

UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO

IN RE THORNBURG MORTGAGE, INC.
SECURITIES LITIGATION

Case No. CIV 07-815JB/WDS

THIS DOCUMENT RELATES TO:

ALL ACTIONS

**NOTICE OF PENDENCY OF CLASS ACTION,
PROPOSED SETTLEMENT, SETTLEMENT FAIRNESS HEARING
AND MOTION FOR ATTORNEYS' FEES AND EXPENSES**

***IF YOU PURCHASED OR OTHERWISE ACQUIRED THORNBURG MORTGAGE, INC.
COMMON STOCK AND/OR PREFERRED STOCK IN THE OPEN MARKET AND/OR IN OR
TRACEABLE TO THE OFFERINGS DURING THE PERIOD BETWEEN APRIL 19, 2007
AND MARCH 19, 2008, INCLUSIVE AND WERE DAMAGED THEREBY (THE "CLASS"),
YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT.***

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Securities Involved: Thornburg Mortgage, Inc. ("TMI" or the "Company") common stock and/or preferred stock purchased or otherwise acquired in the open market and/or in or traceable to the Offerings¹ during the period between April 19, 2007 and March 19, 2008, inclusive (the "Class Period").

Settlement Amount: \$2,000,000 in cash plus interest (the "Settlement Fund"). Your recovery from the Settlement Fund will depend on the amount and timing of your purchases/acquisitions of TMI common stock and/or preferred stock, and the timing of your sales, if any, of such common stock and/or preferred stock. Depending on the number of claims filed and when Class Members purchased, acquired and sold their TMI common stock and/or preferred stock, the estimated average recovery per damaged share of TMI common and preferred stock will be approximately \$.01. **Please Note: This average is only an estimate, and is before deduction of Court-approved fees and expenses.**

The Lawsuit: The Settlement of the above-captioned action (the "Litigation") resolves class action litigation over allegations as to whether certain defendants misrepresented the Company's business and financial condition during the Class Period, causing financial injury to members of the Class. The Settlement, if approved, will resolve claims against the Settling Defendants (*i.e.*, Garrett Thornburg, Larry A. Goldstone and Clarence G. Simmons (collectively, the "Individual Defendants") and Anne-Drue M. Anderson, David A. Ater, Joseph H. Badal, Eliot R. Cutler, Paul G. Decoff, Michael B. Jeffers, Ike Kalangis, Owen M. Lopez, Francis I. Mullin III, and Stuart C. Sherman (collectively, the "Dismissed Defendants")). The Settlement does not resolve claims against any other defendants, and the Litigation will continue against the Non-Settling Defendants.² See Question 2 below for more information.

Attorneys' Fees and Expenses: Co-Lead Counsel have litigated this case on a contingent basis and have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund, as is customary in this type of litigation. Court-appointed Co-Lead Counsel will apply to the court for attorneys' fees not to exceed 25% of the Settlement Amount and reimbursement of out-of-pocket expenses not to exceed \$260,000, plus interest earned on both amounts at the same rate earned on the Settlement Fund, all to be paid from the Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per damaged share of TMI common and preferred stock will be approximately \$.004. Please note that this amount is only an estimate.

¹ "Offerings" refers to the following TMI offerings: the May 2007 offering, the June 2007 offering, the September 2007 offering and the January 2008 offering as described in the Consolidated Amended Class Action Complaint dated June 14, 2011.

² The Non-Settling Defendants (a/k/a the "Underwriter Defendants") are AG Edwards & Sons, Inc.; BB&T Capital Markets; UBS Securities, LLC; Citigroup Global Markets, Inc.; Friedman, Billings, Ramsey & Co., Inc.; Oppenheimer & Company, Inc.; RBC Dain Rauscher Corp.; Stifel, Nicolaus & Company, Inc.; and Bear, Stearns & Co., Inc. TMI was voluntarily dismissed from the Litigation with prejudice on March 2, 2012 and is no longer a defendant in the Litigation.

Deadlines:

Submit Claim:	November 19, 2012
Request Exclusion:	August 6, 2012
File Objection:	August 6, 2012
Court Hearing on Fairness of Settlement:	August 27, 2012

More Information:**Claims Administrator:**

Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063
Telephone: (866) 274-4004
www.strategicclaims.net

Co-Lead Counsel:

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280 King of Prussia Road
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Telephone: (610) 667-7706

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- Your legal rights are affected whether you act or do not act. Please read this Notice carefully.

Statement of Recovery

Plaintiffs estimate that approximately 200 million shares of TMI common and preferred stock were purchased or otherwise acquired in the open market and/or in or traceable to the Offerings during the Class Period and potentially damaged. Plaintiffs estimate that if valid claim forms for all damaged shares are submitted, the average recovery per damaged share will be \$.01³ (the foregoing estimate is before deduction of attorneys' fees, costs, and expenses, as approved by the Court). A Class Member's actual recovery will depend on: (1) the number of claims filed; (2) when Class Members purchased and/or acquired their TMI common stock and/or preferred stock; (3) whether Class Members sold their shares of TMI common stock and/or preferred stock and, if so, when; (4) administrative costs, including the costs of notice, for the Litigation; and (5) the amount awarded by the Court to Co-Lead Counsel for attorneys' fees and expenses. Distributions to Class Members will be made based on the Plan of Allocation described in this Notice or any other plan of allocation as may be ordered by the Court. *See* Question 9 below. An abbreviated version of the Plan of Allocation is attached as Appendix A hereto. The full version of the Plan of Allocation is posted on the Claims Administrator's website, www.strategicclaims.net. You can also obtain a copy of the full Plan of Allocation by calling the Claims Administrator at 1-866-274-4004.

The Circumstances of the Settlement

The principle reason for Plaintiffs' consent to the Settlement is to provide an immediate benefit to the Class. While Co-Lead Counsel believe that Plaintiffs' claims would survive a second round of motions to dismiss against the Settling Defendants and ultimately result in a judgment for the Class, they also recognize that continued litigation and trial come with risks. The benefit of the present Settlement must be compared to the risk that no recovery might be achieved after contested motions, a contested trial and likely appeals, possibly years into the future. The claims advanced by the Class in this Litigation involve numerous complex legal and factual issues, which would require extensive discovery, including expert discovery and testimony, adding considerably to the expenses and duration of the litigation. If the Litigation were to proceed, Plaintiffs would have to overcome significant defenses in connection with the Settling Defendants. Among other things, Plaintiffs and the Settling Defendants (the "Settling Parties") disagree about (i) whether Plaintiffs or the Class have suffered damages, (ii) whether the price of TMI common stock and preferred stock was artificially inflated by reasons of the alleged misrepresentations, omissions, or otherwise, and (iii) whether Plaintiffs or the Class were harmed by the conduct alleged in the Consolidated Amended Class Action Complaint dated June 14, 2011. Furthermore, the alleged corporate wrongdoer, TMI, filed a voluntary petition for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in May 2009 and thus, was not a viable source of recovery for the Class. This Settlement therefore enables the Class to recover without incurring any additional risk or costs. As a result, Plaintiffs believe this Settlement is a fair, reasonable, and adequate recovery for the Class.

³ An allegedly damaged share of TMI common or preferred stock might have been traded more than once during the Class Period and this average recovery would be the total for all purchasers of those shares.

The Settling Defendants have denied and continue to deny that they have committed any act or omission giving rise to any liability and/or violation of law and believe that the Court would ultimately enter judgment in their favor. Nonetheless, the Settling Defendants are entering into this Settlement to eliminate the burden and expense of further litigation and the risk of not prevailing at trial and, therefore, have determined that it is desirable that the Litigation fully and finally be settled in the manner and upon the terms and conditions set forth in the Stipulation and Agreement of Settlement dated March 28, 2012 (the “Stipulation”).

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:	
SUBMIT A CLAIM FORM	The only way to receive a payment from the Settlement Fund. The deadline for submitting a claim form is November 19, 2012.
EXCLUDE YOURSELF	Receive no payment from the Settlement Fund. This is the only option that allows you to participate in another lawsuit against the Settling Defendants or the Released Parties concerning the Settled Claims as defined in the Stipulation. The deadline for submitting a request to exclude yourself from the Class is August 6, 2012.
OBJECT	You may write to the Court if you do not like the Settlement, the Plan of Allocation, or Co-Lead Counsel’s request for attorneys’ fees and expenses. The deadline for filing an objection is August 6, 2012.
GO TO A HEARING	You may ask to speak in Court about the fairness of the Settlement.
DO NOTHING	Receive no payment from the Settlement Fund and give up your rights with regard to the claims in this lawsuit.

- These rights and options — and the deadlines to exercise them — are explained in this Notice. Please note the date of the Settlement Fairness Hearing — currently scheduled for August 27, 2012 — is subject to change without further notice. If you plan to attend the hearing, you should check with Co-Lead Counsel as set forth above, or with the Court, to be sure that no change to the date and time of the hearing has been made.
- The Court in charge of this Litigation still has to decide whether to approve the Settlement. Payments will be made to Class Members if the Court approves the Settlement and that approval is upheld after any appeals are filed. Please be patient.

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BASIC INFORMATION

1. Why Did I Receive This Notice Package?

You or someone in your family may have purchased or otherwise acquired TMI common stock and/or preferred stock in the open market and/or in or traceable to the Offerings during the period between April 19, 2007 and March 19, 2008, inclusive.

If this description applies to you or someone in your family, you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

2. What Is This Lawsuit About?

On August 21, 2007, a class action complaint alleging violations of the federal securities laws against TMI and certain of the Settling Defendants, styled *Slater v. Thornburg Mortgage, Inc. et al*, CIV 07-815, was filed in the United States District Court for the District of New Mexico (the “Court”). Thereafter, four related actions were filed. On February 8, 2008, the Court consolidated the foregoing actions under the caption *In re Thornburg Mortgage, Inc. Securities Litigation*, Case No. CIV 07-815 JB/WDS and appointed: (i) W. Allen Gage, individually and on behalf of J. David Wrather, Harry Rhodes, FFF Investments, LLC, Robert Ippolito, individually and as Trustee for the Family Limited Partnership Trust, and Nicholas F. Aldrich, Sr. as Lead Plaintiffs; (ii) the law firms of Schiffrin Barroway Topaz & Kessler, LLP (n/k/a Kessler Topaz Meltzer & Check, LLP) and Wolf Haldenstein Adler Freeman & Herz LLP as Co-Lead Counsel for Lead Plaintiffs; and (iii) the Branch Law Firm as Liaison Counsel.

On May 27, 2008, Lead Plaintiffs, along with additional plaintiffs Betty L. Manning (“Manning”) and John Learch (“Learch”), filed the Consolidated Class Action Complaint, alleging violations of the federal securities laws against TMI and the Settling Defendants. The Individual Defendants and certain of the Dismissed Defendants moved to dismiss the Consolidated Class Action Claim on September 22, 2008, and Lead Plaintiffs, Manning and Learch opposed the motions to dismiss on December 22, 2008.

On May 1, 2009, TMI filed a petition for voluntary Chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Maryland. *See In re: TMST, Inc. f/k/a Thornburg Mortgage, Inc., et al.*, Case No. 09-17787. On May 5, 2009, TMI filed a Suggestion of Bankruptcy in the Court asserting that its bankruptcy filing operated as an automatic stay of judicial proceedings against it under 11 U.S.C. §§ 362(a)(1) and 362(a)(3).⁴

By Amended Memorandum Opinion and Order dated January 27, 2010, the Court granted in part and dismissed in part the Consolidated Class Action Complaint as to TMI and the Settling Defendants. A separate Memorandum Opinion and Order also issued on January 27, 2010 dismissed all claims asserted against the Underwriter Defendants.⁵

⁴ The following Thornburg entities are also parties to the TMI bankruptcy: TMST Acquisition Subsidiary, Inc. f/k/a Thornburg Acquisition Subsidiary, Inc. (Case No.: 09-17790); TMST Home Loans, Inc. f/k/a Thornburg Mortgage Home Loans, Inc. (Case No.: 09-17791); and TMST Hedging Strategies, Inc. f/k/a Thornburg Mortgage Hedging Strategies, Inc. (Case No.: 09-17792).

⁵ The Court’s ruling as to the Underwriter Defendants is currently on appeal.

With the Court's permission, Lead Plaintiffs, along with Manning, Learch and Boilermakers Lodge 154 Retirement Plan ("Boilermakers"), filed the operative complaint, the Consolidated Amended Class Action Complaint (the "Complaint"), on June 14 2011. The Complaint alleged (i) Violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 Against TMI and the Individual Defendants, Joseph H. Badal, and Paul G. Decoff (First Claim); (ii) Violation of Section 20(a) of the Exchange Act Against the Individual Defendants, Joseph H. Badal, and Paul G. Decoff (Second Claim); (iii) Violation of Section 11 of the Securities Act of 1933 ("Securities Action") Against TMI, the Individual Defendants, the Dismissed Defendants (excepting Michael B. Jeffers), and the Underwriter Defendants (Third Claim); and (iv) Violation of Section 15 of the Securities Act Against the Individual Defendants, Joseph H. Badal, and Paul G. Decoff (Fourth Claim). On March 2, 2012, Plaintiffs voluntarily dismissed TMI from the Litigation with prejudice.

Plaintiffs and the Settling Defendants engaged in settlement negotiations over the course of several months, with the Settling Parties reaching a tentative agreement to settle the Litigation in January, 2012.

3. Why Is This Litigation a Class Action?

In a class action, one or more individuals and/or entities called class representatives (in this case the court-appointed Lead Plaintiffs (*i.e.*, W. Allen Gage, individually and on behalf of J. David Wrather, Harry Rhodes, FFF Investments, LLC, Robert Ippolito, individually and as Trustee for the Family Limited Partnership Trust, and Nicholas F. Aldrich, Sr., along with additional plaintiffs Manning, Learch and Boilermakers, collectively, "Plaintiffs") prosecute their claims on behalf of individuals and entities who have similar claims. All of these individuals and entities who have similar claims are referred to collectively as a class, or individually as class members. One court resolves the issues for all class members, except for those who exclude themselves from the class. The United States District Court for the District of New Mexico, the Honorable James O. Browning, is in charge of this Litigation.

4. Why Is There a Settlement?

In order to avoid the cost and risks of further litigation and trial, both sides agreed to a settlement. As explained above, Plaintiffs and Co-Lead Counsel believe the Settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT

To see if you will potentially receive money from this Settlement, you first have to determine if you are a Class Member.

5. How Do I Know if I Am Part of the Settlement?

The Class includes all persons and entities who purchased or otherwise acquired TMI common stock and/or preferred stock in the open market and/or in or traceable to the Offerings during the period between April 19, 2007 and March 19, 2008, inclusive, and were damaged thereby, *except those persons and entities that are excluded, as described below.*

6. What Are the Exceptions to Being Included?

Excluded from the Class are (i) TMI, the Defendants (*i.e.*, the Settling Defendants and the Non-Settling Defendants), the directors and officers of TMI, members of the immediate families and their legal representatives, heirs, successors or assigns, and any entity in which any of the Defendants have or had a controlling interest; and (ii) all Persons who file valid and timely requests for exclusion from the Class in accordance with the requirements set forth herein.

If you sold TMI common stock and/or preferred stock during the Class Period (*i.e.*, the period between April 19, 2007 and March 19, 2008, inclusive), that alone does not make you a Class Member. You are a Class Member only if you purchased or otherwise acquired TMI common stock and/or preferred stock during the Class Period.

If one of your mutual funds purchased or owns TMI common stock or preferred stock, that alone does not make you a Class Member.

7. I Am Still Not Sure if I Am Included.

If you are still not sure whether you are included, you can ask for free help. You can call the Claims Administrator, Strategic Claims Services, at 1-866-274-4004, for more information. Or you can fill out and return the claim form described in Questions 9 and 10 below to see if you qualify.

THE SETTLEMENT BENEFITS—WHAT YOU RECEIVE

8. What Does the Settlement Provide?

The Settling Defendants have agreed to create a \$2,000,000 cash Settlement Fund. The balance of this fund, after payment of Court-approved attorneys' fees and expenses, the costs of claims administration and any taxes (the "Net Settlement Fund"), will be divided among Class Members who submit timely and valid claim forms ("Authorized Claimants") pursuant to a Court-approved Plan of Allocation.

9. How Much Will My Payment Be?

Each person or entity claiming to be a Class Member shall be required to submit a separate Proof of Claim and Release form ("Proof of Claim") signed under penalty of perjury and supported by such documents as specified in the Proof of Claim as are reasonably available to the person or entity. If you are entitled to a payment, your share of the Net Settlement Fund will depend on the number of valid Proofs of Claim that Class Members submit, the amount of TMI common stock and/or preferred stock you purchased and/or acquired during the Class Period, and when you purchased, acquired and/or sold your TMI common stock and/or preferred stock. By following the Plan of Allocation fully set forth on the Claims Administrator's website, www.strategicclaims.net (or in the abbreviated form attached hereto as Appendix A), you can calculate your "Recognized Loss." The Claims Administrator will distribute the Net Settlement Fund according to the Plan of Allocation after the deadline for submission of Proofs of Claim has passed.

All Proofs of Claim must be postmarked or received by November 19, 2012, addressed as follows:

In re Thornburg Mortgage, Inc. Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063

Unless otherwise ordered by the Court, any Class Member who fails to submit a properly completed and signed Proof of Claim within such period, or such other period as may be ordered by the Court, shall be forever barred from receiving any payments pursuant to the Stipulation, but will in all other respects be bound by all of the terms of the Settlement, including the terms of the Order and Final Judgment to be entered in the Litigation and will be barred from bringing any Settled Claims against any Released Parties, including Unknown Claims (as those terms are defined in the Proof of Claim enclosed with this Notice and in the Stipulation dated March 28, 2012, which is available at www.strategicclaims.net, or through the mail upon request).

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds. Each claimant is deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that claimant's status as a Class Member and the validity and amount of that claimant's claim. No discovery shall be allowed on the merits of the Action.

An abbreviated version of the Plan of Allocation is attached hereto as Appendix A. A full version of the Plan of Allocation can be obtained by visiting the Claims Administrator's website, www.strategicclaims.net, or by calling (866) 274-4004.

HOW YOU RECEIVE A PAYMENT—SUBMITTING A CLAIM FORM

10. How Will I Receive a Payment?

To qualify for payment, you must be an eligible Class Member and you must submit a Proof of Claim. A Proof of Claim is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form requests, sign it, and mail it in an envelope addressed to the Claims Administrator, postmarked no later than November 19, 2012. Please retain a copy of everything you mail, in case the materials are lost or destroyed during shipping.

11. When Will I Receive My Payment?

The Court will hold a hearing on August 27, 2012, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain in what manner appeals, if any, will be resolved, and resolving them can take time, perhaps several years. In addition, the Claims Administrator must process all of the Proofs of Claim. The processing of the claims is complicated and will take many months. Please be patient.

12. What Am I Giving Up By Staying in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Settling Defendants or the Released Parties about the Settled Claims. It also means that all of the Court's orders will apply to you and legally bind you, and you will release your claims in this Litigation against the Released Parties. The terms of the release are included in the Proof of Claim that is enclosed. The Settled Claims do not include any claims of Plaintiffs and the other Class Members against any of the Non-Settling Defendants.

EXCLUDING YOURSELF FROM THE CLASS

If you do not want a payment from this Settlement, but you want to keep the right to sue or continue to sue the Released Parties on your own about the same claims being released in this Settlement, then you must take steps to exclude yourself from the Class. This is sometimes referred to as "opting out" of the Class.

13. How Do I Exclude Myself from the Class?

To exclude yourself from the Class, you must send a letter by mail stating that you want to be excluded from the Class in the *In re Thornburg Mortgage, Inc. Securities Litigation*, Case No. CIV 07-815JB/WDS. You must include your name, address, telephone number, e-mail contact information (if any), your signature, and information concerning your purchase(s) and acquisition(s) of TMI common stock and preferred stock during the Class Period and your sale(s) of such TMI stock, including the dates, the number of shares and price(s) paid and received for each such purchase, acquisition and sale. You must mail your exclusion request so that it is received no later than August 6, 2012 to:

In re Thornburg Mortgage, Inc. Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063

*Please keep a copy of everything you send by mail, in case it is lost or destroyed during shipping.

You cannot exclude yourself over the phone or by e-mail. If you ask to be excluded from the Class, you will not be eligible to receive any payment from the proposed Settlement or any subsequent recoveries that might be obtained in the Litigation from the Non-Settling Defendants and you cannot object to the Settlement, the Plan of Allocation, and/or Co-Lead Counsel's application for attorneys' fees and reimbursement of expenses. You will not be legally bound by anything that happens in this lawsuit, including the continuing Litigation against the Non-Settling Defendants, and you will be able to pursue the claims that are being released in this Settlement.

Settling Defendants shall have the option to terminate the Settlement in the event that members of the Class who would otherwise be entitled to participate in the Class, but who timely and validly request exclusion in accordance with the requirements set forth in this Notice, purchased and/or otherwise acquired in the aggregate a certain amount of shares of TMI common stock and/or preferred stock.

14. If I Do Not Exclude Myself, Can I Sue the Settling Defendants for the Same Thing Later?

No. Unless you exclude yourself, you give up any right to sue the Settling Defendants or the Released Parties for the claims being released by the Settlement. If you have a pending lawsuit relating to the claims being released in this Litigation against any of the Settling Defendants and the other Released Parties, speak to your lawyer in that case immediately. You must exclude yourself from the Class to continue your own lawsuit. Remember, the exclusion deadline is August 6, 2012.

15. If I Exclude Myself, Can I Receive a Payment from the Proposed Settlement or Any Future Recoveries in the Litigation?

No. If you exclude yourself, you will not be eligible to receive any payment from the proposed Settlement or any subsequent recoveries that might be obtained in the Litigation from the Non-Settling Defendants. Do not submit a claim form. But, you may exercise any right you may have to sue, continue to sue, or be part of a different lawsuit asserting the claims being released in this Settlement against the Settling Defendants or the Released Parties.

THE LAWYERS REPRESENTING YOU

16. Do I Have a Lawyer in This Case?

The Court appointed the law firms of Kessler Topaz Meltzer & Check, LLP and Wolf Haldenstein Adler Freeman & Herz LLP to represent you and the other Class Members. These lawyers are called Co-Lead Counsel. You will not be separately charged for these lawyers beyond your *pro rata* share of any attorneys' fees and expenses awarded by the Court that will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How Will the Lawyers Be Paid?

Co-Lead Counsel will apply to the Court for attorneys' fees not to exceed 25% of the Settlement Amount and for reimbursement of plaintiffs' counsels' out-of-pocket expenses advanced in connection with the Litigation up to an amount of \$260,000, plus interest on both amounts at the same rate as earned by the Settlement Fund. *Such sums as may be approved by the Court will be paid from the Settlement Fund.* Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Co-Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Co-Lead Counsel have not been paid for their services for conducting this Litigation on behalf of Plaintiffs and the Class or for their substantial out-of-pocket expenses. The fee requested will compensate Co-Lead Counsel for their work in achieving the Settlement Fund and is well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may, however, award less than this amount.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

18. How Do I Tell the Court that I Do Not Like the Settlement?

If you are a Class Member, you can object to the Settlement if you do not like any part of it. To object, you must send a letter saying that you object to the Settlement in the *In re Thornburg Mortgage, Inc. Securities Litigation*, Case No. CIV 07-815JB/WDS and the reasons why you object to the Settlement. Be sure to include your name, address, telephone number and your signature. You must also include information concerning your purchase(s) and acquisition(s) of TMI common stock and/or preferred stock during the Class Period and your sale(s) of such TMI stock, including the dates, the number of shares, and price(s) paid and received for each such purchase, acquisition and sale. Any objection to the Settlement must be received by *each of the following* by August 6, 2012:

COURT	CO-LEAD COUNSEL	REPRESENTATIVE SETTLING DEFENDANTS' COUNSEL
Clerk of the Court United States District Court District of New Mexico United States Courthouse 333 Lomas Blvd. N.W. Suite 270 Albuquerque, NM 87102	Andrew L. Zivitz, Esq. Benjamin J. Sweet, Esq. KESSLER TOPAZ MELTZER & CHECK, LLP 280 King of Prussia Road Radnor, PA 19087 Betsy C. Manifold, Esq. Patrick H. Moran, Esq. WOLF HALDENSTEIN ADLER FREEMAN & HERZ LLP 750 B Street, Suite 2770 San Diego, CA 92101	Jonathan A. Shapiro, Esq. Elizabeth H. Skey, Esq. WILMER CUTLER PICKERING HALE AND DORR LLP 950 Page Mill Road Palo Alto, CA 94304 P. Patty Li, Esq. WILMER CUTLER PICKERING HALE AND DORR LLP 350 S. Grand Avenue Suite 2100 Los Angeles, California 90071

19. What is the Difference Between Objecting and Excluding?

Objecting is simply telling the Court that you do not like something about the Settlement, the Plan of Allocation, and/or the application for attorneys' fees and expenses. You can object *only if* you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S SETTLEMENT FAIRNESS HEARING

20. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a fairness hearing at 9:00 a.m. (Mountain Time), on August 27, 2012, at the United States District Court for the District of New Mexico, United States Courthouse, 333 Lomas Blvd N.W., Albuquerque, NM 87102, 460 Vermejo Courtroom. At this hearing, the Court will consider whether the Settlement and the Plan of Allocation are fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have requested in writing by August 6, 2012 to speak at the hearing. The Court may also consider Co-Lead Counsel's application for attorneys' fees and reimbursement of expenses.

21. Do I Have to Come to the Settlement Fairness Hearing?

No. Co-Lead Counsel will answer any questions the Court may have. But, you are welcome to attend the hearing at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as your written objection was received on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not required.

22. May I Speak at the Settlement Fairness Hearing?

You may ask the Court for permission to speak at the Settlement Fairness Hearing. To do so, you must send a letter stating your intention to appear in the *In re Thornburg Mortgage, Inc. Securities Litigation*, Case No. CIV 07-815JB/WDS. Be sure to include your name, address, telephone number, your signature, and also identify the date(s), price(s) and amount(s) of all purchases and/or acquisitions of TMI common stock and/or preferred stock you made during the Class Period and your sale(s) of such TMI stock. Your notice of intention to appear must be received no later than August 6, 2012, and must be sent to the Clerk of the Court, Co-Lead Counsel, and Representative Settling Defendants' Counsel, at the addresses listed in Question 18 above. You cannot speak at the hearing if you exclude yourself from the Class.

IF YOU DO NOTHING

23. What Happens if I Do Nothing at All?

If you do nothing, you will receive no money from the Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Settling Defendants or the Released Parties about the same claims being released in the Settlement.

OBTAINING MORE INFORMATION

24. Are There More Details About the Settlement?

This Notice summarizes the proposed Settlement. More details are contained in the Stipulation. All terms used in this Notice shall have the same meanings as in the Stipulation. You can obtain a copy of the Stipulation or more information about the Settlement by visiting www.strategicclaims.net or by writing to Co-Lead Counsel listed above in Question 18. You can also obtain a copy of the Stipulation from the Clerk's office at the United States District Court for the District of New Mexico, United States Courthouse, 333 Lomas Blvd N.W., Ste 270, Albuquerque, NM 87102, during regular business hours.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you purchased the common stock or preferred stock of TMI during the Class Period, as nominee for a beneficial owner, then, the Court has ordered that within fifteen (15) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by first class mail to all such beneficial owners; or (2) provide a list of the names and addresses of such beneficial owners to the Claims Administrator:

In re Thornburg Mortgage, Inc. Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for reasonable administrative costs actually incurred in connection with forwarding the Notice and the Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and the Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

DATED: APRIL 23, 2012

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO

APPENDIX A

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

**** The allocation plan set forth below is an abbreviated version of the Plan of Allocation proposed by Plaintiffs and Co-Lead Counsel. The full version of the Plan of Allocation can be obtained by visiting the Claims Administrator's website, www.strategicclaims.net. You can also request that a full version of the Plan of Allocation be mailed to you by calling 1-866-274-4004. ****

The Plan of Allocation is a matter separate and apart from the proposed Settlement, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement. The Court may approve the Plan of Allocation with or without modifications agreed to among the Settling Parties, or another plan of allocation, without further notice to Class Members.

Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against the Settling Defendants, Settling Defendants' Counsel, Plaintiffs, Plaintiffs' Counsel or the Claims Administrator or other agent designated by Co-Lead Counsel based on the distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further orders of the Court. Each claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the claimant's Proof of Claim. All persons involved in the review, verification, calculation, tabulation, or any other aspect of the processing of the claims submitted in connection with the Settlement, or otherwise involved in the administration or taxation of the Settlement Fund or the Net Settlement Fund shall be released and discharged from any and all claims arising out of such involvement, and all Class Members, whether or not they are to receive payment from the Net Settlement Fund, will be barred from making any further claim against the Net Settlement Fund beyond the amount allocated to them as provided in any distribution orders entered by the Court.

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Loss" as calculated pursuant to the Plan of Allocation set forth below. A Recognized Loss will be calculated for shares of Thornburg Mortgage, Inc. ("TMI") common and preferred stock purchased or otherwise acquired during the Class Period that are listed in the Proof of Claim submitted, and for which adequate documentation is provided. The Recognized Loss calculation will depend upon several factors, including what type of TMI securities were purchased/acquired, when the securities were purchased/acquired and when the securities were sold.

Please Note: The Recognized Loss formulas, set forth below, are not intended to provide an estimate of the amount of what a Class Member might have been able to recover after a trial, nor provide an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss formulas are the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants. To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's Recognized Loss. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Loss of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's Recognized Loss bears to the total Recognized Losses of all Authorized Claimants (*i.e.*, "*pro rata* share"). Payment in this manner shall be deemed conclusive against all Authorized Claimants.

THE BASIS FOR CALCULATING YOUR RECOGNIZED LOSS:

- (I) Recognized Loss for TMI Common Stock Purchased or Otherwise Acquired During the Class Period (*i.e.*, April 19, 2007 to March 19, 2008, inclusive) (excluding TMI common stock purchased in and traceable to the May 4, 2007 and the January 15, 2008 Common Stock Offerings) will be calculated as follows:**
- (A) For shares purchased or otherwise acquired during the Class Period and sold during the Class Period, the Recognized Loss per share will be the *lesser* of: (1) the inflation per share upon purchase (as set forth in Inflation Table A below) less the inflation per share upon sale (as set forth in Inflation Table A below); or (2) the purchase price per share minus the sales price per share.
- (B) For shares purchased or otherwise acquired during the Class Period and retained as of the close of trading on March 19, 2008, the Recognized Loss will be the *lesser* of: (1) the inflation per share upon purchase (as set forth in Inflation Table A below); or (2) the purchase price per share minus \$1.04⁶ per share.

⁶ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and mean trading price of that security during the 90day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." \$1.04 was the mean (average) daily closing trading price of TMI's common stock during the 90day period beginning on March 20, 2008 and ending on June 17, 2008.

INFLATION TABLE A	
TMI Common Stock Purchased or Acquired in the Open Market During the Class Period	
Period	Inflation
April 19, 2007 to August 12, 2007, inclusive	\$23.83 per share
August 13, 2007	\$20.05 per share
August 14, 2007 to August 19, 2007, inclusive	\$13.38 per share
August 20, 2007 to October 8, 2007, inclusive	\$11.84 per share
October 9, 2007 to February 27, 2008, inclusive	\$10.67 per share
February 28, 2008 to March 2, 2008, inclusive	\$ 8.89 per share
March 3, 2008 to March 5, 2008, inclusive	\$ 4.31 per share
March 6, 2008 to March 9, 2008, inclusive	\$ 2.56 per share
March 10, 2008 to March 19, 2008, inclusive	\$ 1.48 per share
After March 19, 2008	\$ 0.00 per share

(II) Recognized Loss for TMI Common Stock Purchased in and Traceable to the May 4, 2007 Common Stock Offering will be calculated as follows:

- (A) For shares purchased in and traceable to the May 4, 2007 Common Stock Offering and retained as of the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be \$27.03⁷ per share;
- (B) For shares purchased in and traceable to the May 4, 2007 Common Stock Offering and sold before May 2, 2009, the Recognized Loss shall be the lesser of:
- (1) \$27.03 per share; or
 - (2) the difference between the purchase price per share (not to exceed \$27.05 per share) and the sales price per share for each share sold.

(III) Recognized Loss for TMI Common Stock Purchased in and Traceable to the January 15, 2008 Common Stock Offering will be calculated as follows:

- (A) For shares purchased in and traceable to the January 15, 2008 Common Stock Offering and retained as of the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be \$7.98⁸ per share;
- (B) For shares purchased in and traceable to the January 15, 2008 Common Stock Offering and sold before May 2, 2009, the Recognized Loss shall be the lesser of:
- (1) \$7.98 per share; or
 - (2) the difference between the purchase price per share (not to exceed \$8.00 per share) and the sales price per share for each share sold.

(IV) Recognized Loss for TMI 8% Series C Cumulative Redeemable Preferred Stock Purchased or Otherwise Acquired During the Class Period (i.e., April 19, 2007 to March 19, 2008, inclusive) will be calculated as follows:

- (A) For shares purchased or otherwise acquired during the Class Period and sold during the Class Period, the Recognized Loss per share will be the *lesser* of: (1) the inflation per share upon purchase (as set forth in Inflation Table B below) less the inflation per share upon sale (as set forth in Inflation Table B below); or (2) the purchase price per share minus the sales price per share.

⁷ \$27.03 represents the difference between the \$27.05 offering price for the May 4, 2007 Common Stock Offering and the \$.02 per share closing price of TMI's common stock on May 1, 2009 (the date of TMI's bankruptcy filing).

⁸ \$7.98 represents the difference between the \$8.00 offering price for the January 15, 2008 Common Stock Offering and the \$.02 per share closing price of TMI's common stock on May 1, 2009 (the date of TMI's bankruptcy filing).

- (B) For shares purchased or otherwise acquired during the Class Period and retained as of the close of trading on March 19, 2008, the Recognized Loss will be the *lesser* of: (1) the inflation per share upon purchase (as set forth in Inflation Table B below); or (2) the purchase price per share minus \$4.51⁹ per share.

INFLATION TABLE B	
TMI 8% Series C Cumulative Redeemable Preferred Stock Purchased or Acquired During the Class Period	
Period	Inflation
April 19, 2007 to August 12, 2007, inclusive	\$25.15 per share
August 13, 2007	\$21.80 per share
August 14, 2007 to February 27, 2008, inclusive	\$17.30 per share
February 28, 2008 to March 2, 2008, inclusive	\$15.74 per share
March 3, 2008 to March 5, 2008, inclusive	\$ 8.79 per share
March 6, 2008 to March 9, 2008, inclusive	\$ 3.60 per share
March 10, 2008 to March 19, 2008, inclusive	\$ 2.08 per share
After March 19, 2008	\$ 0.00 per share

- (V) **Recognized Loss for TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock Purchased or Otherwise Acquired During the Class Period (i.e., April 19, 2007 to March 19, 2008, inclusive) will be calculated as follows:**

- (A) For shares purchased or otherwise acquired during the Class Period and sold during the Class Period, the Recognized Loss per share will be the *lesser* of: (1) the inflation per share upon purchase (as set forth in Inflation Table C below) less the inflation per share upon sale (as set forth in Inflation Table C below); or (2) the purchase price per share minus the sales price per share.
- (B) For shares purchased or otherwise acquired during the Class Period and retained as of the close of trading on March 19, 2008, the Recognized Loss will be the *lesser* of: (1) the inflation per share upon purchase (as set forth in Inflation Table C below); or (2) the purchase price per share minus \$4.52¹⁰ per share.

INFLATION TABLE C	
TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock Purchased or Acquired During the Class Period	
Period	Inflation
April 19, 2007 to August 12, 2007, inclusive	\$22.88 per share
August 13, 2007	\$19.73 per share
August 14, 2007 to February 27, 2008, inclusive	\$15.88 per share
February 28, 2008 to March 2, 2008, inclusive	\$14.67 per share
March 3, 2008 to March 5, 2008, inclusive	\$ 9.17 per share
March 6, 2008 to March 9, 2008, inclusive	\$ 3.97 per share
March 10, 2008 to March 19, 2008, inclusive	\$ 2.50 per share
After March 19, 2008	\$ 0.00 per share

⁹ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90 day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated.” \$4.51 was the mean (average) daily closing trading price of TMI’s Series C preferred stock during the 90 day period beginning on March 20, 2008 and ending on June 17, 2008.

¹⁰ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90 day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated.” \$4.52 was the mean (average) daily closing trading price of TMI’s Series D preferred stock during the 90 day period beginning on March 20, 2008 and ending on June 17, 2008.

(VI) Recognized Loss for TMI's 7.5% Series E Cumulative Convertible Redeemable Preferred Stock Purchased in and Traceable to the June 2007 Offering;¹¹ and/or Purchased or Otherwise Acquired in the Open Market after the June 2007 Offering and During the Period Between June 19, 2007 and March 19, 2008, Inclusive, will be calculated as follows:

- (A) For shares purchased in and traceable to the June 2007 Offering and retained as of the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be \$24.97¹² per share.
- (B) For shares purchased or otherwise acquired in the open market after the June 2007 Offering and during the period between June 19, 2007 and March 19, 2008, inclusive, and retained as of the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be the difference between the purchase price per share (not to exceed \$25 per share) and the sales price per share for each share sold.
- (C) For shares purchased in or traceable to the June 2007 Offering and/or purchased or otherwise acquired in the open market after the June 2007 Offering and during the period between June 19, 2007 and March 19, 2008, inclusive, and sold after the June 2007 Offering and during the period between June 19, 2007 and May 1, 2009, inclusive, the Recognized Loss shall be the difference between the purchase price per share (not to exceed \$25 per share) and the sales price per share for each share sold.

(VII) Recognized Loss for TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased in and Traceable to the September 2007 Offering¹³ and Purchased or Otherwise Acquired In the Open Market after the September 2007 Offering and Between September 4, 2007 and January 14, 2008,¹⁴ Inclusive, will be calculated as follows:

- (A) For shares purchased in or traceable to the September 2007 Offering, and retained as of the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be \$24.97¹⁵ per share.
- (B) For shares purchased or otherwise acquired in the open market after the September 2007 Offering and during the period between September 4, 2007 and January 14, 2008, inclusive, and retained as of the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be the difference between the purchase price per share (not to exceed \$25 per share) and the sales price per share for each share sold.
- (C) For shares purchased in or traceable to the September 2007 Offering and/or purchased or otherwise acquired in the open market after the September 2007 Offering and during the period between September 4, 2007 and January 14, 2008 inclusive, and sold after the September Offering and during the period between September 4, 2007 and May 1, 2009, inclusive, the Recognized Loss shall be the difference between the purchase price per share (not to exceed \$25 per share) and the sales price per share for each share sold.
- (D) For shares purchased or otherwise acquired in the open market on or after the January 15, 2008 Offering,¹⁶ the Recognized Loss will be calculated as provided in section (IX) below.

(VIII) Recognized Loss for TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased in and Traceable to the January 2008 Offering¹⁷ will be calculated as follows:

- (A) For shares purchased in or traceable to the January 15, 2008 Offering, and retained as of the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall \$19.47¹⁸ per share.
- (B) For shares purchased in or traceable to the January 15, 2008 Offering and sold before May 2, 2009, the Recognized Loss shall be the lesser of:
 - (1) \$19.47 per share; or
 - (2) the difference between the purchase price per share (not to exceed \$19.50 per share) and the sales price per share for each share sold.

¹¹ Shares of TMI 7.5% Series E Cumulative Convertible Redeemable Preferred Stock were issued at \$25 per share. This preferred stock was issued on or about June 19, 2007.

¹² \$24.97 represents the difference between the \$25 offering price for the June 19, 2007 Offering and the \$.03 per share closing price of TMI's Series E preferred stock on May 1, 2009 (the date of TMI's bankruptcy filing).

¹³ Shares of TMI 10% Series F Cumulative Convertible Redeemable Preferred Atock were issued at \$25 per share. This preferred stock was issued on or about September 4, 2007.

¹⁴ This is one day prior to TMI's Secondary Offering of its 10% Series F Cumulative Convertible Redeemable Preferred Stock on or about January 15, 2008.

¹⁵ \$24.97 represents the difference between the \$25 offering price on June 19, 2007 and the \$.03 per share closing price of TMI's Series F preferred stock on May 1, 2009 (the date of TMI's bankruptcy filing).

¹⁶ January 15, 2008 was the date of TMI's Secondary Offering of its 10% Series F Cumulative Convertible Redeemable Preferred Stock.

¹⁷ Shares of Series F Cumulative Convertible Redeemable Preferred Stock were issued at \$19.50 per share. This preferred stock was issued on or about January 15, 2008.

¹⁸ \$19.47 represents the difference between the \$19.50 offering price on June 19, 2007 and the \$.03 per share closing price of TMI's Series F preferred stock on May 1, 2009 (the date of TMI bankruptcy filing).

(IX) Recognized Loss for TMI’s 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased or Otherwise Acquired in the Open Market after the January 2008 Offering and between January 15, 2008 and March 19, 2008, inclusive, will be calculated as follows:

- (A) For shares purchased or otherwise acquired in the open market after the January 2008 Offering and between January 15, 2008 and March 19, 2008, inclusive, and sold after the January Offering and between January 15, 2008 and March 19, 2008, inclusive, the Recognized Loss per share will be the *lesser* of: (1) the inflation per share upon purchase (as set forth in Inflation Chart D below) less the inflation per share upon sale (as set forth in Inflation Chart D below); or (2) the purchase price per share minus the sales price per share.
- (B) For shares purchased or otherwise acquired in the open market after the January 2008 Offering and between January 15, 2008 and March 19, 2008, inclusive, and retained as of the close of trading on March 19, 2008, the Recognized Loss will be the *lesser* of: (1) the inflation per share upon purchase (as set forth in Inflation Chart D below); or (2) the purchase price per share minus \$4.58¹⁹ per share.

INFLATION TABLE D	
TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased or Otherwise Acquired in the Open Market after the January 2008 Offering and between January 15, 2008 and March 19, 2008, inclusive	
Period	Inflation
January 15, 2008 to February 27, 2008, inclusive	\$23.79 per share
February 28, 2008 to March 2, 2008, inclusive	\$20.90 per share
March 3, 2008 to March 5, 2008, inclusive	\$10.30 per share
March 6, 2008 to March 9, 2008, inclusive	\$ 4.62 per share
March 10, 2008 to March 19, 2008, inclusive	\$ 3.27 per share
After March 19, 2008	\$ 0.00 per share

¹⁹ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90 day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated.” \$4.58 was the mean (average) daily closing trading price of TMI’s Series F preferred stock during the 90 day period beginning on March 20, 2008 and ending on June 17, 2008.

ADDITIONAL PLAN OF ALLOCATION PROVISIONS

For purposes of calculating your Recognized Loss, the date of purchase, acquisition or sale is the “contract” or “trade” date and not the “settlement” or “payment” date. The receipt or grant by gift, inheritance or operation of law of TMI common stock or preferred stock during the Class Period shall not be deemed a purchase, acquisition or sale of TMI common stock or preferred stock for the calculation of an Authorized Claimant’s Recognized Loss nor shall such receipt or grant be deemed an assignment of any claim relating to the purchase/acquisition of such TMI stock unless (i) the donor or decedent purchased or otherwise acquired TMI stock during the Class Period; (ii) no Proof of Claim was submitted by or on behalf of the donor or decedent, or by anyone else with respect to such TMI stock; and (iii) it is specifically so provided in the instrument of gift or assignment.

All purchases, acquisitions and sales of TMI common stock and preferred stock shall be accounted for and matched using the first-in-first-out (FIFO) method of accounting. In the event that a claimant has more than one purchase or acquisition of TMI common stock or preferred stock during the Class Period, all purchases, acquisitions and sales will be matched, in chronological order, beginning with the claimant’s first purchase during the Class Period and thereafter, in chronological order, against subsequent purchases and acquisitions of the same type of stock made during the Class Period. Class Period sales matched to TMI shares held at the beginning of the Class Period shall be excluded from the calculation of Recognized Losses.

The date of covering a “short sale” is deemed to be the date of purchase of TMI shares. The date of a “short sale” is deemed to be the date of sale of TMI shares. The Recognized Loss for “short sales” is zero. In the event that there is an opening short position in TMI shares, the earliest Class Period purchases shall be matched against such opening short position, and not be matched against sales, until that short position is fully covered.

To the extent a claimant had a market gain from his, her, or its overall transactions in shares of TMI common or preferred stock during the Class Period, the value of the claim will be zero. Such claimants will, in any event, be bound by the Settlement. To the extent that a claimant suffered an overall market loss on his, her, or its overall transactions in TMI common or preferred stock during the Class Period, but that market loss was less than the total Recognized Loss calculated above, then the claimant’s Recognized Loss shall be limited to the amount of the actual market loss.

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO**

**IN RE THORNBURG MORTGAGE, INC.
SECURITIES LITIGATION**

Case No. CIV 07-815JB/WDS

THIS DOCUMENT RELATES TO:
ALL ACTIONS

PROOF OF CLAIM AND RELEASE FORM

I. GENERAL INSTRUCTIONS

A. To recover as a member of the Class based on your claim in the action entitled *In re Thornburg Mortgage, Inc. Securities Litigation*, Case No. CIV 07-815JB/WDS (the "Litigation"), you must complete this Proof of Claim and Release form ("Proof of Claim"). If you fail to submit a Proof of Claim by the submission deadline, your claim may be rejected and you may be precluded from any recovery from the Settlement Fund created in connection with the proposed settlement of the Litigation ("Settlement"), as set forth in the Stipulation and Agreement of Settlement ("Stipulation") dated March 28, 2012.

B. Submission of this Proof of Claim, however, does not ensure that you will share in the proceeds of the Settlement Fund created in this Litigation.

C. YOU MUST COMPLETE AND SUBMIT YOUR PROOF OF CLAIM VIA MAIL POSTMARKED ON OR BEFORE NOVEMBER 19, 2012, ADDRESSED TO THE CLAIMS ADMINISTRATOR AS FOLLOWS:

In re Thornburg Mortgage, Inc. Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063

If you are NOT a member of the Class, as defined in the Notice of Pendency of Class Action, Proposed Settlement, Settlement Fairness Hearing and Motion for Attorneys' Fees and Expenses (the "Notice"), then DO NOT submit a Proof of Claim.

D. If you are a member of the Class, you are bound by the terms of any judgment entered in the Action, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM.

II. INSTRUCTIONS FOR CLAIMANT IDENTIFICATION SCHEDULE

A. If you purchased or otherwise acquired Thornburg Mortgage, Inc. ("TMI") common stock and/or preferred stock in the open market and/or in or traceable to the Offerings during the period between April 19, 2007 and March 19, 2008, inclusive, and were damaged thereby (the "Class"), and held the stock in your name, you are the beneficial purchaser as well as the record purchaser. If, however, the stock was registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial purchaser and the third party is the record purchaser.

B. Use "Part I" of this form (below) entitled "Claimant Identification" to identify each owner of record ("nominee"), if different from the beneficial owner of the TMI common stock and/or preferred stock which form the basis of this claim. THIS CLAIM MUST BE FILED BY THE ACTUAL BENEFICIAL OWNER(S), OR THE LEGAL REPRESENTATIVE OF SUCH OWNER(S) OF THE TMI COMMON STOCK AND/OR PREFERRED STOCK UPON WHICH THIS CLAIM IS BASED.

C. All joint purchasers must sign this claim. Executors, administrators, guardians, conservators, and trustees must complete and sign this claim on behalf of persons or entities represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Security (or taxpayer identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

III. INSTRUCTIONS FOR SCHEDULE OF TRANSACTIONS

A. In the space provided below, supply all required details of your transaction(s) in TMI common stock and TMI preferred stock. If you need more space, attach separate sheets giving all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

B. Please provide all of the requested information with respect to *all* of your purchases and acquisitions of TMI common stock and TMI preferred stock, regardless of whether such transactions resulted in a profit or a loss. Failure to report all such transactions may result in the rejection of your claim.

C. List each transaction separately and in chronological order by trade date, beginning with the earliest. You must accurately provide the month, day, and year of each transaction you list.

D. Broker confirmations or other documentation of your transactions in TMI common stock and TMI preferred stock should be attached to your claim. Failure to provide this documentation could delay verification of your claim or result in rejection of your claim.

E. The requests are designed to provide the minimum amount of information necessary to process the most simple claims. The Claims Administrator may request additional information as required to efficiently and reliably calculate your losses. In some cases where the Claims Administrator cannot perform the calculation accurately or at a reasonable cost to the Class with the information provided, the Claims Administrator may condition acceptance of the claim upon the production of additional information and/or the hiring of an accounting expert at the claimant's cost.

UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO

In re Thornburg Mortgage, Inc. Securities Litigation
Case No. CIV 07-815JB/WDS

PROOF OF CLAIM AND RELEASE

Must be Postmarked No Later Than: November 19, 2012

Please Type or Print

PART I: CLAIMANT IDENTIFICATION

Beneficial Owner's Name (First, Middle, Last)

[Grid for Beneficial Owner's Name]

Record Owner's Name (if different from beneficial owner listed above)

[Grid for Record Owner's Name]

Address

[Grid for Address]

City: [Grid] State: [Grid] Zip Code: [Grid] - [Grid]

Foreign Province and Postal Code: [Grid] Foreign Country: [Grid]

Social Security Number or Taxpayer Identification Number (if U.S. Citizen/Resident)

Social Security Number (for individuals)
[Grid] - [Grid] - [Grid]

Taxpayer Identification Number
(for estates, trusts, corporations, etc.)
[Grid] - [Grid]

Area Code Telephone No. (Day) Area Code Telephone No. (Night) Area Code Facsimile Number
[Grid] [Grid] - [Grid] [Grid] [Grid] - [Grid] [Grid] [Grid] - [Grid]

Email Address
[Grid]

Check One:
 Individual Corporation Joint Owners IRA Estate Other (specify) _____

PART II: SCHEDULE OF TRANSACTIONS IN TMI COMMON STOCK

A. **BEGINNING HOLDINGS:** At the opening of trading on April 19, 2007, I owned _____ shares of TMI common stock. (If none, write 0).

B. **PURCHASES AND ACQUISITIONS:** I made the following purchases/acquisitions of TMI common stock between April 19, 2007 and May 1, 2009, inclusive.¹ Check the box next to any purchase or acquisition that was made pursuant to one of the Offerings (*i.e.*, TMI's May 2007 offering, TMI's June 2007 offering, TMI's September 2007 offering and TMI's January 2008 offering). (Must be documented):

Check Box if result of one of TMI's Offerings	Trade Date(s) of Purchase(s)/ Acquisition(s) (List Chronologically) Month/Day/Year	Number of Shares of TMI Common Stock Purchased and/or Acquired	Purchase/Acquisition Price Per Share of TMI Common Stock	Aggregate Cost (excluding commissions, taxes and fees)
<input type="checkbox"/>	□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□
<input type="checkbox"/>	□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□
<input type="checkbox"/>	□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□
<input type="checkbox"/>	□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□
<input type="checkbox"/>	□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□

C. **SALES:** I made the following sales of TMI common stock between April 19, 2007 and May 1, 2009, inclusive. (Must be documented):

Trade Date(s) of Sale(s) (List Chronologically) Month/Day/Year	Number of Shares of TMI Common Stock Sold	Sale Price Per Share of TMI Common Stock	Total Proceeds (excluding commissions, taxes and fees)
□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□
□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□
□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□
□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□
□□/□□/□□	□□□□□□□□	\$ □□□.□□□□	\$ □□□□□□□□.□□

D. **UNSOLD HOLDINGS:** At the close of trading on May 1, 2009, I still owned _____ shares of TMI common stock. (If none, write 0). (Must be documented).

YOU MUST READ THE RELEASE AND SIGN THE CERTIFICATION ON PAGE 20. FAILURE TO SIGN THE CERTIFICATION MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM.

If you require additional space, attach extra schedules in the same format as above. Copies of broker's confirmations or other documentation evidencing your transactions in TMI common stock should be attached.

PART III: SCHEDULE OF TRANSACTIONS IN TMI PREFERRED STOCK

A. **BEGINNING HOLDINGS:** At the opening of trading on April 19, 2007, I owned the following amounts of TMI 8% Series C Cumulative Redeemable Preferred Stock ("Series C"); TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock ("Series D"); TMI 7.5% Series E Cumulative Convertible Redeemable Preferred Stock ("Series E"); and TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock ("Series F"). Please write the number of shares you held of each type of Preferred Stock in the table below. (If none, write 0).

Series C	Series D	Series E	Series F
_____	_____	_____	_____

¹ **Please note:** Information requested with respect to your purchases/acquisitions of TMI common stock between March 20, 2008 and May 1, 2009, inclusive, is needed in order to balance your claim; purchases/acquisitions during this period, however, are not eligible to participate in the Settlement as these purchases/acquisitions are outside the Class Period (*i.e.*, the period between April 19, 2007 and March 19, 2008, inclusive) and will not be used for purposes of calculating your Recognized Loss(es) pursuant to the Plan of Allocation.

B. **PURCHASES AND ACQUISITIONS:** I made the following purchases/acquisitions of TMI preferred stock between April 19, 2007 and May 1, 2009, inclusive.² Check the box next to any purchase or acquisition that was made pursuant to one of the Offerings (*i.e.*, TMI's May 2007 offering, TMI's June 2007 offering, TMI's September 2007 offering and TMI's January 2008 offering). (Must be documented):

Check Box if result of one of TMI's Offerings	Type of Preferred Stock Purchased/Acquired (Series C, D, E or F)	Trade Date(s) of Purchase(s)/Acquisition(s) (List Chronologically) Month/Day/Year	Number of Shares of TMI Preferred Stock Purchased and/or Acquired	Purchase/Acquisition Price Per Share of TMI Preferred Stock	Aggregate Cost (excluding commissions, taxes and fees)
<input type="checkbox"/>	_____	□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□
<input type="checkbox"/>	_____	□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□
<input type="checkbox"/>	_____	□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□
<input type="checkbox"/>	_____	□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□
<input type="checkbox"/>	_____	□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□

C. **SALES:** I made the following sales of TMI preferred stock between April 19, 2007 and May 1, 2009, inclusive. (Must be documented):

Trade Date(s) of Sale(s) (List Chronologically) Month/Day/Year	Number of Shares of TMI Preferred Stock Sold	Sale Price Per Share of TMI Preferred Stock	Total Proceeds (excluding commissions, taxes and fees)
□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□
□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□
□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□
□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□
□□/□□/□□	□□□□□□	\$ □□□.□□□□	\$ □□□□□□□.□□

D. **UNSOLD HOLDINGS:** At the close of trading on May 1, 2009, I still owned the following amount of shares of TMI preferred stock. Please write the number of shares you held of each type of Preferred Stock in the table below. (If none, write 0).

Series C	Series D	Series E	Series F
_____	_____	_____	_____

YOU MUST READ THE RELEASE AND SIGN THE CERTIFICATION ON PAGE 20. FAILURE TO SIGN THE CERTIFICATION MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM.

If you require additional space, attach extra schedules in the same format as above. Copies of broker's confirmations or other documentation evidencing your transactions in TMI preferred stock should be attached.

² **Please note:** Information requested with respect to your purchases/acquisitions of TMI preferred stock between March 20, 2008 and May 1, 2009, inclusive, is needed in order to balance your claim; purchases/acquisitions during this period, however, are not eligible to participate in the Settlement as these purchases/acquisitions are outside the Class Period (*i.e.*, the period between April 19, 2007 and March 19, 2008, inclusive) and will not be used for purposes of calculating your Recognized Loss(es) pursuant to the Plan of Allocation.

PART IV: SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGEMENTS

1. I (We) submit this Proof of Claim and Release under the terms of the Stipulation and Agreement of Settlement described in the Notice. I (We) also submit to the jurisdiction of the United States District Court for the District of New Mexico with respect to my (our) claim as a Class Member and for purposes of enforcing the release set forth herein and any judgment which may be entered in the Action. I (We) further acknowledge that I (we) am (are) bound by and subject to the terms of any judgment that may be entered in the Action.

2. I (We) agree to furnish additional information to the Claims Administrator to support this claim if required to do so.

PART V: DEFINITIONS AND RELEASE

1. I (We) hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, discharge and release all “Settled Claims” against all “Released Parties,” including “Unknown Claims,” as defined below.

(a) “Settled Claims” means any and all claims, debts, demands, liabilities, rights and causes of action of every nature and description whatsoever (including but not limited to any claims for damages, interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and Unknown Claims (as defined below), (i) that have been asserted in the Litigation by the Plaintiffs and/or Class Members or any of them against any of the Released Parties; or (ii) that could have been alleged, asserted or contended in any forum by Plaintiffs and/or Class Members or any of them, or the successors and assigns of any of them against the Released Parties which arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint (or any preceding complaints) and which relate to the purchase or acquisition of TMI common stock and/or preferred stock in the open market and/or in or traceable to the Offerings during the Class Period; provided, however, that Settled Claims do not include (i) any claims to enforce any of the terms of this Settlement, and any claims that could be asserted in response to such a claim to enforce or (ii) any claims against the Non-Settling Defendants.

(b) “Released Parties” means TMI, the Individual Defendants, the Dismissed Defendants, and any of their current or former, subsidiaries, affiliates, partners, joint ventures, officers, directors, principals, shareholders, members, agents (acting in their capacity as agents), employees, attorneys, insurers, including the Insurer, reinsurers, advisors, accountants, associates and/or any other individual or entity in which any of TMI, the Individual Defendants, or the Dismissed Defendants has a controlling interest or which is related to or affiliated with any of TMI, the Individual Defendants, or the Dismissed Defendants and the current or former legal representatives, heirs, successors in interest or assigns of any of TMI, the Individual Defendants, or the Dismissed Defendants; provided, however, that “Released Parties” does not include any of the Non-Settling Defendants, nor any of their respective parents, successors, subsidiaries, and affiliates and any entity in which any of them have or had a controlling interest and the officers and directors thereof.

(c) “Unknown Claims” means any and all Settled Claims which Plaintiffs and/or any member of the Class does not know or suspect to exist in his, her or its favor as of the Effective Date, which if known by him, her or it, might have affected his, her or its decision(s) with respect to the Settlement, and any Settled Defendants’ Claims which any Released Party does not know or suspect to exist in his, her or its favor as of the Effective Date, which if known by him, her or it might have affected his or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Settled Defendants’ Claims, the Settling Parties stipulate and agree that upon the Effective Date, the Plaintiffs, the Individual Defendants, and Dismissed Defendants shall expressly waive, and each Class Member and Released Party shall be deemed to have waived and by operation of the Order and Final Judgment shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Cal. Civ. Code § 1542, which provides: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.” The Settling Parties acknowledge, and Class Members and Released Parties by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Settled Claims and Settled Defendants’ Class was separately bargained for and was a key element of the Settlement.

2. This release shall be of no force or effect unless and until the Court gives final approval to the Settlement and the Effective Date occurs.

PART VI: REPRESENTATIONS AND CERTIFICATION

1. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

2. I (We) hereby warrant and represent that I (we) have included information about all of my (our) purchases, acquisitions and sales transactions in TMI common stock and/or TMI preferred stock which occurred between April 19, 2007 and May 1, 2009, inclusive, as well as the number of shares of TMI common stock and/or TMI preferred stock held by me (us) at the opening of trading on April 19, 2007 and the close of trading on May 1, 2009.

3. I (We) certify that I am (we are) not subject to backup withholding under the provisions of Section 3406(a)(1) (c) of the Internal Revenue Code.

NOTE: If you have been notified by the Internal Revenue Service that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

I (We) declare under penalty of perjury under the laws of the State of New Mexico and the United States of America that the foregoing information supplied by the undersigned is true and correct and that this Proof of Claim and Release form was executed this _____ day of _____ in _____.
(month, year) (City, State, Country)

(Sign your name here)

(Sign your name here)

(Type or print your name here)

(Type or print your name here)

(Capacity of persons signing, e.g., Beneficial Purchaser, Executor or Administrator)

(Capacity of persons signing, e.g., Beneficial Purchaser, Executor or Administrator)

**ACCURATE CLAIMS PROCESSING
TAKES A SIGNIFICANT AMOUNT OF TIME
THANK YOU FOR YOUR PATIENCE**

Reminder Checklist

1. Please sign the Certification section of the Proof of Claim and Release on Page 20.
2. If this claim is being made on behalf of joint claimants, both must sign.
3. Remember to attach supporting documentation.
4. Do not send original stock certificates.
5. Keep a copy of your Proof of Claim and Release form and all documents submitted for your records.
6. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
7. If you move, please send the Claims Administrator your new address.

**These forms and your supporting documentation must be postmarked
no later than November 19, 2012.**

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In re Thornburg Mortgage, Inc. Securities Litigation
c/o Strategic Claims Services
600 North Jackson Street — Suite 3
Media, PA 19063

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FIRST CLASS MAIL

PLEASE FORWARD—IMPORTANT LEGAL NOTICE