INTAGLIO
CAPITAL MANAGEMENT

April 8, 2009

Attention: Robert E Feldman
Executive Secretary
FDIC
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Intaglio Capital Management is an emerging fund that will attempt to identify and capitalize on any arbitrage that exists from the distressed sale of pooled residential mortgages from participating banks in the Legacy Loan Program. ICM eagerly awaits the final program specifics as well as future partnership with the Treasury Department. ICM is committed to working with the FDIC to provide a transparent and profitable solution to the current credit and housing crisis.

The principals and officers of Intaglio Capital Management are directly responsible for the origination of over $1 billion USD in residential loans. The loans were originated with two strategies including direct brokerage in addition to a correspondent bank line that actively funded loans daily. A detailed knowledge of the products on the bank's books, a geographical recognition of performance, and the ability to analyze whole portfolios purely off statistical data, places ICM in a position to properly evaluate and acquire appropriate portfolios. In addition, ICM truly understands the consumer and their ability to make payments, and what can be done by the PPIF on a retail level to transform distressed loans into performing loans.

After reviewing multiple submissions that have been made available, we echo the sentiment of many early contributors, while additionally providing original ideas that we hope will be taken into consideration.

Below, we added a few questions that discuss some of the most imperative undeveloped aspects of the program, and we further elaborated upon them in the subsequent Q & A section. How will the participating banks determine which assets they will be auctioning from their portfolios? If this program is actively pursuing assets, allowing the participating bank to determine which assets they would like to discard will result in an undesirable pool more often than not. Also, recent WSJ reports showing potential participating bank's carrying value as high as 98% leaves an enormous gap compared to market value. Will the program safeguard the participating banks, so they can afford that write-down? Or, will the program use the price discovery to determine if the participating banks are insolvent. A final aspect is the potential deniability displayed by the participating banks if they enter an auction and do not agree to close on the auction. The fundamentals of what the market is willing to invest, reflects true market value and the option to pull back should not necessarily be allowed. This provision will also expedite price discovery of the assets that has been lacking in the marketplace.

Sincerely,

Patrick Draut
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1. Which asset categories should be eligible for sale through the LLP?
Should the program initially focus only on legacy real estate assets or should any asset on bank balance sheets be eligible for sale? Are there specific portfolios where there would be more or less interest in selling through the LLP?

We believe that all of the assets on banks' balance sheets should be made available, as long as the assets are appropriately pooled and separated, ensuring potential bidders will acquire the asset class they seek (i.e. residential, commercial, auto, consumer).

2. Should the initial investors be permitted to pledge, sell or transfer their interests in the PPIF? If so, how should the FDIC ensure that subsequent investors meet the program's criteria for investors?

Absolutely, the program needs to implement a standard sale/transfer process that includes an approved purchaser qualifier in accordance with FDIC guidelines.

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? How would a higher investment percentage on the part of the government impact private investment in PPIFs? Should the amount of the government's investment depend on the type of portfolio?

A proportional share in risk seems appropriate at this time considering the unknown future performance of the assets.

4. Is there any reason that investors' identities should not be made publicly available?

Management companies and their executives should be disclosed, however; disclosing individual investor's identities could lead to less participation for numbers of reasons. Investor raiding could be a by-product of disclosing investors individually.

5. How can the FDIC best encourage a broad and diverse range of investment participation? How can the FDIC best structure the valuation and bidding process to motivate sellers to bring assets to the PPIF?

It is imperative that the FDIC allows as many investors to participate while maintaining the integrity of the program. If investor qualifications are set at egregious capital minimums or carry an obscene AUM qualifier, the program will be criticized as another Wall Street insider program. The more the diverse private capital that is allowed should result in a higher demand for the assets made available. We also feel that the valuation process should focus on providing a current and accurate value to the actual underlying asset.

6. What type of auction process facilitates the broadest investor participation? 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? 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?

Whole portfolio purchases should be required if said portfolios are properly pooled and tranched according to their assets.

7. What priorities (i.e., types of assets) should the FDIC consider in deciding which pools to set for the initial PPIF auctions?

Collateralized residential and commercial Real Estate loans.

8. What are the optimal size and characteristics of a pool for a PPIF?

The wider the range of pools the better the program. Also, a provision needs to be entered that limits the number of pools that are bid on by an individual entity. Hence the larger players that are often connected with the participating banks will not be able to bully the smaller pools into higher bids. They will need to reserve their bidding rights for the pools that are appropriate to their assets. This also encourages a broader range of participation and will allow emerging managers with talent to thrive in the new marketplace.

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?

All information available needs to be fully disclosed.

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? 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?

We believe it is preferable for the participating banks to take a note in exchange for the assets opposed to delivering cash.

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?

A flat percentage fee based on acquired assets should be implemented. Risk characteristics should be considered for leverage ratios.

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?

Investor incentives should increase correlating with performance, possibly a higher leverage ratio on future acquisitions.

13. Should the program permit multiple selling banks to pool assets for sale? If so, what constraints should be applied to such pooling arrangements? How can the PPIF structure equitably accommodate participation by smaller institutions? Under what process would proceeds be allocated to selling banks if they pool assets?

No, the cleaner more transparent the pool is, allows for greater interest and more streamlined valuation. Bank's underwriting differences will create a valuation nightmare. A possible creation of a specific, separate pool for smaller institution's participation would be advisable, but certainly should not be standard.

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?

The main conflict I foresee is the selection of assets for sale from participating banks. What are the details on how the pools will be created? A reverse "Cherry Picking" methodology will not be acceptable to the investors. A simple random selection process needs to be administered to prevent a refinement by participating banks funneling the toxic loans to the taxpayers and investors disproportionately. Once valuation is established on the pool, by the third party, a random selection of a pool on the bank's books (not necessarily up for auction) needs to have the same methodology applied and should mirror the auctioned pool within a few percentage points depending on size. Open-ended legal restrictions need to be in place to quickly reverse blatant manipulation of the program.

15. What should the relative role of the government and private sector be in the selection and oversight of asset managers? 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?

Clearly a change is needed, we believe that it is important to not set requirements whereas the same "players" are the only ones eligible to take advantage of this new program. That being said, manager's ability to acquire a reasonable initial capital from accredited/qualified investors, subsequently matched by the Treasury, accompanied with a transparent strategy to the FDIC should suffice. Oversight should be removed upon debt being absolved.

16. How should on-going servicing requirements of underlying assets be sold to a PPIF and paid for? Should value be separately attributed to control of the servicing rights?

The assets should be sold with a servicing release. This will streamline decision-making processes needed by the investor after acquisition. A forced relationship will cause legal battles and less investor participation. At all times, investors should reserve the right to select an FDIC approved servicing agency.

17. Should data used by the independent valuation consultant, as well as results of such consultant's analysis, be made available to potential bidders? Should it be made available to potential sellers prior to their decision to submit assets to

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bid?

Without a doubt, in addition to all data available provided for investor’s separate due diligence. Sellers should not have access to this valuation as the costs would not be recoverable if bank elects to cancel submission, which I don’t believe should necessarily be an option, or the ability to not accept a winning bid.