQUENTLY ASKED QUESTIONS

TABLE OF CONTENTS

SECTION ONE: LEGAL

1. Doesn't eminent domain only apply to real estate? No. The power of eminent domain applies to every kind of property, including real estate (like land), tangible personal property (like goods), and intangible personal property (like loans).

2. Can the government condemn property by eminent domain and transfer it to a private person to use to earn a profit? Yes, in California and many other states, as long as the government finds that the private use may serve a public interest. Governments do so all the time, selling condemned property to developers who profit from building offices, shopping malls, or housing. In fact, in limited cases a government can even authorize private parties to directly exercise eminent domain to acquire property for their business use without any government involvement at all.

3. Are borrowers morally and legally obligated to pay the entire balance of their purchase money mortgage? No, particularly in California. Reckless lending standards in the past have caused real estate bubbles and crashes resulting in defaults that have harmed homeowners, destroyed the local economy and overwhelmed the state judicial system. As a consequence, California has deliberately allocated purchase money mortgage loan risk to the lender by enacting laws that allow a borrower to walk away from a purchase money home loan and effectively limit the lender's remedy to foreclosing on the home. This is a fundamental public policy in California and a fundamental part of the homeowner's bargain in taking out a purchase money home loan. Lenders are fully aware of their share of the risk of making a purchase money home loan in California.

4. Can the government acquire performing loans, or only defaulted loans? As long as it is acting to further a public purpose, a government can acquire any kind of loan including performing, delinquent or defaulted loans. A government can purchase underwater performing loans to further a number of purposes -- negative equity is the single greatest predictor of future default, and it creates harm even absent default (including reduced homeowner investment in property maintenance and dislocation in the local property sales market because of restrictions on short sales).

5. What makes you trust the legal advice you have received? Mortgage Resolution Partners (MRP) has received the advice of counsel with national or statewide reputations for excellence and expertise in litigation, eminent domain law and constitutional law. Both clients and other lawyers regularly select the same counsel to handle cases raising eminent domain, constitutional and public policy issues, and we have great confidence in their advice. Ultimately, each city will rely on its own legal review before proceeding with eminent domain actions.

6. What rights will the homeowners have when you provide notice? Homeowners will have the same rights and the same obligations that they have now under their loan agreements. This program simply changes the owner of their loan, not the terms of the loan. But more importantly, they will gain an opportunity -- the opportunity to work with a new loan holder that is not bound by the limitations of any securitization contract and lacks the conflicts of interest that current loan servicers have. Also, current plans provide for the homeowners to opt in to the MRP program on a voluntary basis.

7. What rights will the loan owners have? The trusts that currently hold the mortgage loans will have the right to receive the fair market value of the loans. This includes the right to a trial to determine the fair value of the loans if the trusts disagree with our valuation.

8. What about second mortgage holders? We expect to negotiate directly with holders of second loans, or use eminent domain to acquire those loans, in order to comprehensively deal with the homeowner's total mortgage debt. If a second loan has significant value because it is full recourse it may be necessary to acquire only the mortgage lien or a lesser interest in the loan. Unlike existing lenders, we will be able to deal with all loans encumbering a property comprehensively at the fair value of each.

9. Why do you need eminent domain? Why don't you just buy loans in the market? Private securitization trusts hold approximately $1.4 trillion of loans; we could offer to buy their underwater loans, but their trust agreements forbid them to voluntarily sell the loans. Eminent domain allows us to purchase those loans as well as related second mortgage loans if the holders of the seconds are also unable (or unwilling) to sell. Eminent domain is a way to successfully consolidate ownership of a homeowner's mortgage loans in the hands of someone with the economic incentive and freedom to modify or otherwise resolve the loans.

10. How do you plan to address the legal backlash that could occur? California has a well defined judicial process for adjudicating eminent domain actions and gives them priority in court. Loan owners (or Servicers on their behalf) might litigate the right to purchase the loans and the amount of compensation due. We are confident that the communities have the authority to purchase the loans, and we will provide resources to defend against any legal challenge to that right. We will stand willing to negotiate over price with the goal of reaching agreement on fair value. Absent agreement, there will be a final jury determination of fair value in the condemnation action.

11. Isn't there a legal step where judges must agree to the eminent domain plea? What if they don't? As long as the community has the authority, as confirmed by the court, to purchase the loan and pays fair value, the court must permit the acquisition. There is a process under which the community may request the court's permission to purchase the loan first and finally determine fair value later (a "quick take"). We expect that the quick take will be a necessary component of the plan.

12. Who really owns the loans? Securitization trusts typically hold the first mortgage loans that will be purchased by eminent domain. A variety of investors including hedge funds and mutual funds own interests in the trusts and thus the ultimate right to payments for the loans. Third party banks service the loans, and third party trustees monitor the servicers. Banks typically hold for their own account the second mortgage loans.

13. Who goes to court? Assuming the purchase requires court action, the communities will go to court, as will the securitization trust and holder of the second mortgage loan.

14. What happens if they question your valuation of the loan? The trust or bank may seek a higher valuation in the legal proceeding. They and we will provide evidence of value; initially the judge, and ultimately the jury, will determine fair value.

15. How will you deal with missing notes, incomplete records in MERS, and similar mistakes that create havoc in the foreclosure process? Many loan originators and servicers lost important documents or failed to record transfers in their haste to securitize and re-securitize loans. Borrowers rarely deny that they owe their debts; they just need to be sure that they pay the right person, and courts need to be sure that anyone who tries to foreclose actually has the right to do so. Eminent domain resolves these issues. It transfers complete ownership of the loan to the city, regardless of missing paperwork. Anyone who claims to own the loan can prove it in the action and receive the proceeds. Eminent domain settles once and for all who owns the loan (the city) and who has the right to receive payment. Clearing up the paperwork disaster is not a purpose of our program, but it is a fortunate side benefit.

SECTION TWO: FAIRNESS

1. Is your program a giveaway to the undeserving who borrowed more than they should have to purchase houses they never should have owned? No. Everyone in California has the opportunity to purchase a home by borrowing from a lender who is willing to take a loss if home prices decline by more than the homeowner's down payment (see Legal FAQ 3 above). The lender willingly takes the risk when making the loan, and the fair market value of the loan reflects that risk. By purchasing the loan at fair value, we give the lender the benefit of its bargain. By doing an economically rational modification or other resolution with the homeowner, we respect the homeowner's benefit of his or her bargain.

2. Regardless of the legal niceties, is it just wrong and a moral hazard to let these homeowners stay in their homes? No. We protect our neighbors' homes, even allowing them to keep the equity in their homes while canceling their debts in bankruptcy, because it is the right thing for them and the right thing for us. We do not put our neighbors into debtor's prison, or make them homeless unnecessarily. America is facing an economic crisis and the solution requires practical action that keeps people in their homes. We are all in this together, for our neighborhoods, our states and our nation. The real moral hazard is that the system is forcing homeowners to default in order to achieve rational solutions.

3. Won't those who don't qualify think this is unfair? As with many societal issues that have challenged us in the past, solutions do not always provide a direct benefit to everyone. In this case, success will benefit even those who do not qualify by stabilizing home values, restoring neighborhoods and promoting the local economy. Together with the state and the participating communities we will actively address public concerns and educate the public on the benefits to all of stemming the default crisis.

SECTION THREE: BUSINESS

1. What is the fair market value of a loan, and how will you determine it? Fair market value is the price that a willing buyer would pay a willing seller, neither under any compulsion to transact. Similar sales of troubled loans in the secondary market exist and are good evidence of fair value. These sales occur at a significant discount to the fair value of the home because of the foreclosure discount -- the market's recognition of the cost in time, money and effort to foreclose on the homeowner and thereafter to maintain and sell the property. We will use these market data points and supplemental methods including discounted cash flow modeling.

2. How will MRP make money? MRP will partner with communities to purchase all loans (or interests in seconds) encumbering a property through eminent domain at fair value, which will be significantly less than the fair value of the home. We will then proactively work with borrowers to modify or refinance the loans, or possibly take other action (such as a deed in lieu of foreclosure and rent-back or a short sale). Current plans provide for MRP to charge a simple, fair, and transparent flat fee (paid for by investors) for its services.

3. Why hasn't anyone else tried this, or have they? Governments have used eminent domain in the past to address housing dislocations. For example, Hawaii used a statewide program of eminent domain to purchase homes from landlords to sell to tenants when concentrated land ownership had made it difficult for people to buy their own homes. Some have advocated using eminent domain to purchase mortgage loans in the current crisis, including people in the home building, government and academic communities. MRP has simply taken up the idea and run with it because we believe that it is a positive solution to this crisis, particularly for securitized mortgage loans.

4. What other solutions are being offered? Are they working? What makes this proposal any better? There are a number of government programs designed to encourage loan modifications. However, these apparently do not provide sufficient incentives for securitized loan servicers who bear the cost and the risk of modifying a loan, with the trust investors reaping the benefits of a successful modification. Moreover, the existing programs do not adequately deal with conflicts of interest among servicers, securitization trust investors, and second mortgage holders. As a result, few modifications have occurred, and most have been unsuccessful, particularly for securitized loans. Our proposal is better because we will cause the purchase of all loans encumbering a home, with the freedom to effect any modification, including write-downs.

5. How does this affect the borrower's credit? The effect on a borrower's credit will depend upon the resolution of the mortgage loan that he or she agrees to. We expect that the effect will be no worse than it would be without eminent domain and will be better for the borrower if MRP is able to affect a refinancing or a modification that the existing servicer would not have permitted.

6. How will this help home values, or will it? We expect that the program will stabilize home prices by reducing defaults and the resulting forced sales of homes and by reducing the overhang of future expected foreclosures.

7. Do you really believe this is going to work? Yes, so much so that we have personally risked our time, our money and our reputations to get this program up and running.

8. Why California? California has one of the highest percentages of at-risk loans and the highest dollar amount of at-risk loans of any state. It is a natural and efficient first state for the program. We expect to expand the program to other states once it is up and running.

9. How will you choose the mortgages? We will partner with committed local governments that have a sufficient volume of at-risk loans to allow us to make significant investments and make a meaningful difference to the community. The local government offices will help to identify which areas we assist, and each potential mortgage will then go through the regular underwriting and eligibility process.

10. What are your plans after the California pilot? Other cities? Other states? We plan to expand beyond the pilot, both in California and in other states. There is much opportunity both in-state and out-of-state to build on the program's potential value.

11. How many borrowers have second mortgages (like HELOCs), and how will you handle them? We expect that a significant percentage of borrowers will have second mortgages. We expect to reduce or eliminate the balance of the homeowner's second mortgage loan at the same time as the first, either in a voluntary transaction with the holder of the second or (if necessary) by purchasing it through eminent domain.

12. What reactions do you expect from the major bank servicers? We expect the servicers to initially oppose the program. However, we hope that they will come to recognize that the program is the best way to resolve the troubled loans in the securitization trusts for the benefit of all parties involved in the trust, including the trust investors, the trustee, and the servicer.

13. Who will underwrite the new loans -- MRP, third parties, or both? Both. MRP will determine the underwriting criteria for selecting loans based on the requirements of third party lenders, Fannie Mae, Freddie Mac, the FHA, and other parties who will ultimately acquire, refinance or guarantee the loans. We expect to work with third party mortgage professionals in each participating community to underwrite the new loans. This will bring local expertise to the underwriting process and support to the local economy.

14. Won't you have to lend to unqualified borrowers in order to keep people in their homes? How will you manage credit risk? We will not refinance or modify loans for borrowers who do not qualify. We will manage credit risk through underwriting to the requirements of third party lenders and guarantors, who will provide the ultimate take-out for the loans. We may offer other resolutions for homeowners who no longer qualify for loans, such as expedited consideration of proposed short sales and accepting a deed in lieu of foreclosure and potentially renting the home back to them (via an appropriate partner). In addition, a portion of the returns will be dedicated to communities, which may use the funds to finance community housing or other needs.

15. How will you deal with competition from the major banks once you announce your program? We believe that city and state governments may be unwilling to work with major banks or other potential competitors because of their or their affiliates' roles in creating or prolonging the mortgage crisis. Other companies could in time create similar mortgage resolution businesses. However, the inventory of distressed mortgage loans is unfortunately so great and so widespread that there is room and need for other companies to operate in the space without adversely affecting our business model.

16. Will you partner with existing lenders? Why or why not? We expect to work with selected existing lenders as well as independent real estate professionals to refinance the homeowner's loans.

17. What criteria will you use to select loans to acquire? We will work with each government agency to determine the criteria that best meet the community's needs – with the goal of keeping homeowners in their homes. We expect initially to acquire loans that are significantly underwater, but which are current (not in default). Subsequently, we may expand the program to acquire loans that are in default, but where the homeowner can afford a refinanced loan with a reduced principal amount.

18. If you are successful in modifying loans and reducing principal, won't the homeowner be taxed on the reduction? Through 2012, both federal and California laws forgive the tax for debt used to purchase or improve the home. If the borrower used the proceeds for other purposes, like buying a boat, then the reduction may be taxable. Even after 2012, debt forgiveness generally may not be taxable to the extent the borrower's total debt exceeded total assets, which we expect will be the case for many homeowner participants. The program will be voluntary for homeowners, so they will determine whether to participate based on their own circumstances, including their own tax position. MRP will not provide tax advice, and will urge potential participants to seek such advice.

19. How long will this take? We expect a period of 4 to 12 months from the beginning of the borrowers' opt-in period until completion of loan refinancing.

20. We've seen what outsourcing did to loan modification programs with the big banks. If you are going to outsource, how can you ensure quality? Many of the problems with outsourcing have come from conflicts of interest that the large bank servicers have. They bear the high costs of servicing troubled loans and negotiating modifications, but they do not get the benefits of a successful modification. This has led them to outsource to firms that will foreclose as quickly and cheaply as possible. We intend that our program's investors will acquire all of a homeowner's mortgage loans and bear the risk and returns of restructuring the loans, so our program will not have this conflict of interest. We will closely monitor all service providers because it is in our interest for them to do their jobs right.

SECTION FOUR: ECONOMICS

1. How can the loan purchasers earn a profit if they pay fair value for a loan – and won't the trusts have a free look back to demand more compensation in court? MRP and the loan purchasers can pay fair value and still earn a profit because they will take the risks and earn the returns of acquiring underwater loans and then refinancing them. Many investment funds purchase distressed whole loans from bank portfolios in consensual transactions and then profit by working them out; we expect our loan purchasers to pay the same price that they do. We will seek to provide appropriate reserves for look back risk based on the court's ultimate determination.

2. How will MRP make money? MRP intends to earn fees that are simple and transparent based in part on its success in obtaining control over and modifying or otherwise resolving the loans.

3. Will you share profits with the communities? We expect to contribute to the communities (or not-for-profit organizations) a fixed amount per loan acquired, which may support community housing needs.

4. How have you structured this to create the various profit margins you will need? Who pays for the legal fees? The structure of the loan acquisitions and the expected loan resolutions will create the necessary profit margins to pay for program costs, including funding costs and legal fees.

SECTION FIVE: GOVERNMENT

1. **Eminent domain is already so controversial. Are you concerned about how this will be perceived?** Eminent domain is controversial when it displaces homeowners to help unrelated investors. The program will use eminent domain to help homeowners, and we expect it to show that local governments are part of the solution, not part of the problem.

2. **What about the bigger picture? Isn't this going one step further to disempower private businesses and empower the government?** No. Eminent domain is an inherent power of American governments, one that they have used throughout our nation's history. It is such a fundamental part of government that the US Constitution expressly permits it, as long as the government has a public purpose and pays fair value for the property. Moreover, the government entities will not enter the mortgage loan business or displace any mortgage companies.

3. **Is there an ulterior political motive here?** No. Eminent domain is a governmental action to achieve governmental objectives, and the objectives are clear -- to reduce the harm that the residential home loan crisis is causing our communities, to stabilize neighborhoods, and to support local economic activity.

4. **I read something in the WSJ about a program that President Obama was considering. Is this it?** No. Our program is a local one controlled by local city and county governments, supported by private investment funds.

5. **How will this affect property taxes?** By resolving underwater loans more efficiently with fewer foreclosure sales, we expect the program to stabilize the property tax base and to help collect delinquent property taxes.

6. **If this is such a good solution, why didn't the government do this instead of the bank bailouts?** Our program addresses a different problem and offers a different solution. The federal government acted to prevent a national financial collapse; that problem required a national solution at a scale that only the federal government could provide. The residential mortgage loan crisis affects individual communities differently and requires a local solution. We can implement the solution on a local scale, funded with private capital.

7. **Will participating cities be blackballed?** We regard it as unlikely that lending institutions would "redline" or "blackball" a city for exercising a sovereign right. Banks are in the business of making interest margin, and we believe that they will seek to do so wherever the opportunity arises. Punishing communities is not good for business. Also, there are legal strictures that may prevent such retaliation (such as the Community Reinvestment Act).

8. **How have you planned to budget for all of the legal costs that will come out of this? Especially for the participating municipalities, how will you put their fears at rest regarding this?** We have budgeted for extensive legal fees. MRP's financial model provides that

funding sources and the margins from the loan acquisitions and refinancings will directly pay all legal costs of condemnation and valuation actions.

9. What liability do the participating municipalities have? The participating governments or joint powers authorities will be liable to pay the fair value of the loans as well as certain legal costs and fees. MRP and its funding sources will pay for these costs as described in the answer to FAQ 8.

SECTION SIX: ORGANIZATION/FOUNDERS

1. **Who is MRP?** MRP is the manager of this resolution program. It will obtain the funding to pay for the acquired loans, and it will manage the process of resolving the loans.

2. **Where will your corporate offices and operations be based?** MRP's offices and operations are based in San Francisco. As we implement the program we will work with the independent real estate service community in each participating community, which should contribute to the local economy. MRP may open additional offices in other cities and states as the program expands.

3. **Who is Gordian Sword and what role does it play?** Gordian Sword is the company that the program's founders set up to help create the program and to manage Mortgage Resolution Partners.

4. **Why LLCs?** Limited liability companies are a typical form of organization for investment and investment management businesses. They operate with the flexibility of partnerships while providing all investors with limited liability like shareholders in a corporation.

Exhibit 7

Richmond CARES

Community Action to Restore Equity and Stability

Saving Homes, Saving Cities

Solving the Mortgage Crisis Locally

Summary

- An average foreclosure costs the local government $19,277 (HUD)
- An average foreclosure costs adjacent neighbors $14,531 (HUD)
- 1,468 first mortgages in Richmond are in Private Label Securities
- 734 of these will be foreclosed (Fannie Mae estimate)
- These foreclosures will cost Richmond $25 million
- Reducing principal to below home values will stop foreclosures
- Richmond has the power to reduce principal
- ***No one else has any incentive to prevent foreclosures***
- Mortgage Resolution Partners can help

Mortgage Resolution
PARTNERS

The Cost of a Foreclosure*

Local Governments	$19,227

- Lost Property Taxes
- Unpaid Utility Bills
- Property Upkeep
- Policing
- Legal costs, building inspections
- Demand for social services

Borrowers	$10,300**
Close Neighbors	$14,531***

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*HUD Economic Impact Analysis of the FHA Refinance Program for Borrowers in Negative Equity Position
**Household moving costs, legal fees and administrative charges
***Negative impact on the property value of close neighbors

Richmond Foreclosures

Housing	# of Units*	Private Label Mortgages	Future Foreclosures Of Private Label Mortgages**	Cost of Foreclosures: Richmond	Cost of Foreclosures: Adjacent Neighbors
Owner-occupied	18,659	1,468	734	$14 million	$11 million
Renter-occupied	17,434				

**Fannie Mae Predicts that 50% of PLS Will Result in Foreclosures

*Source: 2010 Census
** Source: Fannie Mae 2011 10k

Problem → Mortgages Held In Private Label Securities

- 4.5 million loans placed in securities not guaranteed by U.S. Government
- Loans not eligible for 15 federal programs created since the housing crash
- Loans are much more likely to be underwater.
- Riskier loans created in 2004 to 2007 helped create housing boom
- Have not been originated since 2007
- ***Securities prohibit principal reduction***

"If we are going to stabilize the housing market, we have to address" PLS loans.
Federal Housing Finance Agency 2009

Result → Fannie Predicts that 50% of PLS Will Result in Foreclosures

The Solution – Principal Reduction

"Most economists see principal reductions as central to preventing foreclosures." *Alan Blinder, former Vice Chairman at the Federal Reserve (Oct. 20, 2011)*

"Government should reduce mortgage principal when it exceeds 110 percent of the home value." *Martin S. Feldstein, former Chairman of the Council of Economic Advisers under President Reagan (Oct. 12, 2011)*

"Surely there is a strong case for experimentation with principal reduction strategies at the local level." *Lawrence Summers, former Treasury Secretary under President Clinton and former Economic Adviser under President Obama (Oct. 24, 2011)*

Example: JP Morgan Chase and Bank of America unilaterally reduce principal on option ARM portfolio loans in order to reduce defaults and losses

Principal reduction will prevent future defaults and foreclosures

Why Does Principal Reduction Help?

This is an illustrative example for the level of benefits that participating families may realize. Communities benefit from greatly reduced probability of foreclosure.

	Original Loan	Today	After Program
Home Value	$400,000	$200,000	$200,000
Mortgage Balance	$320,000	300,000	$190,000
Home Equity	$80,000	($100,000)	$10,000
Loan to Value Ratio (LTV)	80%	150%	95%
Monthly Payment	$1,798	$1,798	$907

Assumes a 6%, 30 year, fully amortizing mortgage is refinanced by a 4%, 30 year, fully amortizing mortgage. Some loan programs may also require insurance, which may add $175 per to the After Program monthly payment.

Probability of Default Drops from ~80% to ~7.5% (FHA actuarial assumption, 95%LTV)

Method of PLS Principal Reduction → Communities Take Action

Securitization agreements and tax laws prohibit the sale of PLS mortgages except when the mortgages are condemned

Local government, using their constitutional power of eminent domain, can purchase PLS mortgages when public purpose exists by paying fair value

Then local governments can reduce the principal balance on the condemned PLS mortgages, thereby reducing underwater PLS in their community

Governments Can Use Eminent Domain To Avoid Unnecessary Foreclosures

Who Supports the Program?

Broad community-focused support for the program

- AFSCME
- Americans for Financial Reform
- Center for Popular Democracy
- National Community Reinvestment Coalition
- Federal Banking Regulators

Representing

- 1.6 million state and local government employees
- 600 local housing focused organizations
- 250 national, state and local groups working on financial industry reform

Program Addresses Concerns Of Local Homeowners And Community-focused Organizations

MRP is a Community Advisory Firm

MRP clients are state, county, and city governments that purchase underwater PLS mortgages and resolve them to the benefit of their communities. In order, MRP provides, under an advisory contract with the community, the following services:

- Identify and value PLS mortgages
- Educate the community
- Arrange acquisition financing
- Advise community in filing eminent domain motion
    - Demonstrate the public purpose
    - Determine fair market value of mortgages
- Arrange servicing of acquired mortgages
- Arrange resolution of acquired mortgages

MRP Provides These Services No Cost To Cities or Homeowners

Communities That Have Engaged MRP

- El Monte, CA
- La Puente, CA
- San Joaquin, CA
- Orange Cove, CA

MRP is in active discussions with these communities and many more

Next Steps

1. The City retains MRP at no cost per the terms of the MRP Advisory Agreement as modified by the City and agreed to by MRP.
2. The City is in control, at each step in the process the City has the option to terminate the Agreement and must approve the next step before it is taken.
3. The City does not pay any costs of the program.
4. Nothing in the Agreement obligates the City to file an eminent domain motion.

Mortgage Resolution Partners LLC
Pier 33 South Embarcadero, Suite 201| San Francisco, CA 94111 | 415.795.2032

Key Steps To The MRP Process

1. The City hires MRP at no cost per the terms of the MRP Advisory Agreement as modified by the City and agreed to by MRP. At each step in the process the City has the option to terminate the Agreement and must approve the next step before it is taken. The City does not pay any costs of the program. Nothing in the Agreement obligates the City to file an eminent domain motion.

2. The City pre approves all communications with the homeowners and the community.

3. Before or after the City files an eminent domain motion the Homeowner may opt out of the program and their mortgage will be dropped from the motion before it is purchased.

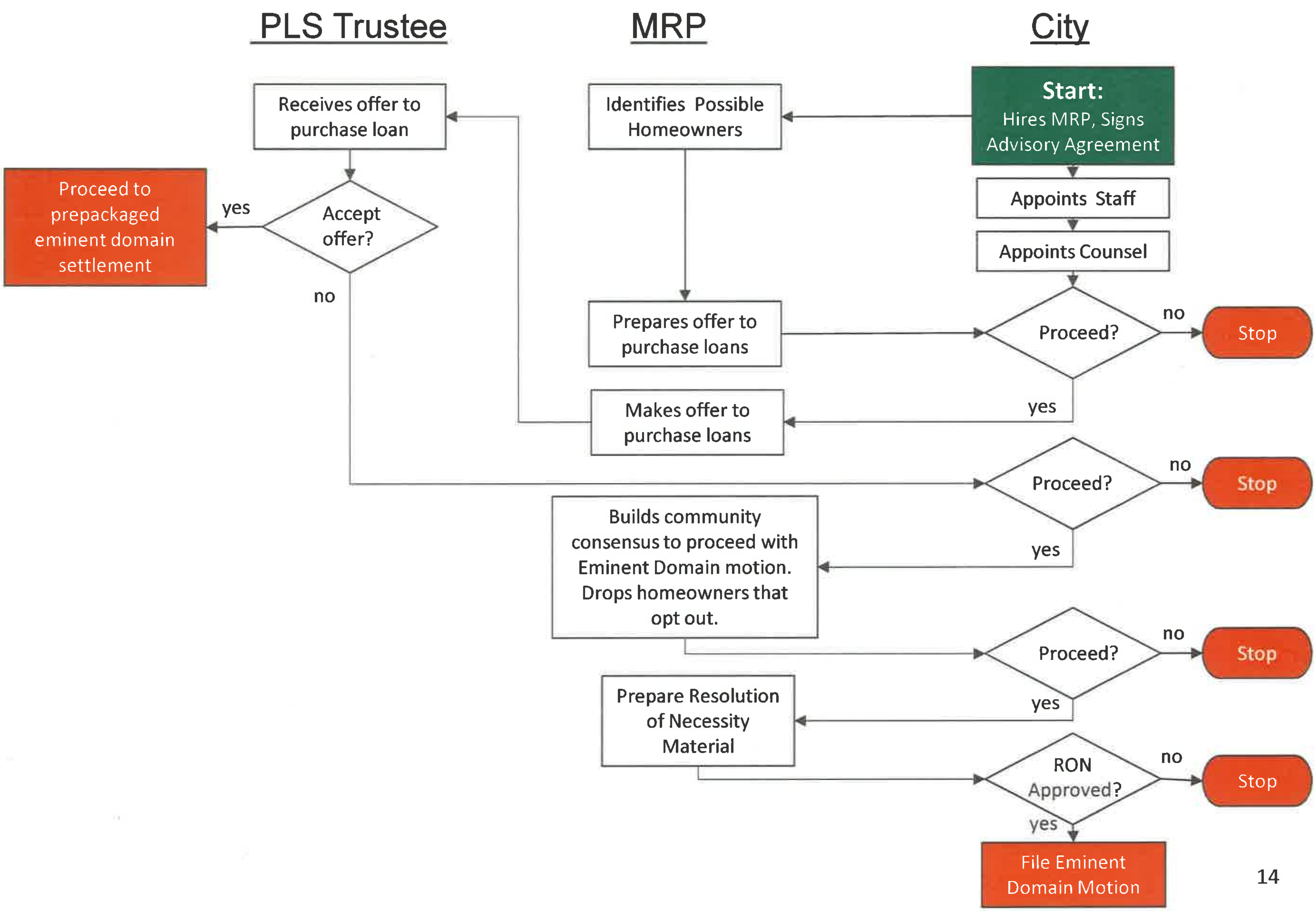
4. Qualified homeowners who opt into the program may elect to refinance for less than the current value of their home.

5. Qualified homeowners who opt into the program may elect to sell their home in full satisfaction of their mortgage and lease back their home with an option to purchase it in the future.

6. Homeowners who opt into the program, but do not qualify for a refinance or a lease will be dropped from the eminent domain motion before their mortgage is purchased.

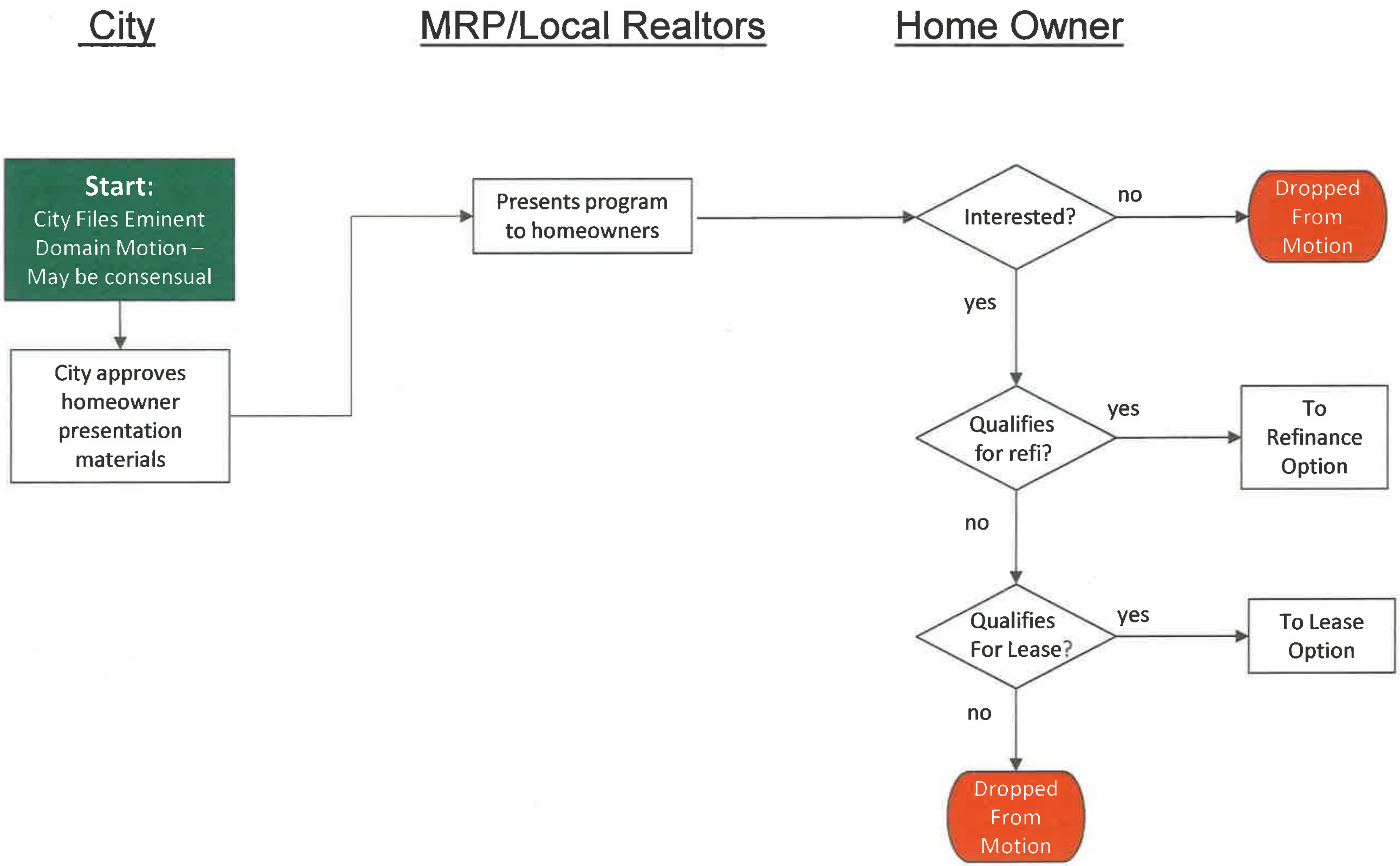
Step 1. City Controls The Process

Mortgage Resolution
PARTNERS



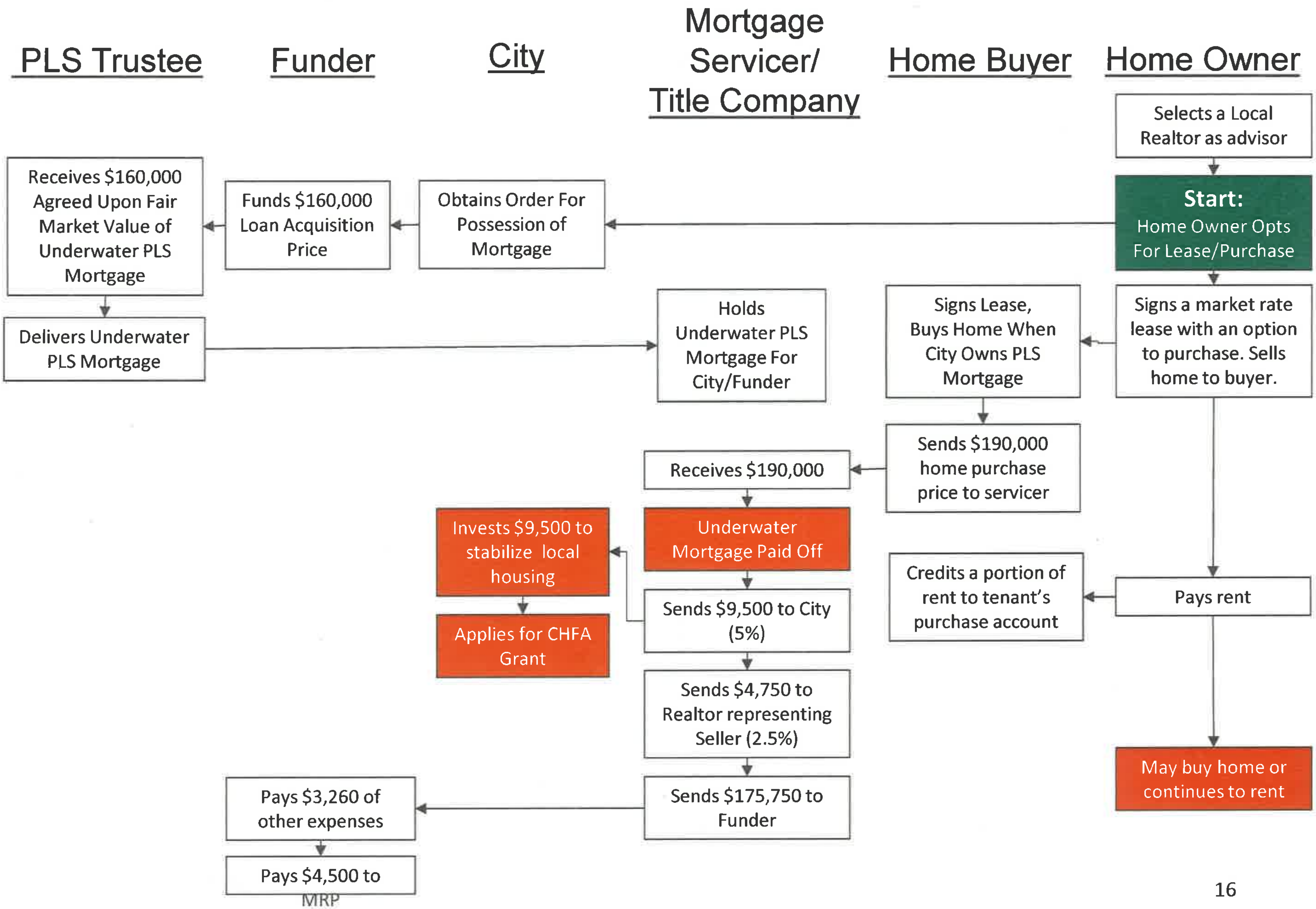
Step 2. Home Owner May Opt Out

Mortgage Resolution
PARTNERS



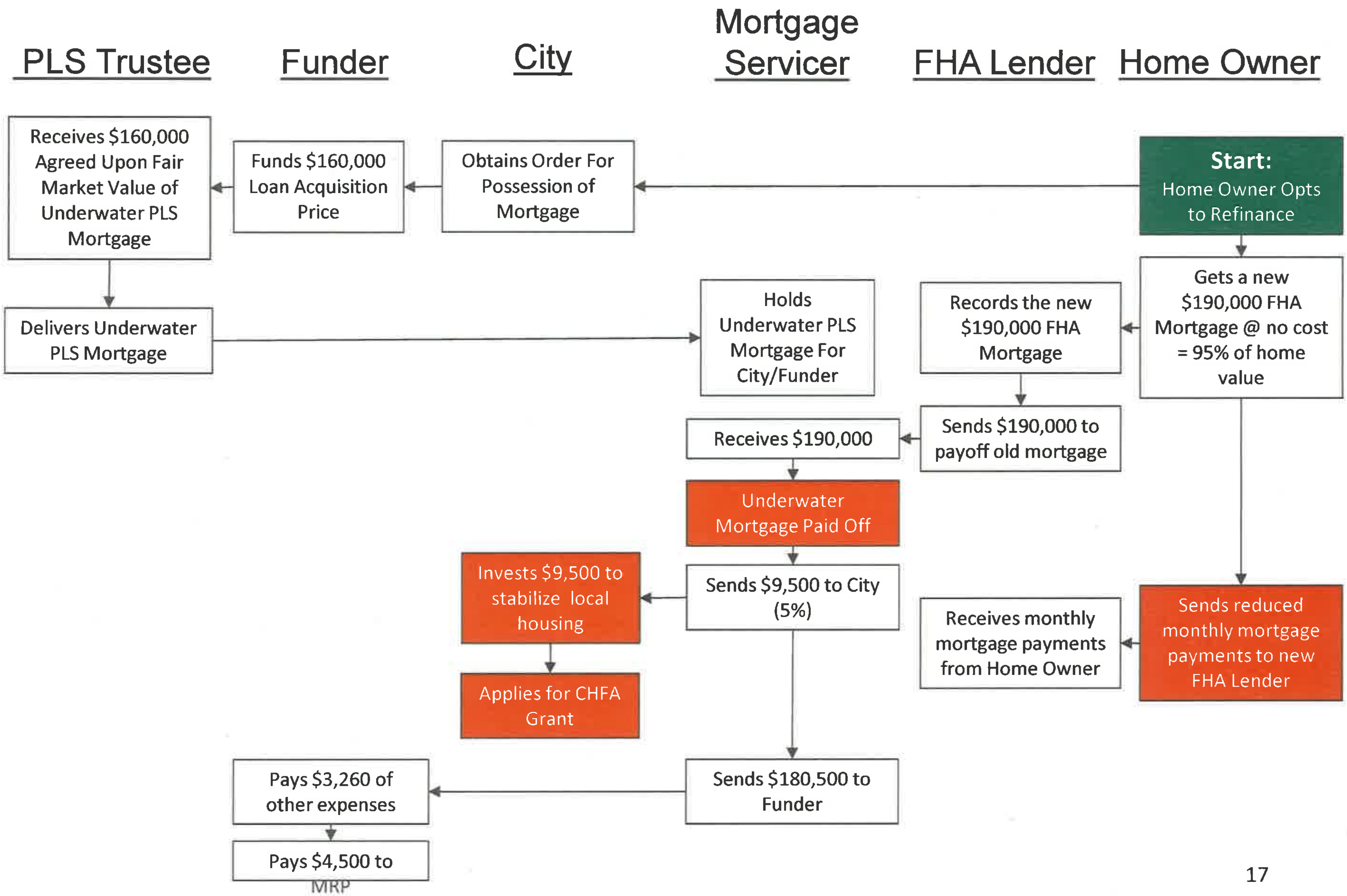
Step 3: Lease/Purchase Solution

Mortgage Resolution
PARTNERS



Step 3: Refinance Solution

Mortgage Resolution
PARTNERS



Follow the Money

Mortgage Resolution PARTNERS

Sale and Leaseback Solution	Who Pays?	When?	Who is Paid?	Cash Flow	MRP Cash Balance	Funder Cash Balance
Legal Expenses	MRP	Before eminent domain motion is filed	Atty's selected by City	(300)	(300)	
50% of MRP Fee	Funder	Eminent domain motion filed	MRP	(2,250)	1,950	(2,250)
Legal Expenses	Funder	After eminent domain motion is filed, prior to possession being awarded	Atty's selected by City	(1,700)	250	
Fair Value Paid For Loan	Funder	Possession of mortgage awarded to city	PLS Trust	(160,000)		(162,250)
Real Estate Commission	Home Buyer	Home sold	Realtors selected by home owner	(4,750)		
Closing Costs	Home Buyer	Home sold	Vendors selected by home owner/realtor	(2,000)		
Home Sales Proceeds	Home Buyer	Home Sold	Funder	183,250		21,000
Community Housing Reserve	Funder	Home Sold	City	(9,500)		11,500
50% of MRP Fee	Funder	Home Sold	MRP	(2,250)	2,500	9,250
Investment Banking Fee	Funder	Home Sold	MRP's investment bank	(560)		8,690
Reimbursement of MRP Advances	Funder	Home Sold	MRP	(2,000)	4,500	6,690

Refinance Solution	Who Pays?	When?	Who is Paid?	Cash Flow	MRP Cash Balance	Funder Cash Balance
Legal Expenses	MRP	Before eminent domain motion is filed	Atty's selected by City	(300)	(300)	
Homeowner Education	MRP	Before eminent domain motion is filed	Vendor approved by City	(300)	(600)	
50% of MRP Fee	Funder	Eminent domain motion filed	MRP	(2,250)	1,650	(2,250)
Legal Expenses	MRP	After eminent domain motion is filed, prior to possession being awarded	Atty's selected by City	(1,650)	-	
Homeowner Education	MRP	After eminent domain motion is filed, prior to possession being awarded	Vendor approved by City	(300)	(300)	
Fair Value Paid For Loan	Funder	Possession of mortgage awarded to city	PLS Trust	(160,000)		(162,250)
Mortgage Servicing	Funder	After possession of mortgage by city until resolution	Servicer of underwater mortgage	(100)		(162,350)
Refinance Proceeds	FHA Lender	Refinance Completed	Funder	190,000		27,650
Community Housing Reserve	Funder	Refinance Completed	City	(9,500)		18,150
50% of MRP Fee	Funder	Refinance Completed	MRP	(2,250)	1,950	15,900
Investment Banking Fee	Funder	Refinance Completed	MRP's investment bank	(560)		15,340
Reimbursement of MRP Advances	Funder	Refinance Completed	MRP	(2,550)	4,500	12,790