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8. When determining pool size, the FDIC should strive to maximize the market price for pools and to create a structure that achieves the stated program goal of broad investor participation, including the participation of small investors. We believe that a reasonable average pool size (i.e., $100 million) is essential to ensuring a broad and diverse range of investment participation and a more competitive bid process.

It is unrealistic to expect that smaller investors will be able to raise capital sufficient to bid on billion dollar pools, and we assume that the FDIC/UST intent is to encourage such smaller investors to participate in a truly active value-added way, rather than merely as a passive investor. If the contrary were true such that small or individual investors are expected to be only passive players, why would the FDIC's summary of the program even mention individuals and small firms as categories of potential investors separate and apart from mutual funds and the like? Furthermore, surely it is the case that the Legacy Securities program already offers the giant firms a very significant (and exclusive) piece of the pie in these programs. We do not believe it is the FDIC/UST intent to create, nor do we believe it is in the best interest of taxpayers, selling banks or investors to create, a program that primarily benefits only the very large firms.

Smaller pools may be expected to draw higher prices because specialized smaller investors are likely to demand less of a return from a pool within their area of expertise. For example, smaller pools that are isolated by geographic market and asset class should allow specialized smaller investors to bid larger sums with the confidence that their expertise with respect to that asset type or region requires less of a markdown in order to ensure that the pool is profitable. A larger pool is more likely to combine many types of assets diversified across geographic region or asset type; this will foreclose some bidders simply due to size limitations and will therefore allow those few who do bid to demand a higher return (in the form of a lower price for the asset). This is an undesirable result in that each of the goals of small investor participation and asset value maximization are not met.

The argument advanced for larger pools, as we understand it, is an efficiency argument. While we are not convinced that the economies of scale would be substantial in any event, it is certain that any perceived efficiency gain is far outweighed by (a) the significant reduction in the market price for the assets and (b) the elimination of smaller investors from the bidding group in contravention of one of the stated goals of the program.

Thank you for the opportunity to comment on this program.

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