From: Jim Hrebenar [mailto:jim@ncventures.com]
Sent: Thursday, April 09, 2009 7:23 PM
To: LLPComments
Subject: Legacy Loans Program

As requested, NC Ventures, Inc. would like to submit their comments regarding questions asked in the LLP listed below. Our responses are in bold following each question. If any additional information is needed, we can be contacted at:

Michael Hrebenar
President & CEO
NC Ventures, Inc. (and affiliated ventures)
4100 Greenbriar, Suite 120
Stafford, Texas 77477
281-265-5328 Office
281-494-6692 Fax
www.ncventures.com

Legacy Loans Program – Program Description and Request for Comments

The FDIC is requesting comment from interested parties on all aspects of the proposed LLP. In particular it has formulated the following questions for interested parties to consider:

1. Which asset categories should be eligible for sale through the LLP? **If the goal of this program is to "clean up" the problems which currently exist in the banking industry, all problem loans should be eligible for sale. This would therefore include loans made for SFR's, Commercial Real Estate, Business Assets, Unsecured loans etc.** Should the program initially focus only on legacy real estate assets or should any asset on bank balance sheets be eligible for sale? **All assets. Banks will receive higher bids on loans secured by business assets and unsecured loans if they are sold before they become dated.** Are there specific portfolios where there would be more or less interest in selling through the LLP? **Due to prospective purchasers having varied interests, our opinion is there will be buyers for every type of loan. Although our company has purchased all types of assets, our focus has typically been on non-performing (or sub-performing) commercial business asset secured or unsecured loans.**

2. Should the initial investors be permitted to pledge, sell or transfer their interests in the PPIF? **No.** If so, how should the FDIC ensure that subsequent investors meet the program's criteria for investors? **This would be very difficult to track, thus the reason for our answer.**

3. What is the appropriate percentage of government equity participation which will maximize returns for taxpayers while assuring integrity in the pricing by private investors? **90%.** How would a higher investment percentage on the part of the government impact private investment in PPIFs? **The higher the %, the higher number of bidders able to enter into the bid process. Likewise, if the % is low, you limit the bidding to the large Wall Street firms.** Should the amount of the government's investment depend on the type of portfolio? **No, for the same reason as above.**

4. Is there any reason that investors' identities should not be made publicly available? **No. In fact, investors may receive new contacts from parties that read such publication (we have received numerous calls lately from businesses that saw our name on the Purchaser list), which may provide new business opportunities, which in turn would help the economy.**

5. How can the FDIC best encourage a broad and diverse range of investment participation? **By following the same suggestion as in #3 above. Sell the loans in Pools which have a total reserve for <u>the investors' portion</u> under $10MM. If you sort the loans into Pools in which you are expecting a purchase price over $50MM <u>from the investor for their portion</u>, your number of bidders able to close would be limited**. How can the FDIC best structure the valuation and bidding process to motivate sellers to bring assets to the PPIF? **To motivate sellers to bring assets to the sale, the seller has to be comfortable they will not have to take large losses that would impair capital. Make Seller's feel assured they will be getting a fair price on their loans. Vary the Pools by size, region, loan type, etc. There are many Buyers that only focus on certain criteria, and if a Pool contains a mix of what they like and also what they do not like, they may pass. It may be possible that in order for seller's to be happy, the bidder's may need to be told the reserve prior to bidding. If no bidders show up, the Seller will realize the reserve is too high.**

6. What type of auction process facilitates the broadest investor participation? **Same as #5 above**. Should we require investors to bid on the entire equity stake of a PPIF, or should we allow investors to bid on partial stakes in a PPIF? **Investors should be required to bid on the entire equity stake.** If the latter, would a Dutch auction process or some other structure provide the best mechanism for bridging the potential gap between what investors might bid and recoverable value? If multiple investors are allowed to bid through a Dutch auction, or similar process, how should asset management control be determined? **Using a Dutch Auction would not work. The auction should be closed bid only.**

7. What priorities (i.e., types of assets) should the FDIC consider in deciding which pools to set for the initial PPIF auctions? **Typically, the majority of a financial institution's loans will be in SFR's and Commercial Real Estate, so in order to expedite solving the Bank's problems, they should be a high priority. But, as stated in #1 above, if unsecured loans and commercial loans secured by business assets become "stale", the Seller will receive lower bids.**

8. What are the optimal size and characteristics of a pool for a PPIF? **Please refer to our responses in #3 & #5 above.**

9. What parameters of the note and its rate structure would be essential for a potential private capital investor to know at the time of the equity auction to provide equity? **The more information provided to potential private capital investors, the more potential private capital investors you will have. Obviously they will be looking at the note terms (interest rate, term, payment requirements, miscellaneous fees, etc.), but they will also want to understand how profits and losses are handled, how expenses of the loan collection are paid and booked, how liability issues are shared, etc. Whenever an investor does not know or understand something, they always assume the worst**.

10. Would it be preferable for the selling bank to take a note from the PPIF in exchange for the pool of loans and other assets that it sells? **No.** Alternatively, what would be the advantages and disadvantages of structuring the program so that the PPIF issues debt publicly in order to pay cash to the selling bank? Would a public issuance of debt by the PPIF limit its flexibility compared to the issuance of a note to a selling bank? **A public issuance of debt would be acceptable on larger Pools such as SFR's and Commercial Real Estate. It would probably be too difficult on smaller Pools and not be worth the time.**

11. In return for its guarantee of the debt of the PPIF, the FDIC will be paid an annual fee based on the amount of debt outstanding. Should the guarantee fee be adjusted based on the risk characteristics of the underlying pool or other criteria? **Please refer to our example of a possible structure which could be used, shown in #12 below. With the 5% interest rate we used, no fee should be required.**

12. Should the program include provisions under which the government would increase its participation in any investment returns that exceed a specified trigger level? If so, what would be the appropriate level and how should that participation be structured? **To motivate sellers to bring assets to the sale, the seller has to be comfortable they will not have to take large losses that would impair capital. A fair value of the Seller's loans must be determined by an evaluation performed by an independent party. If the Seller and FDIC can then agree on this value, the FDIC would issue a note receivable secured by a subordinated position in the sold portfolio. To the extent the FDIC receives an acceptable return, the bank would share in the excess proceeds. An interest rate of 5% could be used, and then upon return of P&I, investor should share 70% - 30% (Investor receiving the larger share). The bank would then receive 10% of the government's 30%. Therefore, an increase in participation would not be necessary, based on the suggested structure.**

13. Should the program permit multiple selling banks to pool assets for sale? **No, we do not recommend Pools be made up of loans from multiple banks. All loans in a Pool should be from the same bank for several reasons, one of which is it would complicate how expenses that are specifically for one loan (such as legal fees), are handled.** If so, what

constraints should be applied to such pooling arrangements? **N/A.** How can the PPIF structure equitably accommodate participation by smaller institutions? **See above.** Under what process would proceeds be allocated to selling banks if they pool assets? **N/A**

14. What are the potential conflicts which could arise among LLP participants? What structural arrangements and safeguards should the FDIC put into place to address or mitigate those concerns? **See #13. If done as we have suggested, there should not be a problem.**

15. What should the relative role of the government and private sector be in the selection and oversight of asset managers? **Past history of the asset managers should be reviewed and their ability to fund should be confirmed.** How can the FDIC most effectively oversee asset management to protect the government's investment, while providing flexibility for working assets in a way which promotes profitability for both public and private investors? **The government should be provided quarterly reports and hold regular meetings in order to resolve any questions.**

16. How should on-going servicing requirements of underlying assets be sold to a PPIF and paid for? **The investor should have control of servicing the loans, which would include servicing them internally or outsourcing them if so desired.** Should value be separately attributed to control of the servicing rights? **Payments should be made from the cash flow. The Asset Managers should provide a budget to show projected collections and expenses and update this budget on a regular basis. Any variances should be explained to the government's satisfaction.**

17. Should data used by the independent valuation consultant, as well as results of such consultant's analysis, be made available to potential bidders? **No.** Should it be made available to potential sellers prior to their decision to submit assets to bid? **Yes. In order to have the highest number of Bidders, the auction must be absolute and the assets should be sold to the highest bidder. The bank can not reject a bid once they have agreed on a price, as the buyer will be spending money for their due diligence. If pools are not sold, there will be less bidders for future pools. That is why it is important that the evaluator place a fair price on the portfolio, so the Bank can understand where the bids should approximately come in.**