Exhibit C

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Eminent Domain Bid for California Mortgages Rejected

ByAl Yoon

Steven Gluckstern

Steven Gluckstern, of Mortgage Resolution Partners

After months in the spotlight, a group formed by three Southern California municipalities has backed down on a plan to seize and restructure troubled home loans.

The local group, whose mission includes addressing the problem of underwater mortgages, rejected on Thursday the use of eminent domain as a way to restructure those loans, a win for banks and securities firms fighting the idea.

Members of the Joint Powers Authority, set up by San Bernardino county with representatives from the cities of Ontario and Fontana, said they would make a formal request seeking plans to improve on existing foreclosure-prevention programs.

But the use of eminent domain to address the problem won't be part of that request, amid concern that it could destabilize an already weak Inland Empire housing market, said Gregory Devereaux, San Bernardino county's chief executive. Community support for the proposal, which critics have said would raise costs and curb the availability of home loans, was lacking, he said.

"It's wrong to impose that risk on the community without support from the community, and that level of support has not materialized," Mr. Devereaux said. "We don't want to do more harm than good in what we choose to do."

Under an idea advocated by San Francisco-based advisory group Mortgage Resolution Partners, a municipality would use its powers of eminent domain to purchase underwater loans that are locked up in mortgage securities, using money from private investors. The loan would then be refinanced through a government program to cut principal slightly below the property value.

Mortgage Resolution Partners was set up by venture capitalists including Graham Williams, a former Bank of America executive who spearheaded low-income lending programs, and Steven Gluckstern, an entrepreneur who once owned the New York Islanders hockey team. The group says that cutting principal will be the best way to remove the burden of homeowners in hard-hit regions, and that severe measures are required because four years of other programs have had limited effect.

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Last year, the authority's approval of a resolution that would allow the municipalities to use eminent domain on underwater loans alarmed the mortgage and mortgage-securities industries, where lobbyists and investors warned the seizure of loans would violate contracts and chill lending because banks wouldn't want to be exposed to future risks.

Tim Cameron, a managing director of Wall Street trade group Securities Industry and Financial Markets Association, said the authority's decision was "a warning sign to other jurisdictions that there aren't many out there that believe the use of eminent domain in this fashion is the way to solve the housing crisis."

But while San Bernardino was a "linchpin" for the MRP program, the issue hasn't been put to rest as other municipalities are studying participation, Mr. Cameron. He will meet with officials from Brockton, Mass., about its review of eminent domain, he said.

Indeed, Mr. Gluckstern, who is chairman of Mortgage Resolution Partners, said his firm will forge ahead in talks with some 30 other municipalities. Other cities considering ways to reduce underwater loans have included Chicago, Detroit and Sacramento, Calif.

"We are of course disappointed but we are in active conversations with many other communities throughout the U.S., and we expect our program will be put in place, in one or more places, in the next few months."

Acquanetta Warren, mayor of Fontana, said the city would keep eminent domain on its plate of possible solutions, despite the decision of the Joint Power Authority. "We are still talking to (Mortgage Resolution Partners)," Ms. Warren said. "We can't just leave the public hanging like that. It's irresponsible not to consider all options."

In addition to banks, MRP is also fending off opposition from mortgage-bond investors, who have complained that the plan would saddle them with losses as the loans would be purchased from their bonds at discounts. The MRP plan focuses on the so-called private-label mortgage bonds that don't have backing from taxpayer-supported Fannie Mae and Freddie Mac.

They also say that profits made by the private firm and its investors would violate the "public use" rule used to justify eminent domain.

The Federal Housing Finance Agency last year warned that it might act to prevent the proposed use of eminent domain, citing risks to Fannie Mae and Freddie Mac, which hold billions of dollars in private-label mortgage bonds in their portfolios.

MRP, in a letter urging the authority to consider its eminent domain plan, reiterated assertions that the housing crisis would linger without principal reduction efforts. Of 59,000 private-label mortgage loans in the county, 42,000 are underwater, according to MRP.

More broadly, eminent domain could be a solution for some of the 2 million private-label loans nationwide that are still likely to default, MRP said, citing a forecast by Fannie Mae.

“We are at the very beginning of the fight,” Mr. Gluckstern said. “Principal reduction has to happen.”