From: Jeff Lawler [mailto:jlawler@fcfc.com]
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To: LLPComments
Subject: Legacy Loan Program Comments

FirstCity is a well-established investor of distressed commercial debt and is currently active in the FDIC auctions of assets from failed banks. General comments to the proposed Legacy Loan Program are as follows:

1. In an investor's view, a critical element to the success of an asset sale transaction is the notion that any proposed transaction will execute in favor of the highest bidder. The ability of the bank contributing assets to the PPIF to unilaterally and arbitrarily reject the highest conforming bid will send an ill-advised message to potential investors that the PPIF sale is no different than a private seller – which in today's market, commonly results in a no-trade due to the substantive spread between the bid and ask gap. We respectfully suggest that the program sales will generate the most investor activity and highest bid values when the sale transaction is totally transparent and the trade is consummated on an absolute basis to the highest conforming bid.

2. In our experience, the assets being sold by the PPIF will generate the highest prices when the assets are sold on a pure servicing-released basis. Virtually all investors desire to control their own destiny once capital is deployed. The suggestion that the contributing bank will retain some type of interim servicing function muddies the water and inappropriately incents the bank to maximize asset recovery value, e.g. the bank has no more skin in the game. .More importantly, the additional layer of bureaucracy created by such an interim servicing concept will likely cause experienced investors to reduce the velocity and magnitude of projected cash flows related to the sold assets during the interim period, decreasing the recovery value for the investor and the UST.

   After listening to the 4/09/09 call, it sounds like the interim servicing concept is applicable to the time period extending from the point in time that the selling bank contributes assets to the PPIF but before the PPIF sells such assets to the private-public buyer on a servicing-released basis.

3. The rules by which the private-public owner of the purchasing entity will operate must be well-defined and totally transparent at the onset. In our opinion, more bureaucratic oversight by the government in the management of the sold assets will cause investors to raise their required yield targets to accommodate the perceived government inefficiencies and potential hassles and drive down the purchase price offered to the PPIF. There is no oversight protocol available to the government that serves the U.S. taxpayer better than to have the private investor's

capital side-by-side with the UST's capital as co-equity participants in the transaction.

4. Government-supplied leverage should be structured around the characteristics of each PPIF due to the vagaries and peculiarities of each portfolio. Market rate (or better) debt terms will likely improve the price offered by private investors to the PPIF. Value can be enhanced by providing a repayment mechanism by which some of the portfolio's incoming cash flow can be returned to the investor, e.g., "leaked through" via the waterfall, as early in the life of the portfolio as possible (as opposed to 100% of the free cash inuring to the benefit of the lender before any return of equity). Generally, the velocity at which cash is returned to the investor will allow the investor to maximize his price offer.

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