From: David Schultz [mailto:David_Schultz@LeanderCo.com]
Sent: Monday, March 30, 2009 8:56 PM
To: LLPComments
Cc: Oliver Pfeffer; Daniel Schultz
Subject: Legacy Loans Program Comments

Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

Mr. Feldman, please accept the following comments on behalf of the partners of Leander Companies with reference to the Legacy Loans Program. We are currently participating in a number of FDIC auctions through DebtX, and feel our input comes from our experiences in 'the trenches'.

1. The auction format currently used by DebtX (sealed bid) appears to work best. It is expeditious and allows auctions to occur without the appearance of fraud or straw bidding. Their online qualification and bidding process is streamlined and efficient.
2. We are of the firm opinion that the participating banks should have to place their assets in the auction with NO SET RESERVE. Frequently, at many live auctions we attend, when reserves are lifted, sales prices rise. Additionally, given the fact that the public sector will invest heavily in the pre-bid diligence, it will not take many lost 'reserve not met' auctions to dissuade the investment community from further Legacy Loans Program participation. Lenders desiring to place assets into the Legacy Loans Program should not be utilizing this as an appraisal process. This will happen if reserve prices are allowed.
   The current bid-ask discrepancy in the marketplace with lenders for the acquisition of their debt is so large that most investment companies have joked that they are in the 'free appraisal business'. Banks still believe that their assets are worth more than the investment community is willing to pay. We feel the Legacy Loans Program may entice the investment community to increase their bid price, but even that will fail if reserves are allowed.
   Furthermore, if reserves are not allowed, banks will only place their most 'toxic' assets into the program. There are plenty of other venues for them to sell performing assets (they are simply not willing to take the losses against these assets). Let's use the Legacy Loans Program to rid the lenders of the truly toxic assets and assure them that they are sold. You can only do this by NOT ALLOWING RESERVE BIDS.
3. Treasury and FDIC should know that the amount of time and effort it takes for a investor to assess and evaluate a portfolio of loans is incredibly long and intense. By placing large amounts of loans into portfolios for sale, Treasury and FDIC limit the number of bidders for the portfolio. Treasury and FDIC also must realize that regardless of the numbers of Ivy league MBA's on staff, any investment firm will be placing an arbitrary 'gamble' on the price of a portfolio. NO investor will truly be able evaluate a $5B or $15B pool of assets in a reasonable amount of time. Perhaps by breaking the pools into much smaller pools (while it may increase the workload for Treasury and FDIC) and allowing smaller firms to bid, the Legacy Loans Program can yield much higher returns for its participants (more bidders, better diligence, better pricing).
   Open the bid process to smaller companies. Pool assets by asset class, geography and performance. Limit the pool sizes. It will increase the upward price pressure.
4. Many assets that lenders are trying to sell have contingent liabilities. We are not referring to unfunded commitments, rather these are contingent lender legal liabilities (borrower lawsuits). How does Treasury and FDIC envision that these liabilities will transfer from seller (bank) to a bidder in the Legacy Loans Program? Will participating banks (sellers) retain this liability? What

happens if they retain this liability and during the course of the loan, the FDIC takes over the lender (seller)? How will the contingent liability be addressed?

Sincerely,

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