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Re: McLean, et al., plaintiffs, vs. First Horizon Home Loan Corporation (formerly known as McGuire Mortgage Company), defendant. Case No. 00CV-228530.

Dear Class Counsel:

In accordance with paragraphs 3.09-3.16 of the Settlement Agreement in the above-referenced action, we have enclosed Defendant's challenges to the Claims and Claim Forms that have been filed with the Settlement Administrator. These challenges are being provided to you, and only you, in your capacity as Class Counsel. See Settlement Agreement ¶¶ 1.09 and 3.11. For each Claim and Claim Form that is being challenged, we have enclosed a separate form identifying the bases for the challenge to that Claim and Claim Form (identifying the paragraph(s) of the Settlement Agreement that authorize such challenge(s)), and attached thereto the relevant documentation supporting the challenge. As you will see, many Claims and Claim Forms are being challenged on multiple grounds.

This letter provides further explanation of each type of challenge that is being made to one or more Claims and Claim Forms:

1. Fraud or similar reasons

Under the Settlement Agreement, a Claim or Claim Form may be challenged "for fraud or similar reasons." Settlement Agreement ¶ 3.10(a). These challenges include situations where a Class Member (or others) filed multiple Claims or Claim Forms arising out of a single Loan, or where a Claim or Claim Form was filed by an individual who did not provide sufficient information in order to confirm that he or she is a Class Member.

2. Claim Form not signed by all borrowers on the loan, or missing or incomplete co-borrower information

Under the Settlement Agreement, a Claim Form may be challenged if it was “not signed by the Class Member.” Settlement Agreement, ¶ 3.10(c). Where there are multiple obligors on a loan, “the co-obligors ... collectively shall be considered but a single Class Member.” Settlement Agreement ¶ 1.11. In order to constitute a Valid Claim Form, a Claim Form must be “executed under penalty of perjury by each person who is a Class Member as set forth in paragraph 1.11.” Therefore, if a Claim Form was not signed by all obligors on the relevant Loan, the Claim is invalid. See Settlement Agreement ¶¶ 1.44(b), 3.02; Claim Form at 5 (“To submit a valid claim, each borrower and/or representative claimant must sign this Claim Form below to certify the following ... ”); Claim Form at 6 (“EACH BORROWER AND/OR LEGAL REPRESENTATIVE MUST PERSONALLY SIGN THIS CLAIM FORM TO BE VALID.”). These objections include those instances where fewer than all co-obligors signed the Claim Form.

A Claim Form is similarly invalid if the co-borrower did not provide all of the information that the individual was required to provide on the Claim Form. Settlement Agreement ¶ 1.44(a-b); Claim Form at 2 (“*Important: The name(s) of every borrower must be provided, including any co-borrowers who are no longer married and/or living together.*”). These challenges include the instances where the Claim Form was not filled out completely.

3. Insufficient evidence the person submitting the Claim or Claim Form is the person potentially eligible for the Settlement Benefit

A Claim or Claim Form is also invalid “if there is insufficient evidence the person submitting the Claim is a proper person potentially eligible for a Settlement Benefit.” Settlement Agreement ¶ 3.10(b). This type of challenge arises, for example, when the estate of an allegedly-deceased Class Member or the alleged heirs of an allegedly-deceased Class Member file a Claim or Claim Form. While a Class Member includes an obligor’s “heir, personal representative, successor or assign,” it is insufficient for an individual to simply represent that they hold such position on behalf of an obligor. If a Claim or Claim Form is submitted without sufficient proof of that representative status, the Claim or Claim Form is invalid. See Settlement Agreement ¶ 1.44(b) (“In the event the Class Member is not an Obligor as provided in paragraph 1.11 above, sufficient documentary evidence of that status must be provided to the Settlement Administrator at the time of Claim Form submission.”); Claim Form at 6 (“Note: Legal Representatives, other than bankruptcy trustees, must attach a copy of the Order, Decree, letters, power of attorney, or other document showing his or her capacity to file this Claim.”).

This is also a relevant ground for challenge when important information concerning the identity of the Class Member is missing from the Claim or Claim Form, including a missing or incorrect social security number or a missing or incorrect name.

4. Failure to timely submit proof of right to file Claim or Claim Form

Under the Settlement Agreement, a Claim or Claim Form that is not timely is invalid and no payment is to be made on that Claim or Claim Form. Settlement Agreement ¶¶ 1.44(b), 2.14. Any such Claims or Claim Forms that the Settlement Administrator has not already denied as untimely are subject to challenge, and denial, on this ground. These challenges include untimely claims.

5. Improperly treated as a Valid Claim Form

Under the Settlement Agreement, a Claim Form is invalid if the Claim Form does not satisfy the requirements of a Valid Claim Form. See Settlement Agreement ¶¶ 1.44, 3.02. If the Settlement Administrator set up a Claim to be paid, but the relevant Claim Form does not qualify as a Valid Claim Form, the Claim is subject to challenge, and denial, on this ground. Settlement Agreement ¶ 3.10(f).

6. Claim Form does not include a response to each question that the Class Member is required to answer

In order for a Claim Form to be a Valid Claim Form subject to payment, the Claim Form must, among other things, be “completed and filled out as required, with a response to each question that the Class Member is required to answer” (excepting immaterial omissions such as the four digit add-on zip code or a Class Member’s middle initial). Settlement Agreement ¶ 1.44(a); Claim Form at 1 (“You must complete this Claim Form correctly, and answer any question when required. Incomplete Claim Forms will be rejected.”). If a Claim Form does not include a response to each question to which the Claim Form requires the Class Member to respond, the Claim and Claim Form are invalid and no payment is required. These challenges include those instances.

7. Claim Form filled out incorrectly

A Claim Form is also not a Valid Claim Form if the form is incorrect, meaning that it includes “material omissions, material misstatements, or knowing misstatements.” Settlement Agreement ¶¶ 1.44(d) and 3.10(d).

One particular example of a Claim Form filled out incorrectly is if the Class Member identified an incorrect date on which the final payment on the Loan was allegedly made. See Claim Form, p. 4, No. 6(a). Information concerning Loan payment history materially affects the amount to which a Class Member is potentially entitled under the Settlement Agreement, and therefore inaccurate information on the Claim Form on this issue is a material misstatement that nullifies any right to recover under the Settlement Agreement, or reduces the amount to which the applicable Class Member may recover. These challenges include those instances and

instances where there were other material omissions or misstatements, or knowing misstatements, on the Claim Form.

8. Claim or Claim Form not submitted by Class Member

Under the Settlement Agreement, no Settlement Benefit is to be paid on a Claim or Claim Form unless the Class Member submits a Valid Claim Form. Settlement Agreement ¶ 2.12. A Class Member may not “assign or delegate to any individual or entity the right ... to submit a Claim on behalf of the Class Member.” Settlement Agreement ¶ 2.13. The Claim Forms of several Class Members are being challenged and are invalid because those Class Members have purported to delegate the right to submit a Claim or Claim Form to counsel or another entity they have selected, in violation of the terms of the Settlement Agreement.

9. Bankruptcy Loan challenges

There are various types of challenges to which Bankruptcy Loans are subject. Several such challenges relate to ensuring that the amount to be paid on such Loans is consistent with the terms of the Settlement Agreement. For example, the Settlement Agreement provides that Class Members with Bankruptcy Loans are to receive \$250 (whether or not their bankruptcy trustee files a Claim or Claim Form) and their bankruptcy trustee receives the remainder (if the trustee files a Claim or Claim Form), which figures are reduced to \$25 and \$225, respectively, if the Loan is both a Bankruptcy Loan and a Special Category Loan.

Further, numerous challenges relate to situations where a Chapter 7 bankruptcy trustee filed a Claim or Claim Form. The amount paid to the trustee must accurately reflect the amount that the Class Member was legally obligated to pay on the Loan. As a matter of law, when a borrower files for Chapter 7 bankruptcy and the filing results in a discharge, the borrower has no legal obligation to make any further payments on that Loan. Any amounts in fact paid by such borrowers after they filed for bankruptcy (or any amounts estimated on the Damage Claim Listings to have been paid by such debtors) are not “Loan Interest” as defined in paragraph 1.26 of the Settlement Agreement, because there was no “legal obligation to pay [such] sums.” Where Defendant has asserted a challenge on this ground, the challenge form identifies the proposed amount to be paid to such bankruptcy trustees.

10. Improperly determined by the Settlement Administrator in amount/Calculated Sum challenged in amount

Regardless of the Calculated Sum for the Loan in question, if the Settlement Administrator set up a Claim or Claim Form for payment in a particular amount, but the evidence shows that the actual amount owed to that Class Member is less than the Calculated Sum, the Settlement Benefit for that Loan may be subject to reduction because of the inaccurate estimated damage amount on the Damage Claim Listings. Settlement Agreement ¶ 3.10(f). For

these types of challenges, we have identified on the challenge form the proposed amount to be paid and explained how the figure was derived.

11. Failure to supply requested documentation

Defendant was entitled to, and did, seek documentation from Class Members who made a claim under the Settlement. Some Class Members indicated on their Claim Form that they possessed documents relating to their Loan. While Defendant requested that certain of those Class Members produce that documentation, some of the Class Members nonetheless failed to produce the documents. Defendant challenges those Claims and Claim Forms on that basis. Settlement Agreement ¶ 3.09; Claim Form, p. 4, No. 7 (“Failure to provide documents or other information that you have may cause your claim to be denied.”).

12. Other challenges

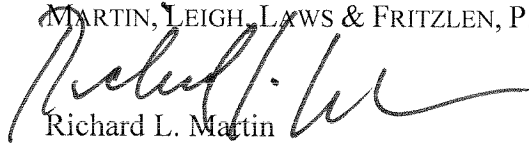
There are additional, miscellaneous challenges as well, described on the challenge forms. One such challenge, for example, arises out of claims submitted by Class Members who filed for Chapter 13 bankruptcy after they obtained their loan, but where the bankruptcy trustee did not file a claim under the Settlement Agreement. As a matter of bankruptcy law, such debtors lack legal capacity and standing to receive the entire Settlement Benefit. Unless Class Counsel, on behalf of the affected Class Members, concur in this conclusion, Defendant intends to raise this issue with the relevant bankruptcy courts for resolution.

Another such challenge arises out of Class Counsel’s failure to respond to Defendant’s requests for information. On July 5, 2007, Defendant requested that Class Counsel provide, or obtain from the relevant Class Member, information concerning the identity of the loan servicer for various Loans. This information was never provided. Pursuant to ¶ 3.12 of the Settlement Agreement, Defendant challenges Claims or Claim Forms concerning those Loans on this basis.

Please do not hesitate to contact us if you wish to discuss any of these issues, or any of the challenges that accompany this letter.

Very truly yours,

MARTIN, LEIGH, LAWS & FRITZLEN, P.C.



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