WELLS FARGO & COMPANY/MN
Form 424B2
January 17, 2019

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The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying prospectus supplement and prospectus are not an offer to sell these notes and we are not soliciting an offer to buy these notes in any jurisdiction where the offer or sale is not permitted.

Subject To Completion, dated January 16, 2019

PRICING SUPPLEMENT No. 41 dated January , 2019

(To Prospectus Supplement dated January 24, 2018

and Prospectus dated April 27, 2018)
Wells Fargo & Company

Medium-Term Notes, Series T

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Step-Up Callable Notes

Notes due January 31, 2034

The notes have a term of fifteen years, subject to our right to redeem the notes on the optional redemption dates beginning one year after issuance. The notes pay interest semi-annually at a per annum rate that will increase at preset intervals over the term of the notes. However, you should not expect to earn the higher stated interest rates described below because, unless general interest rates rise significantly, the notes are likely to be redeemed. All payments on the notes are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The notes will not be listed on any exchange and are designed to be held to maturity.

Issuer: Wells Fargo & Company ("Wells Fargo")

Original Offering Price:	$1,000 per note. References in this pricing supplement to a "note" are to a note with a principal amount of $1,000.
Pricing Date:	January 29, 2019.*
Issue Date:	January 31, 2019.* (T+2)
Stated Maturity Date:	January 31, 2034.* The notes are subject to redemption by Wells Fargo prior to the stated maturity date as set forth below under "Optional Redemption." The notes are not subject to repayment at the option of any holder of the notes prior to the stated maturity date.
Payment at Maturity:	Unless redeemed prior to stated maturity by Wells Fargo, a holder will be entitled to receive on the stated maturity date a cash payment in U.S. dollars equal to $1,000 per note, plus any accrued and unpaid interest.
Interest Payment Dates:	The last calendar day of each January and July, commencing July 31, 2019, and at stated maturity or earlier redemption.* Except as described below for the first interest period, on each interest payment date, interest will be paid for the period commencing on and including the immediately preceding interest payment date and ending on and including the day immediately preceding that interest payment date. This period is referred to as an "interest period." The first interest period will commence on and include the issue date and end on and include July 30, 2019. Interest payable with respect to an interest period will be computed on the basis of a 360-day year of twelve 30-day months. If a scheduled interest payment date is not a business day, interest will be paid on the next business day, and interest on that payment will not accrue during the period from and after the scheduled interest payment date.
Interest Rate:	The per annum interest rate that will apply during the interest periods are as follows: Commencing January 31, 2019 and ending January 30, 2024 4.25% Commencing January 31, 2024 and ending January 30, 2029 5.00% Commencing January 31, 2029 and ending January 30, 2034 6.00%
Optional Redemption:	The notes are redeemable by Wells Fargo, in whole but not in part, on the optional redemption dates, at 100% of their principal amount plus accrued and unpaid interest to, but excluding, the redemption date. Any redemption may be subject to prior regulatory approval. Wells Fargo will give notice to the holders of the notes at least 5 days and not more than 30 days prior to the date fixed for redemption in the manner described in the accompanying prospectus supplement under "Description of Notes—Redemption and Repayment."
Optional Redemption Dates:	Quarterly on the last calendar day of each January, April, July and October, beginning January 31, 2020 and ending October 31, 2033*.
Listing:	The notes will not be listed on any securities exchange or automated quotation system.
Denominations:	$1,000 and any integral multiples of $1,000
CUSIP Number:	95001D3S7

* To the extent that we make any change to the expected pricing date or expected issue date, the interest payment dates, the optional redemption dates and stated maturity date may also be changed in our discretion to ensure that the term of the notes remains the same.

Investing in the notes involves risks not associated with an investment in conventional debt securities. See "Risk Factors" on page PRS-3.

The notes are unsecured obligations of Wells Fargo & Company, and all payments on the notes are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The notes are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or determined if this pricing supplement or the accompanying prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Original Offering Price	Agent Discount[(1)]	Proceeds to Wells Fargo
Per Note	$1,000.00	$12.50	$987.50
Total			

(1) The agent discount will not be more than $12.50 per note. See “Plan of Distribution (Conflicts of Interest)” in the prospectus supplement for further information including information regarding how we may hedge our obligations under the notes and offering expenses. Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the notes and is acting as principal.

Wells Fargo Securities

INVESTMENT DESCRIPTION

The Notes due January 31, 2034 are senior unsecured debt securities of Wells Fargo & Company and are part of a series entitled “Medium-Term Notes, Series T.”

All payments on the notes are subject to the credit risk of Wells Fargo.

You should read this pricing supplement together with the prospectus supplement dated January 24, 2018 and the prospectus dated April 27, 2018 for additional information about the notes. When you read the accompanying prospectus supplement, please note that all references in such supplement to the prospectus dated November 3, 2017, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2018 or to the corresponding sections of such prospectus, as applicable. Information included in this pricing supplement supersedes information in the prospectus supplement and prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the prospectus supplement.

You may access the prospectus supplement and prospectus on the SEC websiteiwww.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus Supplement dated January 24, 2018:

https://www.sec.gov/Archives/edgar/data/72971/000119312518018274/d428281d424b2.htm

Prospectus dated April 27, 2018:

https://www.sec.gov/Archives/edgar/data/72971/000119312518136909/d557983d424b2.htm

INVESTOR CONSIDERATIONS

We have designed the notes for investors who:

seek a fixed income investment with an interest rate that increases to, but not above, the preset rates during the term of the investment;

seek current income of at least 4.25% per annum (the interest rate applicable for the first five years) and at an interest rate in excess of 4.25% after the first five years through stated maturity, subject to our right to redeem the notes after one year;

understand that the notes may be redeemed by Wells Fargo after one year; and

are willing to hold the notes until maturity.

The notes are not designed for, and may not be a suitable investment for, investors who:

seek a liquid investment or are unable or unwilling to hold the notes to maturity;

expect interest rates to increase beyond the interest rates provided by the notes;

prefer the certainty of investments without an optional redemption feature; or

are unwilling to accept the credit risk of Wells Fargo.

RISK FACTORS

Your investment in the notes will involve risks not associated with an investment in conventional debt securities. You should carefully consider the risk factors set forth below as well as the other information contained in the prospectus supplement and prospectus, including the documents they incorporate by reference. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the notes in light of your particular circumstances.

The Amount Of Interest You Receive May Be Less Than The Return You Could Earn On Other Investments.

Interest rates may change significantly over the term of the notes, and it is impossible to predict what interest rates will be at any point in the future. Although the interest rate on the notes will increase to preset rates at scheduled intervals during the term of the notes, the interest rate that will apply at any time on the notes may be more or less than prevailing market interest rates at such time. As a result, the amount of interest you receive on the notes may be less than the return you could earn on other investments.

The Per Annum Interest Rate Applicable At A Particular Time Will Affect Our Decision To Redeem The Notes.

It is more likely that we will redeem the notes prior to the stated maturity date during periods when the remaining interest is to accrue on the notes at a rate that is greater than that which we would pay on a conventional fixed-rate non-redeemable note of comparable maturity. If we redeem the notes prior to the stated maturity date, you may not be able to invest in other notes that yield as much interest as the notes.

The Step-Up Feature Presents Different Investment Considerations Than Fixed Rate Notes.

The interest rate payable on the notes during their term will increase from the initial interest rate, subject to our right to redeem the notes. If we do not redeem the notes, the interest rate will step up as described herein. You should not expect to earn the higher stated interest rates which are applicable only after the first five years of the term of the notes because, unless general interest rates rise significantly, the notes are likely to be redeemed prior to the stated maturity date. When determining whether to invest in the notes, you should consider, among other things, the overall annual percentage rate of interest to redemption as compared to other equivalent investment alternatives rather than the higher stated interest rates which are applicable only after the first five years of the term of the notes.

An Investment In The Notes May Be More Risky Than An Investment In Notes With A Shorter Term.

The notes have a term of fifteen years, subject to our right to redeem the notes starting on January 31, 2020. By purchasing notes with a longer term, you will bear greater exposure to fluctuations in interest rates than if you purchased a note with a shorter term. In particular, you may be negatively affected if interest rates begin to rise because the likelihood that we will redeem your notes will decrease and the interest rate applicable to your notes during a particular interest period may be less than the amount of interest you could earn on other investments available at such time. In addition, if you tried to sell your notes at such time, the value of your notes in any secondary market transaction would also be adversely affected.

The Notes Are Subject To The Credit Risk Of Wells Fargo.

The notes are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the notes are subject to our creditworthiness. As a result, our actual and perceived creditworthiness may

affect the value of the notes and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the notes.

Holders Of The Notes Have Limited Rights Of Acceleration.

Payment of principal on the notes may be accelerated only in the case of payment defaults that continue for a period of 30 days or certain events of bankruptcy or insolvency, whether voluntary or involuntary. If you purchase the notes, you will have no right to accelerate the payment of principal on the notes if we fail in the performance of any of our obligations under the notes, other than the obligations to pay principal and interest on the notes. See “Description of Notes—Events of Default and Covenant Breaches” in the accompanying prospectus supplement.

Holders Of The Notes Could Be At Greater Risk For Being Structurally Subordinated If We Convey, Transfer Or Lease All Or Substantially All Of Our Assets To One Or More Of Our Subsidiaries.

Under the indenture, we may convey, transfer or lease all or substantially all of our assets to one or more of our subsidiaries. In that event, third-party creditors of our subsidiaries would have additional assets from which to recover on their claims while holders of the notes would be structurally subordinated to creditors of our subsidiaries with respect to such assets. See "Description of Notes—Consolidation, Merger or Sale" in the accompanying prospectus supplement.

The Agent Discount, Offering Expenses And Certain Hedging Costs Are Likely To Adversely Affect The Price At Which You Can Sell Your Notes.

Assuming no changes in market conditions or any other relevant factors, the price, if any, at which you may be able to sell the notes will likely be lower than the original offering price. The original offering price includes, and any price quoted to you is likely to exclude, the agent discount paid in connection with the initial distribution, offering expenses and the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize in consideration for assuming the risks inherent in hedging our obligations under the notes. In addition, any such price is also likely to reflect dealer discounts, mark-ups and other transaction costs, such as a discount to account for costs associated with establishing or unwinding any related hedge transaction. The price at which the agent or any other potential buyer may be willing to buy your notes will also be affected by the interest rates provided by the notes and by the market and other conditions discussed in the next risk factor.

The Value Of The Notes Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.

The value of the notes prior to stated maturity will be affected by interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, among others, are expected to affect the value of the notes. When we refer to the "value" of your note, we mean the value that you could receive for your note if you are able to sell it in the open market before the stated maturity date.

Interest Rates. The value of the notes may be affected by changes in the interest rates in the U.S. markets.

Our Creditworthiness. Actual or anticipated changes in our creditworthiness may affect the value of the notes. However, because the return on the notes is dependent upon factors in addition to our ability to pay our obligations under the notes, such as whether we exercise our option to redeem the notes, an improvement in our creditworthiness will not reduce the other investment risks related to the notes.

The Notes Will Not Be Listed On Any Securities Exchange And We Do Not Expect A Trading Market For The Notes To Develop.

The notes will not be listed or displayed on any securities exchange or any automated quotation system. Although the agent and/or its affiliates may purchase the notes from holders, they are not obligated to do so and are not required to make a market for the notes. There can be no assurance that a secondary market will develop. Because we do not expect that any market makers will participate in a secondary market for the notes, the price at which you may be able to sell your notes is likely to depend on the price, if any, at which the agent is willing to buy your notes.

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your notes prior to stated maturity. This may affect the price you receive upon such sale. Consequently, you should be willing to hold the notes to stated maturity.

A Dealer Participating In The Offering Of The Notes Or Its Affiliates May Realize Hedging Profits Projected By Its Proprietary Pricing Models In Addition To Any Selling Concession, Creating A Further Incentive For The Participating Dealer To Sell The Notes To You.

If any dealer participating in the offering of the notes, which we refer to as a "participating dealer," or any of its affiliates conducts hedging activities for us in connection with the notes, that participating dealer or its affiliates will expect to realize a projected profit from such hedging activities, if any, and this projected hedging profit will be in addition to any concession that the participating dealer realizes for the sale of the notes to you. This additional projected profit may create a further incentive for the participating dealer to sell the notes to you.

The Resolution Of Wells Fargo Under The Orderly Liquidation Authority Could Result In Greater Losses For Holders Of The Notes, Particularly If A Single-Point-Of-Entry Strategy Is Used.

Your ability to recover the full amount that would otherwise be payable on the notes in a proceeding under the U.S. Bankruptcy Code may be impaired by the exercise by the Federal Deposit Insurance Corporation (the "FDIC") of its powers under the "orderly liquidation authority" under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). In particular, the single point of entry strategy described below is intended to impose losses at the top-tier holding company level in the resolution of a Global Systemically Important Bank ("G-SIB") such as Wells Fargo.

Title II of the Dodd-Frank Act created a new resolution regime known as the "orderly liquidation authority" to which financial companies, including bank holding companies such as Wells Fargo, can be subjected. Under the orderly liquidation authority, the FDIC may be appointed as receiver for a financial company for purposes of liquidating the entity if, upon the recommendation of applicable regulators, the United States Secretary of the Treasury determines, among other things, that the entity is in severe financial distress, that the entity's failure would have serious adverse effects on the U.S. financial system and that resolution under the orderly liquidation authority would avoid or mitigate those effects. Absent such determinations, Wells Fargo, as a bank holding company, would remain subject to the U.S. Bankruptcy Code.

If the FDIC is appointed as receiver under the orderly liquidation authority, then the orderly liquidation authority, rather than the U.S. Bankruptcy Code, would determine the powers of the receiver and the rights and obligations of creditors and other parties who have transacted with Wells Fargo. There are substantial differences between the rights available to creditors in the orderly liquidation authority and under the U.S. Bankruptcy Code, including the right of the FDIC under the orderly liquidation authority to disregard the strict priority of creditor claims in some circumstances (which would otherwise be respected by a bankruptcy court) and the use of an administrative claims procedure to determine creditors' claims (as opposed to the judicial procedure utilized in bankruptcy proceedings). In certain circumstances under the orderly liquidation authority, the FDIC could elevate the priority of claims if it determines that doing so is necessary to facilitate a smooth and orderly liquidation without the need to obtain the consent of other creditors or prior court review. In addition, under the orderly liquidation authority, the FDIC has the right to transfer assets or liabilities of the failed company to a third party or "bridge" entity.

The FDIC has announced that a "single point of entry" strategy may be a desirable strategy to resolve a large financial institution such as Wells Fargo in a manner that would, among other things, impose losses on shareholders, unsecured debt holders (including, in our case, holders of the notes) and other creditors of the top-tier holding company (in our case, Wells Fargo), while permitting the holding company's subsidiaries to continue to operate. In addition, in December 2016, the Board of Governors of the Federal Reserve System (the "FRB") finalized rules requiring U.S. G-SIBs, including Wells Fargo, to maintain minimum amounts of long-term debt and total loss-absorbing capacity (TLAC). It is possible that the application of the single point of entry strategy—in which Wells Fargo would be the only legal entity to enter resolution proceedings—could result in greater losses to holders of the notes than the losses that would result from the application of a bankruptcy proceeding or a different resolution strategy for Wells Fargo. Assuming Wells Fargo entered resolution proceedings and that support from Wells Fargo to its subsidiaries was sufficient to enable the subsidiaries to remain solvent, losses at the subsidiary level could be transferred to Wells Fargo and ultimately borne by Wells Fargo's security holders (including holders of the notes and our other unsecured debt securities), with the result that third-party creditors of Wells Fargo's subsidiaries would receive full recoveries on their claims, while Wells Fargo's security holders (including holders of the notes) and other unsecured creditors could face significant losses. In that case, Wells Fargo's security holders could face significant losses while the third-party creditors of Wells Fargo's subsidiaries would incur no losses because the subsidiaries would continue to operate and would not enter resolution or bankruptcy proceedings. In addition, holders of the notes and other debt securities of Wells Fargo could face losses ahead of our other similarly situated creditors in a resolution under the orderly liquidation authority if the FDIC exercised its right, described above, to disregard the strict priority of creditor claims.

The orderly liquidation authority also requires that creditors and shareholders of the financial company in receivership must bear all losses before taxpayers are exposed to any losses, and amounts owed by the financial company or the receivership to the U.S. government would generally receive a statutory payment priority over the claims of private creditors, including senior creditors such as claims in respect of the notes. In addition, under the orderly liquidation authority, claims of creditors (including holders of the notes) could be satisfied through the issuance of equity or other securities in a bridge entity to which Wells Fargo's assets are transferred. If securities

were to be delivered in satisfaction of claims, there can be no assurance that the value of the securities of the bridge entity would be sufficient to repay all or any part of the creditor claims for which the securities were exchanged.

While the FDIC has issued regulations to implement the orderly liquidation authority, not all aspects of how the FDIC might exercise this authority are known and additional rulemaking is possible.

The Resolution Of Wells Fargo In A Bankruptcy Proceeding Could Also Result in Greater Losses For Holders Of Our Debt Securities, Including The Notes.

As required by the Dodd-Frank Act and regulations issued by the FRB and the FDIC, we are required to provide to the FRB and the FDIC a plan for our rapid and orderly resolution in the event of material financial distress affecting Wells Fargo or the failure of Wells Fargo. The strategy described in our most recently filed resolution plan is a "multiple point of entry" strategy, in which Wells Fargo, Wells Fargo Bank, National Association ("WFBNA") and Wells Fargo Securities, LLC ("WFS") would each undergo separate resolution proceedings under the U.S. Bankruptcy Code, the Federal Deposit Insurance Act, and the Securities Investor Protection Act, respectively. To further the orderly resolution of its businesses and those of its subsidiaries, Wells Fargo may provide capital and liquidity resources to certain of its major subsidiaries (such as WFBNA and WFS) during any period of distress, including through the forgiveness of intercompany indebtedness, the making of additional intercompany loans and by other means. These subsidiaries may enter into separate resolution proceedings even after receiving capital and liquidity resources from Wells Fargo. It is possible that creditors of some or all of Wells Fargo's major subsidiaries would receive significant, or even full, recoveries on their claims while holders of Wells Fargo's debt securities (including holders of the notes) could face significant or complete losses. It is also possible that holders of Wells Fargo's debt securities (including holders of the notes) could face greater losses than if the multiple point of entry strategy had not been implemented and Wells Fargo had not provided capital and liquidity resources to major subsidiaries that enter separate resolution proceedings because assets and other resources provided to those subsidiaries would not be available to pay Wells Fargo's creditors (including holders of the notes and Wells Fargo's other debt securities).

For our next resolution plan submission, we have made a decision to move to a single point of entry strategy, in which Wells Fargo would be resolved under the U.S. Bankruptcy Code using a strategy in which only Wells Fargo itself enters proceedings while some or all of its operating subsidiaries are maintained as going concerns. In this case, the effects on creditors of Wells Fargo would likely be similar to those arising under the orderly liquidation authority, as described above. We are not obligated to maintain either a single point of entry or multiple point of entry strategy, and the strategies reflected in our resolution plan submissions are not binding in the event of an actual resolution of Wells Fargo, whether conducted under the U.S. Bankruptcy Code or by the FDIC under the orderly liquidation authority. To carry out such a single point of entry strategy, Wells Fargo may seek to recapitalize its subsidiaries or provide them with liquidity in order to preserve them as going concerns prior to the commencement of Wells Fargo's bankruptcy proceeding. Moreover, Wells Fargo could seek to elevate the priority of its guarantee obligations relating to its major subsidiaries' derivatives contracts over its other obligations, so that cross-default and early termination rights under derivatives contracts at its subsidiaries would be stayed under the ISDA Resolution Stay Protocol. This elevation would result in holders of our debt securities (including the notes) incurring losses ahead of the beneficiaries of those guarantee obligations. It is also possible that holders of our debt securities (including the notes) could incur losses ahead of other similarly situated creditors.

In response to the regulators' guidance and to facilitate the orderly resolution of Wells Fargo using either a single point of entry or multiple point of entry resolution strategy, on June 28, 2017, Wells Fargo entered into a Support Agreement with WFC Holdings, LLC, an intermediate holding company and subsidiary of Wells Fargo (the "IHC"), and WFBNA, WFS, and Wells Fargo Clearing Services, LLC ("WFCS"), each an indirect subsidiary of Wells Fargo (the "Support Agreement"). Pursuant to the Support Agreement, Wells Fargo transferred a significant amount of its assets, including the majority of its cash, deposits, liquid securities and intercompany loans (but excluding its equity interests in its subsidiaries and certain other assets), to the IHC and will continue to transfer those types of assets to the IHC

from time to time. In the event of Wells Fargo's material financial distress or failure, the IHC will be obligated to use the transferred assets to provide capital and/or liquidity to WFBNA pursuant to the Support Agreement and to WFS and WFCS through repurchase facilities entered into in connection with the Support Agreement. Under the Support Agreement, the IHC will also provide funding and liquidity to Wells Fargo through subordinated notes and a committed line of credit, which, together with the issuance of dividends, is expected to provide Wells Fargo, during business as usual operating conditions, with the same access to cash necessary to service its debts, pay dividends, repurchase its shares and perform its other obligations as it would have if it had not entered into these arrangements and transferred any assets. If certain liquidity and/or capital metrics fall below

defined triggers, the subordinated notes would be forgiven and the committed line of credit would terminate, which could materially and adversely impact Wells Fargo's liquidity and its ability to satisfy its debts and other obligations, and could result in the commencement of bankruptcy proceedings by Wells Fargo at an earlier time than might have otherwise occurred if the Support Agreement were not implemented. Wells Fargo's and the IHC's respective obligations under the Support Agreement are secured pursuant to a related security agreement.

If either resolution strategy proved to be unsuccessful, holders of our debt securities (including the notes) may as a consequence be in a worse position than if the strategy had not been implemented. In all cases, any payments to holders of our debt securities are dependent on our ability to make such payments and are therefore subject to our credit risk.

UNITED STATES FEDERAL TAX CONSIDERATIONS

The following is a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the notes. It applies to you only if you purchase a note for cash in the initial offering at the "issue price," which is the first price at which a substantial amount of the notes is sold to the public, and hold the note as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). It does not address all of the tax consequences that may be relevant to you in light of your particular circumstances or if you are an investor subject to special rules, such as:

a financial institution;

a "regulated investment company";

a "real estate investment trust";

a tax-exempt entity, including an "individual retirement account" or "Roth IRA";

a dealer or trader subject to a mark-to-market method of tax accounting with respect to the notes;

a person holding a note as part of a "straddle" or conversion transaction or who has entered into a "constructive sale" with respect to a note;

a U.S. holder (as defined below) whose functional currency is not the U.S. dollar; or

an entity classified as a partnership for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding the notes or a partner in such a partnership, you should consult your tax adviser as to the particular U.S. federal tax consequences of holding and disposing of the notes to you.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date hereof may affect the tax consequences described herein, possibly with retroactive effect. This discussion does not address the effects of any applicable state, local or non-U.S. tax laws, any alternative minimum tax consequences, the potential application of the Medicare tax on net investment income or the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Code. You should consult your tax adviser concerning the application of U.S. federal income and estate tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

General

In the opinion of our counsel, Davis Polk & Wardwell LLP, the notes will be treated as "fixed rate debt instruments" that are issued without original issue discount ("OID") for U.S. federal income tax purposes.

Tax Consequences to U.S. Holders

This section applies only to U.S. holders. You are a "U.S. holder" if you are a beneficial owner of a note that is, for U.S. federal income tax purposes:

a citizen or individual resident of the United States;

a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Interest on the Notes. Stated interest on the notes will generally be taxable to you as ordinary interest income at the time it accrues or is received in accordance with your method of accounting for U.S. federal income tax purposes.

Under applicable Treasury regulations, we will generally be presumed to exercise our option to redeem the notes if the exercise of the option would lower the yield on the notes. The yield on the notes would be lowered if we redeemed the notes before the initial increase in the interest rate, and therefore the notes will not be treated as issued with OID. If, contrary to the presumption in the applicable Treasury regulations, we do not redeem the notes before the initial increase in the interest rate, solely for purposes of calculating OID, the notes will be treated as if they were redeemed and new notes were issued on the presumed exercise date for the notes' principal amount. The same analysis will generally apply to the subsequent increase in the interest rate, which means a note that is deemed reissued will generally be treated as redeemed prior to the subsequent increase in the interest rate, and therefore as issued without OID.

Sale, Exchange or Retirement of the Notes. You will recognize capital gain or loss on the sale, exchange or retirement of a note equal to the difference between the amount received (other than amounts received in respect of accrued interest, which will be treated as described under "—Interest on the Notes") and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will be equal to your original purchase price for the note. Your gain or loss generally will be long-term capital gain or loss if at the time of the sale, exchange or retirement you held the notes for more than one year, and short-term capital gain or loss otherwise. Long-term capital gains recognized by non-corporate U.S. holders are generally subject to taxation at reduced rates. Any capital loss you recognize may be subject to limitations.

Tax Consequences to Non-U.S. Holders

This section applies only to non-U.S. holders. You are a "non-U.S. holder" if you are a beneficial owner of a note that is, for U.S. federal income tax purposes:

an individual who is classified as a nonresident alien;

a foreign corporation; or

a foreign estate or trust.

You are not a non-U.S. holder for purposes of this discussion if you are (i) an individual who is present in the United States for 183 days or more in the taxable year of disposition, (ii) a former citizen or resident of the United States or (iii) a person for whom income or gain in respect of the notes is effectively connected with the conduct of a trade or business in the United States. If you are or may become such a person during the period in which you hold a note, you should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the notes.

Subject to the discussions below concerning backup withholding and FATCA, you will not be subject to U.S. federal income or withholding tax in respect of the notes, provided that:

you do not own, directly or by attribution, ten percent or more of the total combined voting power of all classes of our stock entitled to vote;

you are not a controlled foreign corporation related, directly or indirectly, to us through stock ownership;

you are not a bank receiving interest under Section 881(c)(3)(A) of the Code; and

you provide to the applicable withholding agent an appropriate Internal Revenue Service ("IRS") Form W-8 on which you certify under penalties of perjury that you are not a U.S. person.

U.S. Federal Estate Tax

Individual non-U.S. holders and entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers) should consider the U.S. federal estate tax implications of an investment in the notes. Absent an applicable treaty benefit, a note will be treated as U.S.-situs property subject to U.S. federal estate tax if payments on the note if received by the decedent at the time of death would have been subject to U.S. federal withholding tax (even if the IRS Form W-8 certification requirement described above were satisfied and not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty). You should consult your tax adviser regarding the U.S. federal estate tax

consequences of an investment in the notes in your particular situation and the availability of benefits provided by an applicable estate tax treaty, if any.

Backup Withholding and Information Reporting

Information returns generally will be filed with the IRS with respect to payments of interest on the notes and may be filed with the IRS in connection with the payment of proceeds from a sale, exchange or other disposition of the notes. If you fail to provide certain identifying information (such as an accurate taxpayer identification number if you are a U.S. holder) or meet certain other conditions, you may also be subject to backup withholding at the rate specified in the Code. If you are a non-U.S. holder that provides an appropriate IRS Form W-8, you will generally establish an exemption from backup withholding. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the relevant information is timely furnished to the IRS.

FATCA Legislation

Legislation commonly referred to as "FATCA" generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity's jurisdiction may modify these requirements. Withholding under these rules (if applicable) applies to payments of amounts treated as interest on the notes. While existing Treasury regulations would also require withholding on payments of gross proceeds of the disposition (including upon retirement) of certain financial instruments treated as paying U.S.-source interest or dividends, the U.S. Treasury Department has indicated in subsequent proposed regulations its intent to eliminate this requirement. If withholding applies to the notes, we will not be required to pay any additional amounts with respect to amounts withheld. Both U.S. and non-U.S. holders should consult their tax advisers regarding the potential application of FATCA to the notes.

The preceding discussion constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of owning and disposing of the notes.

SUPPLEMENTAL PLAN OF DISTRIBUTION

Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the notes. The agent may resell the notes to other securities dealers at the original offering price of the notes less a concession not in excess of $12.50 per note. Such securities dealers may include Wells Fargo Advisors (the trade name of the retail brokerage business of our affiliates, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC).

The agent or another affiliate of ours expects to realize hedging profits projected by its proprietary pricing models to the extent it assumes the risks inherent in hedging our obligations under the notes. If any dealer participating in the distribution of the notes or any of its affiliates conducts hedging activities for us in connection with the notes, that dealer or its affiliate will expect to realize a profit projected by its proprietary pricing models from such hedging activities. Any such projected profit will be in addition to any discount or concession received in connection with the sale of the notes to you.

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As described under the section titled PROPOSAL 1 ELECTION OF DIRECTORS, MatlinPatterson may decide to nominate eight, or fewer than eight, of the MP Nominees for election as directors. As of the date of this proxy statement, MatlinPatterson has made no determination as to whether it will nominate fewer than eight of the MP Nominees for election as directors. However, we currently expect that we will nominate at least five of the MP Nominees, Messrs. Patterson, Pechock, Cohen, Hall and Lifton.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board consists of nine seats, currently with one vacancy. According to the Company s definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission (the SEC) on April 26, 2013 in connection with the Annual Meeting (the Company s Proxy Statement), the terms of nine directors expire at the Annual Meeting.

The shares of Common Stock represented by properly executed GOLD proxy cards will be voted at the Annual Meeting as marked, and, in the absence of specific instructions, will be voted FOR the election of the MP Nominees to the Board, subject to the condition that such shares cannot and will not be voted for any of the MP Nominees who is not nominated for election as a director of the Company by Matlin Patterson.

MatlinPatterson may decide to nominate eight, or fewer than eight, of the MP Nominees for election as directors. As of the date of this proxy statement, MatlinPatterson has made no determination as to whether it will nominate fewer than eight of the MP Nominees for election as directors. However, we currently expect that we will nominate at least five of the MP Nominees, Messrs. Patterson, Pechock, Cohen, Hall and Lifton. MatlinPatterson s decision as to how many individuals to nominate will made based on its determination of what number of nominations would both (i) maximize the chances that, after the election, at least a majority of the Board is composed of MP Nominees, and (ii) minimize the chances that the election of directors at the Annual Meeting will trigger a Change of Control under the Company s Retention Plan, as described in the section titled BACKGROUND OF THE SOLICITATION.

The shares owned by any stockholder that signs a GOLD proxy card will be cast as directed only with respect to the MP Nominees actually nominated by MatlinPatterson at the Annual Meeting. **Accordingly, the shares owned by a stockholder who signs the GOLD proxy card will not be voted for that number of candidates equal to nine minus the number of persons actually nominated by MatlinPatterson.**

The GOLD proxy card does not confer authority to vote for the election of any person as a director of the Company other than the MP Nominees. In the event that some or all of the MP Nominees are elected as directors, and other persons who are not MP Nominees (such as nominees of Clinton Group) are also elected as directors, there can be no assurance that such other person s nominees will serve if elected with any of the MP Nominees.

In the event that some or all of the MP Nominees are elected, and if there are no other persons nominated or the total number of persons elected is fewer than nine, then the current incumbent directors who do not receive the requisite affirmative vote are required by the bylaws to immediately tender their resignations. The Board of Directors (excluding the incumbent directors in question) shall consider each such resignation and shall decide whether to accept it. After the Board decides whether to accept such resignations, there may exist one or more vacancies on the Board of Directors. Under the Company s certificate of incorporation, vacancies on the Board of Directors can be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum. MatlinPatterson has no present intention to seek to fill such vacancies, if any, unless the MP Nominees elected to the Board constitute less than a majority of the then authorized number of directors, in which case MatlinPatterson may seek to have such vacancies filled with one or more MP Nominees or other persons, or to have the authorized number of directors reduced.

The Company has not nominated any candidates for election as directors at the Annual Meeting. According, please note that if you sign the White proxy card provided by the Company, your shares will not be voted in the election of directors.

MatlinPatterson is seeking your support at the Annual Meeting to elect the MP Nominees, if and to the extent nominated by MatlinPatterson.

Mark R Patterson

Director

Director since 2007

Age 61

Mr. Patterson became a director of the Company following the completion of the Company s private placement with the Record Holder in September 2007. Mr. Patterson is, and has been, Chairman of MatlinPatterson Asset Management L.P. (MAMLP) since its formation in 2010. The principal business of MAMLP is to organize, acquire and sponsor alternative investment managers that participate in credit strategies. In addition, from 2002 through 2012 he was Chairman of MatlinPatterson Global Advisers LLC (MP Global Advisers), which he co-founded. The principal business of MP Global Advisers is to serve as investment adviser to various investment funds controlled by Mr. Patterson and David J. Matlin. MAMLP and MP Global Advisers are affiliates of the Company. Mr. Patterson has over 35 years of financial markets experience, principally in merchant, investment and commercial banking, at Credit Suisse (where he was Vice Chairman from 2000 to 2002), Scully Brothers & Foss L.P., Salomon Brothers Inc., and Bankers Trust Company. The business address of Mr. Patterson is MatlinPatterson Global Advisers LLC, 520 Madison Avenue, 35th Floor, New York, New York 10022-4213.

Mr. Patterson holds degrees in law (BA, 1972) and economics (BA Honors, 1974) from South Africa s Stellenbosch University and an MBA (with distinction, 1986) from New York University s Stern School of Business.

Mr. Patterson also serves on the Dean s Executive Board of the NYU Stern School of Business. He previously served on the boards of Allied World Assurance in Bermuda, Flagstar Bancorp, Inc., NRG Energy, Inc., Compass Aerospace, Polymer Group, Inc. and Oxford Automotive, Inc.

Mr. Patterson has significant experience, expertise and background in the financial markets, including with respect to risk management, investment and strategic planning matters. With his financial markets experience and his experience as a member of the boards of other public companies, Mr. Patterson continues to provide key insight to the Board. Furthermore, given Mr. Patterson s relationship with MatlinPatterson, MatlinPatterson believes that his interests will be closely aligned to those of the Company s stockholders and he provides the Board with the perspective of a major stockholder.

Christopher R. Pechock

Director

Director since 2007

Age 48

Mr. Pechock became a director of the Company following the completion of the Company s private placement with the Record Holder in September 2007. He has been a partner at MP Global Advisers since its inception in July 2002. Mr. Pechock has been active in the securities markets for over 18 years. Prior to July 2002, Mr. Pechock was a member of Credit Suisse s Distressed Group, which he joined in 1999. Before joining Credit Suisse, Mr. Pechock was a Portfolio Manager and Research Analyst at Turnberry Capital Management, L.P. (1997-1999), a Portfolio Manager at Eos Partners, L.P. (1996-1997), a Vice President and high yield analyst at PaineWebber Inc. (1993-1996) and an analyst in risk arbitrage at Wertheim Schroder & Co., Incorporated (1987-1991). The business address of Mr. Patterson is MatlinPatterson Global Advisers LLC, 520 Madison Avenue, 35th Floor, New York, New York 10022-4213.

Mr. Pechock holds an MBA from Columbia University Graduate School of Business (1993) and a BA in Economics from the University of Pennsylvania (1987).

Mr. Pechock serves on the board of Renewable Biofuels Inc. He previously served on the boards of COMSYS IT, Compass Aerospace, Goss International, Huntsman Corporation, XL Health Corporation, Leprechaun Holding Company LLC and FXI Holdings, Inc.

Mr. Pechock has brought to the Board his experience as a partner of MP Global Advisers and expertise in the securities markets and continues to provide key insight to the Board. Furthermore, given Mr. Pechock s relationship with MatlinPatterson, MatlinPatterson believes that his interests will be closely aligned to those of the Company s stockholders and he provides the Board with the perspective of a major stockholder.

Carl W. McKinzie

Age 73

Mr. McKinzie was the Chief Executive Officer of FirstFed Financial Corporation, a savings and loan holding company, from September 2010 through January 2012. FirstFed Financial Corporation is not a subsidiary, parent or affiliate of the Company. Prior to that Mr. McKinzie had served as a partner and then of counsel at Bingham McCutchen LLP, an international law firm, since 1980. The business address of Mr. McKinzie is 10900 Wilshire Boulevard, Suite 850, Los Angeles, CA 90024-6531.

Mr. McKinzie holds a BA and an MBA from Texas Tech University and a JD from Southern Methodist University.

Mr. McKinzie serves on the board of The Welk Group, Inc., Welk Hospitality Group, Inc., California Beach Restaurants, Inc. and Leuen Inc. He previously served on the boards of IXC Communications, Inc., Corporesano Holdings LLC and Leprechaun Holding Company LLC.

Mr. McKinzie has over 40 years of experience as a corporate attorney, providing legal services to clients in a wide variety of industries.

Jaime Lifton

Age 52

Mr. Lifton has been the Chief Executive Officer, co-founder and managing partner of Persephone Capital Partners LLC, a middle-market private equity firm, since 2012. Prior to that, he was Managing Director of JPMorgan Securities Fixed Income/Capital Markets Division, a leading financial services firm, from 1998 through 2012. The business address of Mr. Lifton is Persephone Capital Partners, PO Box 198, East Setauket, NY 11733.

Mr. Lifton holds an MBA from Baruch College and a B.A. in Economics from SUNY at Stony Brook.

He currently serves as a director of Renewable Biofuels Inc. and Persephone Capital Partners where he has served since 2009 and 2012, respectively. Mr. Lifton served on the board of Safety Kleen, Inc. from 2006 through 2012 and Bally Total Fitness Holding Corporation from 2011 to 2012.

Mr. Lifton has over 25 years of experience in corporate finance, capital markets, private equity/distressed investing and corporate restructuring.

Edwin M. Banks

Mr. Banks is the founder and has been the managing partner of Washington Corner Capital Management L.P., a registered investment advisor, since 2007. The principal business of Washington Corner Capital Management is to provide financial investment advice and services to clients. Prior to that Mr. Banks was with WR Huff for 18 years where he held a variety of titles including Senior Portfolio Manager of WR Huff s high yield accounts and

Age 50	Chief Investment Officer of the Huff Alternative Fund. The business address of Mr. Banks is Washington Corner Capital Management 140 Washington Corner Road, Bernardsville, NJ 07924.

Mr. Banks holds an MBA and a B.A in History from Rutgers University.

Mr. Banks served on the board of CVS/Caremark from 1999-2012, CKX Entertainment from 2005-2011 and Virgin Media from 2002-2009.

Mr. Banks has over 24 years of experience in institutional investment management.

Keith B. Hall

Age 59

Mr. Hall has been an independent corporate director since 2004. Mr. Hall served as Executive Vice President and Chief Financial Officer for Education Dynamics, an internet lead-generation company serving the post-secondary education market, from April through November 2012. Education Dynamics is not a subsidiary, parent or affiliate of the Company. Mr. Hall s previous employment was at LendingTree, LLC where he served as Senior Vice President and Chief Financial Officer from 1999 to 2007. LendingTree was the fourth public company where Mr. Hall was Chief Financial Officer that was subsequently acquired. The business address of Mr. Hall is 17204 Connor Quay Court, Cornelius, NC 28031.

Mr. Hall holds an MBA from Harvard Business School and a B.A in Business Administration and Economics from Coe College in Iowa.

Mr. Hall serves on the boards of The Street, Inc. (since 2012), Tectura, Inc. (since 2008). and WhiteFence, Inc. (since 2011), and has served on the boards of MTM Technologies, Inc. (2008-2012), Polymer Group, Inc. (2008-2011), and Electronic Clearing House (2007-2008), NewRiver, Inc. (2004-2010), CoreLogic, Inc. (2008-2010), Ikonisys, Inc. (2008-2009).

Mr. Hall has over 30 years experience in finance. He has a broad perspective from his various public and private company board room experiences, ranging from internet start-ups to large-cap, international firms.

Marshall Cohen

Director

Director since 2009

Committees:

Directors and Corporate Governance, Executive Compensation and Audit

Mr. Cohen is counsel (retired) at Cassels, Brock & Blackwell LLP, Barristers and Solicitors, a full service law firm in Toronto, which he joined in 1996. Mr. Cohen was President and Chief Executive Officer of The Molson Companies Ltd. from 1988 through 1996. Prior to that, he was a senior official with the Government of Canada for 15 years, holding various appointments including Deputy Minister of Energy, Industry Trade & Commerce, and Finance. The business address of Mr. Cohen is Scotia Plaza, Suite 2100, 40 King Street West, Toronto, Ontario, Canada M5H 3C2.

Mr. Cohen holds a B.A. from the University of Toronto, a law degree from Osgoode Hall Law School and a Master s Degree in Law from York University.

Mr. Cohen serves on the board of directors of TD Ameritrade (since 2009) and as Chairman of the Audit Committee and a member of the Governance Committee of such board. He also serves on the board of directors of TriMas Corporation (since 2005) and as a member of each of the Audit Committee and Compensation Committee and as Chairman of the Governance Committee of such board. During the past five years, Mr. Cohen has also served on the boards of Toronto Dominion Bank, Barrick Gold Corporation, and American International Group, Inc. In addition, Mr. Cohen recently retired as Chairman of the Board of Governors of York University and is an honorary director or governor of a number of non-profit organizations, including the C.D. Howe Institute and

Age 78 Mount Sinai Hospital. Mr. Cohen is an Officer of the Order of Canada.

Mr. Cohen brings valuable legal, financial, operational, strategic and compliance-based expertise to our Board with his past experience as the chief executive officer of a large Canadian public company with international operations. Mr. Cohen s extensive knowledge and experience in management, governance and legal matters involving publicly-held companies brings additional management, governance and legal experience to our Board. In addition, his independence and experience serving on the boards of other public companies has enhanced the Board s ability to lead the Company.

Nasir A. Hasan

Mr. Hasan has been a private financial advisor since June 2010. Prior to that Mr. Hasan was head of Strategic Transactions and a member of the Leadership Committee with Ally Financial, a company that provides automotive financing products and services around the world, from March 2008 May 2010. Rescap, a mortgage financing subsidiary of Ally Financial filed for bankruptcy in May 2010. The business address of Mr. Hasan is 8918 Winged Bourne Road, Charlotte, NC 28210.

Age 63

Mr. Hasan holds an MBA and a B.S from the University of California, Berkeley.

Mr. Hasan has over 35 years of experience in banking and financial markets, primarily as a Managing Director with Bankers Trust Company and Bank of America.

The Participants believe that each of the MP Nominees would be deemed independent under the NASDAQ listing standards and for the purposes of Item 407(a) of Regulation S-K under the Exchange Act. The Participants also believe that Keith Hall and Edwin Banks would each qualify as an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Exchange Act, and that each of them has the accounting and related financial management expertise within the meaning of the NASDAQ listing standards. Mr. Cohen is currently a member of the Audit Committee.

The MP Nominees have each entered into a nominee agreement pursuant to which MP FAA has agreed to pay the costs of soliciting proxies in connection with the Annual Meeting, and to defend and indemnify such MP Nominees against, and with respect to, any losses that may be incurred by them in the event they become a party to litigation based on their nomination as candidates for election to the Board and the solicitation of proxies in support of their election. The MP Nominees will not receive any compensation from MP FAA or its affiliates for their services as directors of the Company if elected. If elected, the MP Nominees will be entitled to such compensation from the Company as is consistent with the Company s practices for services of directors.

Each of the MP Nominees has agreed to being named as a nominee in this proxy statement and has confirmed his or her willingness to serve on the Board if elected. We do not expect that any of the MP Nominees will be unable to stand for election, but in the event that a MP Nominee is unable to or for good cause will not serve, the shares of Common Stock represented by the GOLD proxy card will be voted for a substitute candidate selected by us.

The Company has not nominated any candidates for election as directors at the Annual Meeting. According, please note that if you sign the White proxy card provided by the Company, your shares will not be voted in the election of directors.

WE URGE YOU TO VOTE **YES** TO THE ELECTION OF OUR MP NOMINEES ON THE **GOLD** PROXY CARD, PURSUANT TO PROPOSAL 1.

PROPOSAL 2

AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF

INCORPORATION TO EFFECT A REVERSE STOCK SPLIT

As discussed in further detail in the Company s Proxy Statement, the Board has declared advisable and approved, and is soliciting stockholder approval of, an amendment to the Company s Amended and Restated Certificate of Incorporation to effect a reverse stock split at a ratio of between one-for-ten and one-for-twenty (the Reverse Stock Split Amendment). A vote for Proposal 2 will constitute approval of the Reverse Stock Split Amendment, which provides for the combination of any whole number of shares of Common Stock between and including ten and twenty into one share of Common Stock, and will grant the Board the authority to select which ratio within that range to implement. If the stockholders approve this proposal, the Board will have the authority, but not the obligation, in its sole discretion, and without further action on the part of the stockholders, to select the reverse stock split ratio within the approved range and effect the reverse stock split by filing the Reverse Stock Split Amendment with the Delaware Secretary of State at any time after the approval of the Reverse Stock Split Amendment and prior to the close of business on September 30, 2013. If the reverse stock split is implemented, the number of authorized shares will be decreased in the same ratio as the reverse stock split, subject to stockholder approval. (See Proposal 3)

The Reverse Stock Split Amendment would have no effect on the par value of a share of Common Stock. Except for any changes as a result of the treatment of fractional shares, each stockholder will hold the same percentage of Common Stock outstanding immediately after the reverse stock split as such stockholder held immediately prior to the reverse stock split.

The Board has authorized the submission of the proposal to amend the Company s Amended and Restated Certificate of Incorporation to effect a reverse stock split as a potential means of increasing the per share trading price of the Common Stock and regaining compliance with the continued listing requirements set forth in NASDAQ Listing Rule 5450(a)(1). Any determination to effect the reverse stock split will be made by the Board and will be based on a number of factors, including market conditions, existing and expected trading prices for the Common Stock and the continued listing requirements of The NASDAQ Global Market. The Board reserves the right to elect not to proceed with, and to abandon, the reverse stock split if it determines, in its sole discretion, that this proposal is no longer in the Company and its stockholders best interests.

Approval of this Proposal requires the affirmative vote of a majority of the shares of Common Stock outstanding and entitled to vote thereon.

WE RECOMMEND YOU VOTE **YES** ON PROPOSAL 2.

PROPOSAL 3

AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF

INCORPORATION TO PROPORTIONALLY DECREASE THE NUMBER OF

AUTHORIZED SHARES OF COMMON STOCK

As discussed in further detail in the Company s Proxy Statement, the Board has approved a proposed amendment to the Amended and Restated Certificate of Incorporation of the Company that would reduce the number of shares of Common Stock the Company is authorized to issue in the same ratio as the reverse stock split, provided that Proposal 2 above is approved by the stockholders and the Reverse Stock Split Amendment is implemented (the Proportional Decrease in Authorized Shares Amendment).

Approval of the Proportional Decrease in Authorized Shares Amendment is conditioned on the approval of the Reverse Stock Split Amendment. If the Reverse Stock Split Amendment is not approved, then the Proportional Decrease in Authorized Shares Amendment will automatically be deemed to not have been

approved, regardless of the number of shares actually voted FOR that proposal. In the event that stockholders approve the Reverse Stock Split Amendment but do not approve the Proportional Decrease in Authorized Shares Amendment, the Board will retain the discretion to implement the Reverse Stock Split Amendment.

If the Reverse Stock Split Amendment is approved by stockholders and implemented by the Board, and the Proportional Decrease in Authorized Shares Amendment is approved by stockholders, the decrease would become effective upon the filing of the amendment to the Company s Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, or at the later time set forth in the amendment, but in any event simultaneous with the effectiveness of the reverse stock split. The exact timing of the amendment will be determined by the Board based on its evaluation as to when such action will be the most advantageous to the Company and its stockholders.

Approval of this Proposal requires the affirmative vote of a majority of the shares of Common Stock outstanding and entitled to vote thereon.

WE RECOMMEND YOU VOTE **YES** ON PROPOSAL 3.

PROPOSAL 4

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

As discussed in further detail in the Company s Proxy Statement, in accordance with Section 14A of the Exchange Act, the Company provides its stockholders with the opportunity to cast an advisory vote to approve the compensation for the Company s named executive officers (commonly known as the say on pay vote). Accordingly, the Company is asking stockholders to vote, on an advisory basis, on the following resolution:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion and any related material contained in [the Company s] Proxy Statement, is hereby APPROVED.

Because this vote is only advisory in nature, it will not be binding on the Company. The Board will consider the results of this stockholder vote in determining future compensation programs for the Company s named executive officers. However, these programs may not change even if stockholders vote against this proposal.

Approval of this Proposal requires such Proposal to receive FOR votes constituting a majority of the votes cast at the Annual Meeting with respect to shares entitled to vote thereon.

WE RECOMMEND YOU VOTE **ABSTAIN** ON PROPOSAL 4.

PROPOSAL 5

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

According to the Company s Proxy Statement, the Audit Committee of the Board has selected PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2013. The Company is submitting this appointment for stockholder ratification at the Annual Meeting.

A representative of PricewaterhouseCoopers LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from stockholders.

If stockholders do not ratify the appointment, the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers LLP, but still may retain them. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

According to the Company s Proxy Statement, the Audit Committee, or a designated member thereof, has pre-approved each audit and non-audit service rendered by PricewaterhouseCoopers LLP to the Company.

Approval of this Proposal requires such Proposal to receive FOR votes constituting a majority of the votes cast at the Annual Meeting with respect to shares entitled to vote thereon.

WE RECOMMEND YOU VOTE **YES** ON PROPOSAL 5.

VOTING AND PROXY PROCEDURES

Only stockholders of record on the Record Date will be entitled to notice of and to vote at the Annual Meeting. Each share of Common Stock is entitled to one vote. Stockholders who sell shares of Common Stock before the Record Date (or acquire them without voting rights after the Record Date) may not vote such shares of Common Stock. Stockholders of record on the Record Date will retain their voting rights in connection with the Annual Meeting even if they sell such shares of Common Stock after the Record Date. Based on publicly available information, including the Company s Proxy Statement, we believe that the only outstanding class of securities of the Company entitled to vote at the Annual Meeting is the Common Stock.

The shares of Common Stock represented by properly executed GOLD proxy cards will be voted at the Annual Meeting as marked, and, in the absence of specific instructions, will be voted:

FOR the election of the MP Nominees to the Board, subject to the condition that such shares cannot and will not be voted for any of the MP Nominees who is not validly nominated for election as a director of the Company by Matlin Patterson.

FOR the proposal to amend the Company s Amended and Restated Certificate of Incorporation to effect a reverse stock split,

FOR the proposal to, if and when the reverse stock split is effected, proportionally decrease the number of authorized shares of Common Stock,

ABSTAIN on the advisory vote on executive compensation, and

FOR the ratification of the appointment of PricewaterhouseCoopers.

MatlinPatterson may decide to nominate eight, or fewer than eight, of the MP Nominees for election as directors. As of the date of this proxy statement, MatlinPatterson has made no determination as to whether it will nominate fewer than eight of the MP Nominees for election as directors. However, we currently expect that we will nominate at least five of the MP Nominees, Messrs. Patterson, Pechock, Cohen, Hall and Lifton. MatlinPatterson s decision as to how many of the MP Nominees to nominate will made based on its determination of what number of nominations would both (i) maximize the chances that, after the election, at least a majority of the Board is composed of MP Nominees, and (ii) minimize the chances that the election of directors at the Annual Meeting will trigger a Change of Control under the Company s Retention Plan, as described in the section titled BACKGROUND OF THE SOLICITATION.

The shares owned by any stockholder that signs a GOLD proxy card will be cast as directed only with respect to the MP Nominees actually nominated by MatlinPatterson at the Annual Meeting. **Accordingly, the shares owned by a stockholder who signs the GOLD proxy card will not be voted for that number of candidates equal to nine minus the number of persons actually nominated by MatlinPatterson.**

The GOLD proxy card does not confer authority to vote for the election of any person as a director of the Company other than the MP Nominees. In the event that some or all of the MP Nominees are elected as directors, and other persons who are not MP Nominees (such as nominees of Clinton Group) are also elected as directors, there can be no assurance that such other person s nominees will serve if elected with any of the MP Nominees.

In the event that some or all of the MP Nominees are elected, and if there are no other persons nominated or the total number of persons elected is fewer than nine, then the current incumbent directors who do not receive the requisite affirmative vote are required by the bylaws to immediately tender their resignations. The Board of Directors (excluding the incumbent directors in question) shall consider each such resignation and shall decide whether to accept it. After the Board decides whether to accept such resignations, there may exist one or more vacancies on the Board of Directors. Under the Company s certificate of incorporation, vacancies on the Board of Directors can be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum. MatlinPatterson has no present intention to seek to fill such vacancies, if any, unless the MP Nominees elected to the Board constitute less than a majority of the then authorized number of directors, in which case MatlinPatterson may seek to have such vacancies filled with one or more MP Nominees or other persons, or to have the authorized number of directors reduced.

QUORUM; ABSTENTIONS; BROKER NON-VOTES

According to the Company s Proxy Statement, the presence, in person or by proxy, of the holders of at least a majority of the shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes (as described below) will be counted in determining whether a quorum has been reached.

If you own your shares in street name, and do not give your broker or other nominee voting instructions, your shares will be voted only if your broker or other nominee is allowed to exercise voting discretion with respect to your shares. Under New York Stock Exchange rules, your broker or other nominee is permitted to exercise voting discretion only with respect to routine matters. There are no routine matters to be acted upon at the Annual Meeting. If you do not submit voting instructions to your broker or other nominee, your shares will not be voted for you. The aggregate number of shares held in street name that a broker or other nominee does not or cannot vote is reported as the broker non-vote.

According to the Company s proxy statement, abstentions and broker non-votes will not be treated as votes cast. Accordingly, for Proposals 2 and 3, abstentions and broker non-votes will have the same effect as an AGAINST vote.

VOTES REQUIRED FOR APPROVAL

Election of Directors In accordance with the Company s Bylaws, as in effect on April 30, 2013, at the Annual Meeting, each director shall be elected by the affirmative vote of the holders of a majority of the votes cast for directors (with broker non-votes and abstentions not treated as votes cast). Any nominee who does not receive such affirmative vote shall not be elected even if such nominee receives more votes cast for than against . In any election of directors, any incumbent director who does not receive such affirmative vote shall immediately tender his or her resignation. The Board of Directors (excluding the incumbent director in question) shall consider each such resignation and shall decide whether to accept it.

Reverse Stock Split and Proportionate Decrease of Authorized Shares According to the Company s Proxy Statement, the proposal to amend the Company s Amended and Restated Certificate of Incorporation to effect a reverse stock split (Proposal 2) and the proposal to, if and when the reverse stock split is effected, proportionally decrease the number of authorized shares of Common Stock (Proposal 3) will each require the receipt of FOR votes constituting a majority of the shares of Common Stock outstanding and entitled to vote thereon.

Advisory Vote on Executive Compensation and Ratification Of Independent Registered Public Accounting Firm According to the Company s Proxy Statement, the advisory vote on executive compensation (Proposal 4) and approval of the ratification of the appointment of the Company s independent registered public accounting firm (Proposal 5) will each require the receipt of FOR votes constituting a majority of the votes cast.

IF YOU WISH TO VOTE FOR THE ELECTION OF OUR MP NOMINEES TO THE BOARD, PLEASE SIGN, DATE AND RETURN PROMPTLY THE ENCLOSED **GOLD** PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED.

APPRAISAL/DISSENTER RIGHTS

Stockholders are not entitled to appraisal or dissenters rights under Delaware law in connection with the Proposals or this proxy statement.

SOLICITATION OF PROXIES

The solicitation of proxies pursuant to this Proxy Solicitation is being made by MatlinPatterson and the MP Nominees. Proxies may be solicited by mail, facsimile, telephone, telegraph, Internet, in person and by advertisements.

MatlinPatterson will solicit proxies from individuals, brokers, banks, bank nominees and other institutional holders. MatlinPatterson has requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward all solicitation materials to the beneficial owners of the shares of Common Stock they hold of record. MatlinPatterson will reimburse these record holders for their reasonable out-of-pocket expenses in so doing.

The entire expense of soliciting proxies is being borne by MatlinPatterson. Costs of the Proxy Solicitation are currently estimated to be approximately $[ ]. MatlinPatterson estimates that through the date hereof, its expenses in connection with the Proxy Solicitation are approximately $[ ]. If successful, we may seek reimbursement of these costs from the Company. In the event that we decide to seek reimbursement of our expenses, we do not intend to submit the matter to a vote of the Company s stockholders. The Board, a majority or all of which will consist our MP Nominees, would be required to evaluate the requested reimbursement consistent with their fiduciary duties to the Company and its stockholders. Costs related to the Proxy Solicitation include expenditures for attorneys, advisors, printing, advertising, postage and related expenses and fees.

MP FAA has retained Innisfree M&A Incorporated (Innisfree) to provide solicitation and advisory services in connection with the Proxy Solicitation, for which Innisfree is to receive a fee of $35,000, plus an additional fee to be mutually agreed upon by MP FAA and Innisfree in connection with the solicitation of proxies for the Annual Meeting. MP FAA has also agreed to reimburse Innisfree for its reasonable out-of-pocket expenses and to indemnify Innisfree against certain liabilities and expenses, including certain liabilities under the federal securities laws. Innisfree will solicit proxies from individuals, brokers, banks, bank nominees and other institutional holders. It is anticipated that Innisfree will employ approximately 25 persons to solicit the Company s stockholders as part of this Proxy Solicitation. Innisfree does not believe that any of its directors, officers, employees, affiliates or controlling persons, if any, is a participant in this Proxy Solicitation.

Important Notice Regarding the Availability of this Proxy Statement

This proxy statement and all other solicitation materials in connection with this Proxy Solicitation are available on the Internet, free of charge, at [ ].

Information Concerning the Company

MatlinPatterson has omitted from this proxy statement certain disclosure required by applicable law to be included in the Company s Proxy Statement. Such disclosure includes, among other things, information regarding securities of the Company beneficially owned by the Company s directors, nominees and management; certain stockholders beneficial ownership of more than 5% of the Company s voting securities; information concerning executive compensation; and information concerning the procedures for submitting stockholder proposals and director nominations intended for consideration at the 2014 annual meeting of stockholders and for consideration for inclusion in the proxy materials for that meeting. MatlinPatterson takes no responsibility for the accuracy or completeness of information contained in the Company s Proxy Statement. Except as otherwise noted herein, the information in this proxy statement concerning the Company has been taken from or is based upon documents and records on file with the SEC and other publicly available information. Although MatlinPatterson does not have any knowledge indicating that any statement contained herein is untrue, we do not take responsibility, except to the extent imposed by law, for the accuracy or completeness of statements taken from public documents and records that were not prepared by or on behalf of MatlinPatterson, or for any failure of the Company to disclose events that may affect the significance or accuracy of such information.

Conclusion

We urge you to carefully consider the information contained in this proxy statement and then support our efforts by signing, dating and returning the enclosed GOLD proxy card today.

Thank you for your support,

MatlinPatterson FA Acquisition LLC

MatlinPatterson LLC

MatlinPatterson PE Holdings LLC

MP II Preferred Partners L.P.

MP Preferred Partners GP LLC

David J. Matlin

Mark R. Patterson

Christopher R. Pechock

Carl W. McKinzie

Jaime Lifton

Edwin M. Banks

Keith B. Hall

Nasir A. Hasan

Marshall Cohen

May [ ], 2013

[FORM OF PROXY CARD]

PRELIMINARY COPY SUBJECT TO COMPLETION

DATED MAY 6, 2013

PROXY OF STOCKHOLDERS OF GLEACHER & COMPANY, INC. (THE COMPANY) IN CONNECTION WITH THE COMPANY S 2013 ANNUAL MEETING OF STOCKHOLDERS:

THIS PROXY SOLICITATION IS BEING MADE BY MATLINPATTERSON FA ACQUISITION LLC, MP II PREFERRED PARTNERS L.P., MP PREFERRED PARTNERS GP LLC, MATLINPATTERSON PE HOLDINGS LLC, MATLINPATTERSON LLC, DAVID J. MATLIN AND MARK R. PATTERSON (COLLECTIVELY, MATLINPATTERSON) TOGETHER WITH MARK R. PATTERSON, CHRISTOPHER R. PECHOCK, CARL W. MCKINZIE, JAIME LIFTON, EDWIN M. BANKS, KEITH B. HALL, NASIR A. HASAN AND MARSHALL COHEN (COLLECTIVELY, IF AND TO THE EXTENT NOMINATED BY MATLINPATTERSON, THE MP NOMINEES)

The undersigned appoints Christopher Pechock and Nathan Brawn, and each of them, attorneys and agents with full power of substitution to vote all shares of common stock, par value $0.01 per share (the Common Stock), of the Company, which the undersigned would be entitled to vote if personally present at the 2013 Annual Meeting of Stockholders of the Company scheduled to be held at the offices of the Company, located at 1290 Avenue of the Americas, New York, NY 10104, at 9:00 a.m., local time, on May 23, 2013 (including at any adjournments or postponements thereof and at any meeting called in lieu thereof, the Annual Meeting).

The undersigned hereby revokes any other proxy or proxies heretofore given to vote or act with respect to the shares of Common Stock of the Company held by the undersigned.

The undersigned hereby ratifies and confirms all action the herein named attorneys and proxies, their substitutes, or any of them may lawfully take by virtue hereof. If properly executed, this proxy will be voted as directed on the reverse and in the discretion of the herein named attorneys and proxies or their substitutes with respect to any other matters as may properly come before the Annual Meeting that are unknown to MatlinPatterson a reasonable time before this solicitation. The shares owned by any stockholder that signs a GOLD proxy card will be cast as directed only with respect to the MP Nominees actually nominated by MatlinPatterson at the Annual Meeting. **Accordingly, the shares owned by a stockholder who signs the GOLD proxy card will not be voted for that number of candidates equal to nine minus the number of persons actually nominated by MatlinPatterson.**

IF NO DIRECTION IS INDICATED WITH RESPECT TO THE PROPOSALS ON THE REVERSE, THIS PROXY WILL BE VOTED FOR ALL MP NOMINEES PURSUANT TO PROPOSAL 1, FOR PROPOSALS 2, 3 AND 5 AND ABSTAIN ON PROPOSAL 4.

This proxy will be valid until the sooner of one year from the date stated on the reverse side and the completion of the Annual Meeting.

1. THE ELECTION OF MARK R. PATTERSON, CHRISTOPHER R. PECHOCK, CARL W. MCKINZIE, JAIME LIFTON, EDWIN M. BANKS, KEITH B. HALL, NASIR A. HASAN, AND MARSHALL COHEN (IF AND TO THE EXTENT NOMINATED BY MATLINPATTERSON) TO SERVE AS DIRECTORS ON THE COMPANY S BOARD OF DIRECTORS.

For All MP Nominees	Withhold Authority to Vote for all MP Nominees	For all MP Nominees Except

INSTRUCTIONS: IF YOU DO NOT WISH YOUR SHARES OF COMMON STOCK TO BE VOTED FOR A PARTICULAR MP NOMINEE, MARK THE FOR ALL MP NOMINEES EXCEPT BOX AND WRITE THE NAME(S) OF THE MP NOMINEE(S) THAT YOU DO NOT SUPPORT ON THE LINE BELOW. YOUR SHARES OF COMMON STOCK WILL BE VOTED FOR THE REMAINING MP NOMINEE(S) AS APPLICABLE. _____

2. TO VOTE ON THE COMPANY S PROPOSAL TO AMEND THE COMPANY S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT:

___ FOR ___ AGAINST ___ ABSTAIN

3. TO VOTE ON THE COMPANY S PROPOSAL TO AMEND THE COMPANY S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO PROPORTIONALLY DECREASE THE NUMBER OF AUTHORIZED SHARES OF THE COMPANY S COMMON STOCK:

___ FOR ___ AGAINST ___ ABSTAIN

4. TO VOTE ON THE COMPANY S PROPOSAL TO APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF THE COMPANY S NAMED EXECUTIVE OFFICERS:

___ FOR ___ AGAINST ___ ABSTAIN

5. TO VOTE ON THE COMPANY S PROPOSAL TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2013:

___ FOR ___ AGAINST ___ ABSTAIN

Date: ,2013

Signature

Signature (if held jointly)

Title(s):

Please sign exactly as name appears on stock certificates or on label affixed hereto. When shares of Common Stock are held by joint tenants, both should sign. In case of joint owners, EACH joint owner should sign. When signing as attorney, executor, administrator, trustee, guardian, corporate officer, etc., give full title as such.

THIS SOLICITATION IS BEING MADE BY MATLINPATTERSON AND THE MP NOMINEES AND NOT ON BEHALF OF THE COMPANY OR ANY OTHER THIRD PARTY.

PLEASE SIGN, DATE AND MAIL YOUR PROXY PROMPTLY IN THE POSTAGE-PAID ENVELOPE ENCLOSED.