

PLAN OF ALLOCATION OF NET SETTLEMENT FUND
AMONG CLASS MEMBERS

A cash settlement of \$2,000,000 (“Settlement Fund”) has been obtained in the *In re Thornburg Mortgage, Inc. Secs. Litig.*, Case No. CIV 07-815JB/WDS. The balance of this fund after payment of Court-approved attorneys’ fees and expenses, the costs of claims administration and any taxes (“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.

The Plan of Allocation set forth below is the plan that is being proposed by Plaintiffs and Co-Lead Counsel to the Court for approval. 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 Agreement of Settlement (“Stipulation”)¹ 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.

¹ All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Stipulation.

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 Calculation 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 or traceable to the May 4, 2007 and the January 15, 2008 Common Stock Offerings):

1. For shares of TMI common stock purchased or otherwise acquired between April 19, 2007 and August 12, 2007, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$23.83 per share; or
- (2) the difference between the purchase price per share and \$1.04.²

B. For shares sold between April 19, 2007 and August 12, 2007, inclusive, the Recognized Loss shall be zero.

C. For shares sold on August 13, 2007, the Recognized Loss shall be the lesser of:

- (1) \$3.78 per share; or

² 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." \$1.04 was the mean (average) daily closing trading price of TMI common stock during the 90-day period beginning on March 20, 2008 and ending on June 17, 2008.

- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between August 14, 2007 and August 19, 2007, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$10.45 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between August 20, 2007 and October 8, 2007, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$11.99 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between October 9, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$13.16 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

G. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$14.94 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

H. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$19.52 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

I. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$21.27 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

J. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$22.35 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

2. For shares of TMI common stock purchased or otherwise acquired on August 13, 2007:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$20.05 per share; or
- (2) the difference between the purchase price per share and \$1.04.

B. For shares sold on August 13, 2007, the Recognized Loss shall be zero.

C. For shares sold between August 14, 2007 and August 19, 2007, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$6.67 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between August 20, 2007 and October 8, 2007, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$8.21 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between October 9, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$9.38 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$11.16 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

G. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$15.74 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

H. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$17.49 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

I. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$18.57 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

3. For shares of TMI common stock purchased or otherwise acquired between August 14, 2007 and August 19, 2007, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$13.38 per share; or
- (2) the difference between the purchase price per share and \$1.04.

B. For shares sold between August 14, 2007 and August 19, 2007, inclusive, the Recognized Loss shall be zero.

C. For shares sold between August 20, 2007 and October 8, 2007, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.54 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between October 9, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$2.71 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$4.49 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$9.07 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

G. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$10.82 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

H. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$11.90 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

4. For shares of TMI common stock purchased or otherwise acquired between August 20, 2007 and October 8, 2007, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$11.84 per share; or
- (2) the difference between the purchase price per share and \$1.04.

B. For shares sold between August 20, 2007 and October 8, 2007, inclusive, the Recognized Loss shall be zero.

C. For shares sold between October 9, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.17 per share; or

- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$2.95 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$7.53 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$9.28 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

G. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$10.36 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

5. For shares of TMI common stock purchased or otherwise acquired between October 9, 2007 and February 27, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$10.67 per share; or
- (2) the difference between the purchase price per share and \$1.04.

B. For shares sold between October 9, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.78 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$6.36 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$8.11 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$9.19 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

6. For shares of TMI common stock purchased or otherwise acquired between February 28, 2008 and March 2, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$8.89 per share; or
- (2) the difference between the purchase price per share and \$1.04.

B. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$4.58 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$6.33 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$7.41 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

7. For shares of TMI common stock purchased or otherwise acquired between March 3, 2008 and March 5, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$4.31 per share; or
- (2) the difference between the purchase price per share and \$1.04.

B. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.75 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$2.83 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

8. For shares of TMI common stock purchased or otherwise acquired between March 6, 2008 and March 9, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$2.56 per share; or

(2) the difference between the purchase price per share and \$1.04.

B. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

(1) \$1.08 per share; or

(2) the difference between the purchase price per share and the sales price per share for each share sold.

9. For shares of TMI common stock purchased or otherwise acquired between March 10, 2008 and March 19, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

(1) \$1.48 per share; or

(2) the difference between the purchase price per share and \$1.04.

B. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be zero.

(II) Recognized Loss Calculation for TMI Common Stock Purchased in and Traceable to the May 4, 2007 Common Stock Offering:

A. For shares retained at the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be \$27.03³ per share.

B. For shares 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 Calculation for TMI Common Stock Purchased in and Traceable to the January 15, 2008 Common Stock Offering:

A. For shares retained at the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be \$7.98⁴ per share;

³ \$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 common stock on May 1, 2009 (the date of TMI's bankruptcy filing).

B. For shares 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 Calculation 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):

1. For shares of TMI 8% Series C Cumulative Redeemable Preferred Stock purchased or otherwise acquired between April 19, 2007 and August 12, 2007, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$25.15 per share; or
- (2) the difference between the purchase price per share and \$4.51.⁵

B. For shares sold between April 19, 2007 and August 12, 2007, inclusive, the Recognized Loss shall be zero.

C. For shares sold on August 13, 2007, the Recognized Loss shall be the lesser of:

- (1) \$3.35 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between August 14, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be the lesser of:

⁴ \$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 common stock on May 1, 2009 (the date of TMI's bankruptcy filing).

⁵ 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 Series C preferred stock during the 90-day period beginning on March 20, 2008 and ending on June 17, 2008.

- (1) \$7.85 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$9.41 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$16.36 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

G. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$21.55 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

H. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$23.07 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

2. For shares of TMI 8% Series C Cumulative Redeemable Preferred Stock purchased or otherwise acquired on August 13, 2007:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$21.80 per share; or
- (2) the difference between the purchase price per share and \$4.51.

B. For shares sold on August 13, 2007, the Recognized Loss shall be zero.

C. For shares sold between August 14, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$4.50 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$6.06 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$13.01 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$18.20 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

G. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$19.72 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

3. For shares of TMI 8% Series C Cumulative Redeemable Preferred Stock purchased or otherwise acquired between August 14, 2007 and February 27, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$17.30 per share; or
- (2) the difference between the purchase price per share and \$4.51.

B. For shares sold between August 14, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.56 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$8.51 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$13.70 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$15.22 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

4. For shares of TMI 8% Series C Cumulative Redeemable Preferred Stock purchased or otherwise acquired between February 28, 2008 and March 2, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$15.74 per share; or
- (2) the difference between the purchase price per share and \$4.51.

B. For shares sold between February 28, 2008 and March 2, 2008 inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$6.95 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$12.14 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$13.66 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

5. For shares of TMI 8% Series C Cumulative Redeemable Preferred Stock purchased or otherwise acquired between March 3, 2008 and March 5, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$8.79 per share; or
- (2) the difference between the purchase price per share and \$4.51.

B. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$5.19 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$6.71 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

6. For shares of TMI 8% Series C Cumulative Redeemable Preferred Stock purchased or otherwise acquired between March 6, 2008 and March 9, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$3.60 per share; or
- (2) the difference between the purchase price per share and \$4.51.

B. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.52 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

7. For shares of TMI 8% Series C Cumulative Redeemable Preferred Stock purchased or otherwise acquired between March 10, 2008 and March 19, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$2.08 per share; or
- (2) the difference between the purchase price per share and \$4.51.

B. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be zero.

(V) Recognized Loss Calculation 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):

1. For shares of TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock purchased or otherwise acquired between April 19, 2007 and August 12, 2007, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$22.88 per share; or
- (2) the difference between the purchase price per share and \$4.52.⁶

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 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

- B. For shares sold between April 19, 2007 and August 12, 2007, inclusive, the Recognized Loss shall be zero.
- C. For shares sold on August 13, 2007, the Recognized Loss shall be the lesser of:
- (1) \$3.15 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
- D. For shares sold between August 14, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be the lesser of:
- (1) \$7.00 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
- E. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:
- (1) \$8.21 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
- F. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:
- (1) \$13.71 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
- G. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:
- (1) \$18.91 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
- H. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:
- (1) \$20.38 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.

(average) daily closing trading price of TMI Series D preferred stock during the 90-day period beginning on March 20, 2008 and ending on June 17, 2008.

2. For shares of TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock purchased or otherwise acquired on August 13, 2007:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$19.73 per share; or
- (2) the difference between the purchase price per share and \$4.52.

B. For shares sold on August 13, 2007, the Recognized Loss shall be zero.

C. For shares sold between August 14, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$3.85 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$5.06 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$10.56 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$15.76 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

G. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$17.23 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

3. For shares of TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock purchased or otherwise acquired between August 14, 2007 and February 27, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$15.88 per share; or
- (2) the difference between the purchase price per share and \$4.52.

B. For shares sold between August 14, 2007 and February 27, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.21 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$6.71 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$11.91 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$13.38 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

4. For shares of TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock purchased or otherwise acquired between February 28, 2008 and March 2, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$14.67 per share; or
- (2) the difference between the purchase price per share and \$4.52.

B. For shares sold between February 28, 2008 and March 2, 2008 inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$5.50 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$10.70 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$12.17 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

5. For shares of TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock purchased or otherwise acquired between March 3, 2008 and March 5, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$9.17 per share; or
- (2) the difference between the purchase price per share and \$4.52.

B. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$5.20 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$6.67 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

6. For shares of TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock purchased or otherwise acquired between March 6, 2008 and March 9, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$3.97 per share; or
- (2) the difference between the purchase price per share and \$4.52.

B. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.47 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

7. For shares of TMI Series D Adjusting Rate Cumulative Redeemable Preferred Stock purchased or otherwise acquired between March 10, 2008 and March 19, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$2.50 per share; or
- (2) the difference between the purchase price per share and \$4.52.

B. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be zero.

(VI) Recognized Loss Calculation for TMI 7.5% Series E Cumulative Convertible

Redeemable Preferred Stock Purchased in and Traceable to the June 2007 Offering⁷ and Purchased or Otherwise Acquired after the June 2007 Offering and During the Period Between June 19, 2007 and March 19, 2008, Inclusive:

- A. For shares retained at the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be \$24.97⁸ per share.
- B. For shares sold before May 2, 2009, the Recognized Loss shall be the lesser of:
- (1) \$24.97 per share; or
 - (2) 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 Calculation for TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased in and Traceable to the September 2007 Offering⁹ and Purchased or Otherwise Acquired After the September 2007 Offering and Between September 4, 2007 and January 14, 2008,¹⁰ Inclusive:

- A. For shares purchased in and traceable to the September 2007 Offering and retained through the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall be \$24.97¹¹ per share;
- B. For shares purchased in and traceable to the September 2007 Offering and sold before May 2, 2009, the Recognized Loss shall be the lesser of:
- (1) \$24.97 per share; or
 - (2) the difference between the purchase price per share (not to exceed \$25 per share) and the sales price per share for each share sold.

⁷ 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.

⁸ \$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 7.5% Series E Cumulative Convertible Redeemable Preferred Stock on May 1, 2009 (the date of TMI's bankruptcy filing).

⁹ Shares of TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock were issued at \$25 per share. This preferred stock was issued on or about September 4, 2007.

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

¹¹ \$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 10% Series F Cumulative Convertible Redeemable Preferred Stock on May 1, 2009 (the date of TMI's bankruptcy filing).

C. For shares purchased or otherwise acquired after the September 2007 Offering and between September 4, 2007 and January 14, 2008, inclusive, and sold before January 15, 2008, 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 January 15, 2008,¹² the Recognized Loss will be calculated as provided in section (IX) below.

(VIII) Recognized Loss Calculation for TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased in and Traceable to the January 2008 Offering¹³:

A. For shares retained at the close of trading on May 1, 2009 (the date of TMI's bankruptcy filing), the Recognized Loss shall \$19.47¹⁴ per share:

B. For shares 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.

(IX) Recognized Loss Calculation for 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:¹⁵

1. **For shares of 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 February 27, 2008, inclusive:**

¹² January 15, 2008 was the date of TMI's Secondary Offering of its 10% Series F Cumulative Convertible Redeemable Preferred Stock.

¹³ Shares of TMI 10% 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.

¹⁴ \$19.47 represents the difference between the \$19.50 offering price for the June 19, 2007 Offering and the \$.03 per share closing price of TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock on May 1, 2009 (the date of TMI's bankruptcy filing).

¹⁵ TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Class Members falling into this category represents shares of the Series F preferred stock that are no longer traceable to either the September 2007 Offering or the January 2008 Offering.

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$23.79 per share; or
- (2) the difference between the purchase price per share and \$4.58.¹⁶

B. For shares sold between January 15, 2008 and February 27, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between February 28, 2008 and March 2, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$2.89 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$13.49 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$19.17 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

F. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$20.52 per share; or

¹⁶ 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 Series F preferred stock during the 90-day period beginning on March 20, 2008 and ending on June 17, 2008.

- (2) the difference between the purchase price per share and the sales price per share for each share sold.

2. For shares of TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased or Otherwise Acquired in the Open Market after the January 2008 Offering and between February 28, 2008 and March 2, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$20.90 per share; or
- (2) the difference between the purchase price per share and \$4.58.

B. For shares sold between February 28, 2008 and March 2, 2008 inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$10.60 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$16.28 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

E. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$17.63 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

3. For shares of TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased or Otherwise Acquired in the Open Market after the January 2008 Offering and between March 3, 2008 and March 5, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$10.30 per share; or
- (2) the difference between the purchase price per share and \$4.58.

B. For shares sold between March 3, 2008 and March 5, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$5.68 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$7.03 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

4. For shares of TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased or Otherwise Acquired in the Open Market after the January 2008 Offering and between March 6, 2008 and March 9, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$4.62 per share; or
- (2) the difference between the purchase price per share and \$4.58.

B. For shares sold between March 6, 2008 and March 9, 2008, inclusive, the Recognized Loss shall be zero.

C. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be the lesser of:

- (1) \$1.35 per share; or
- (2) the difference between the purchase price per share and the sales price per share for each share sold.

5. For shares TMI 10% Series F Cumulative Convertible Redeemable Preferred Stock Purchased or Otherwise Acquired in the Open Market after the January 2008 Offering and between March 10, 2008 and March 19, 2008, inclusive:

A. For shares retained at the close of trading on March 19, 2008, the Recognized Loss shall be the lesser of:

- (1) \$3.27 per share; or

(2) the difference between the purchase price per share and \$4.58.

B. For shares sold between March 10, 2008 and March 19, 2008, inclusive, the Recognized Loss shall be zero.

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 shares of TMI common stock or preferred stock 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.