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Subject: Additional Capital Infusions

We have two questions which we were not able to ask on the March 26 conference call:

1. Assuming a pool of loans is sold to a PPIF, how will additional capital infusions be handled. For example, say a particular loan within a pool incurs an extraordinary expense of $100,000.00 (this could be in the form of a required real estate tax payment, brokerage commission, capital repair, insurance premiums, tenant fit-out for a new lease etc...) which cannot be paid from cash flow necessitating a capital call from the Private Investors. Assume it has been determined that the value of the subject property exceeds the expense. What does this payment do to the 50-50 equity relationship between the Private Investors and the Treasury. Will the Treasury share equally in the expense. Will the Private Investor get a preferred payment from cash flow? Will the equity interest of the Treasury become diluted? It seems hardly fair to require the Private Investor to incur such expense with no avenue for repayment.

2. It is not at all clear to me how decision making will occur. During the RTC days it took a substantial period of time for the RTC to determine whether to accept a contract on a piece of property. At times a contract was terminated by the buyer before a decision was made. Let me pose a scenario. Assume a PPIF paid 60 cents for a pool of loans having a face value of $100,000,000.00. A particular loan in the pool has a face value of $10,000,000.00 which is secured by a shopping center. Further assume the Borrower/Owner of the shopping center has a firm offer to sell (assume fair market value) the shopping center for $7,500,000.00 which would result in a $1,500,000.00 profit on the loan but require a reduction in principal of $2,500,000.00 (assume the Borrower wants a complete release from any further liability under the Note). Who can make the decision to sell thereby reducing principal under the Note? Is it the Private Investor alone or in conjunction with the Treasury or FDIC. If the Private Investor makes the decision, will the Program provide some protections against subsequent second-guessing, clawbacks (or other liability) by the government or its subdivisions. If the decision is made in conjunction with the FDIC and/or Treasury what is the decision-making process and how long will it take. Can there be a provision that if no action is taken by the FDIC/Treasury within say 30 days the requested action is deemed approved?

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