From: Tom Nishioka [mailto:tomnish@gmail.com]
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To: LLPComments
Subject: Legacy Loans Program - investor response to req for comment

SUGGESTIONS IN ALL CAPS, INTERSPERSED IN QUESTIONS BELOW.

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

2. Should the initial investors be permitted to pledge, sell or transfer their interests in the PPIF? ASOLUTELY If so, how should the FDIC ensure that subsequent investors meet the program's criteria for investors? PER MARKET REQMTS ON NET WORTH, LIQUIDITY, AND PORTFOLIO ALREADY UNDER MGMT

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? DEPENDS ON DEAL BY DEAL BASIS. IN GENERAL, THE PRICING IS GOING TO BE SUPPORTED BY THE GOVT-BACKED DEBT, AND IMPEDED BY ANY PERCEIVED "PARTNER CONCERNS" AROUND BEING 50/50 EQUITY WITH THE GOVERNMENT. How would a higher investment percentage on the part of the government impact private investment in PPIFs? HONESTLY, IT WOULD CREATE MORAL HAZARD. Should the amount of the government's investment depend on the type of portfolio? FOR EFFICIENCY PURPOSES, NO. THE PRICE PAID AT AUCTION WILL REFLECT PORTFOLIO TYPE AND RISK.

4. Is there any reason that investors' identities should not be made publicly available? THIS SHOULD BE AT INVESTORS DISCRETION.

5. How can the FDIC best encourage a broad and diverse range of investment participation? BY CREATING PORTFOLIOS OF DIFFERENT SIZES AND REAL ESTATE TYPES – THAT WAY IT'S NOT JUST BIG OR SMALL PLAYERS AT THE AUCTION. How can the FDIC best structure the valuation and bidding process to motivate sellers to bring assets to the PPIF?

6. What type of auction process facilitates the broadest investor participation? PROBABLY THE TYPICAL ENGLISH/ OPEN-ASCENDING PRICE AUCTION. IT'S ALREADY FAMILIAR IN REAL ESTATE 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? NO. PARTIAL STAKES AMOUNTS TO CREATING JOINT VENTURES/PARTNERSHIPS, AND THAT IS NOT A GOOD THING IF PARTNERS ARE MEETING AFTER THEY'VE COMBINED TO WIN THE BID. HOWEVER, PRE-FORMED & PRE-APPROVED JV/PARTNERSHIPS SHOULD BE ALLOWED TO BID, BECAUSE INVESTORS MAY COMBINE TO INCREASE THEIR INVESTMENT SIZE. 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? REAL ESTAT IS BASED ON COMPS – DUTCH AUCTION IS GOING TO HIDE COMPS FROM INITIAL

PURCHASES AND WILL DRIVE INITIAL PRICING DOWN, BECAUSE PEOPLE ARE BIDDING INTO A VACUUM. If multiple investors are allowed to bid through a Dutch auction, or similar process, how should asset management control be determined? DON'T DO THIS, UNLESS PRE-APPROVED PARTNERSHIPS. ASSET MANAGEMENT SHOULD BE DETERMINED BY UNANIMOUS CONSENT OF ALL PARTNERS.

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

8. What are the optimal size and characteristics of a pool for a PPIF? MULTIPLE SIZES TO GET INVESTORS OF ALL APPETITES. HOWEVER, PORTFOLIOS SHOULD BE COMPRISED OF FEWER ASSETS (<5?) IN ORDER TO ALLOW FOR PROPER DUE DILIGENCE AND PRICING, AND TO AVOID WEAK DUE DILIGENCE THAT MAY LATER RESULT IN REVELATION OF VALUE BELOW THE GOVTS EQUITY POSITION

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? NUMBER OF YEARS IN THE LOAN, NUMBER OF EXTENSIONS, MAX LOAN AMOUNT, INTEREST RATE AND AMORTIZATION PERIOD. ALSO IMPORTANT TO KNOW THE EXTENT AND PROPORTION OF ANY FUTURE FUNDING FROM BOTH THE GOVT BACKED LOAN AND THE GOVT EQUITY – SUCH AS FOR REQUIRED RENOVATION/DEVELOPMENT COSTS OR LEASING COMMISSIONS.

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? PUBLIC ISSUANCE COMPLICATES THE PROCESS BECAUSE THE SHAREHOLDERS REPRESENTED BY THE LOAN SERVICER ARE NOT A DISCRETE DECISION MAKER. BETTER IN THIS SENSE TO HAVE THE ONE BANK ISSUE THE NOTE, AND BE THE SERVICER & DECISION MAKER ALL-IN-ONE ON ANY FUTURE LOAN NEGOTIATIONS. THE BANK IS LEFT WITH THE PROPERTIES ON THEIR BOOKS, BUT AT LEAST THE VALUE HAS BEEN RE-QUANTIFIED BY THE MARKET.

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? FOR THE TAXPAYER'S SAKE, YES, BUT THIS MUST BE DETERMINED AND PUBLISHED PRIOR TO THE AUCTION SO THAT THE PRICING CAN ACCOUNT FOR IT.

12. Should the program include provisions under which the government would increase its participation in any investment returns that exceed a specified trigger level? YES, THE GOVT IS TAKING LIMITED PARTNER EQUITY RISK, IT SHOULD BE PAID If so, what would be the appropriate level and how should that participation be structured? HMMM. I'D SAY SIMIILAR TO RE PRIV EQUITY PROMOTE FOR THE PRIVATE PARTNER, BUT THE GOVT MAYBE GETS A BIT BETTER DEAL AS LP BECAUSE THEY ARE STEPPIING INTO A FROZEN MARKET

13. Should the program permit multiple selling banks to pool assets for sale? NO – THAT WILL MASK THE PRICING OF THE BANK'S ORIGINAL UNDERWRITING AND ORIGINATION STRATEGY. If so, what constraints should be applied to such pooling arrangements? How can the PPIF structure equitably accommodate participation by

smaller institutions? SIMPLY DO SMALLER PORTFOLIOS— THERE IS AMPLE SUPPLY OF INDIVIDUAL INVESTORS BUYING HOMES ONE AT A TIME ALREADY. Under what process would proceeds be allocated to selling banks if they pool assets? THIS IS A HORNETS NEST.

14. What are the potential conflicts which could arise among LLP participants? COLLUSION…?. What structural arrangements and safeguards should the FDIC put into place to address or mitigate those concerns? NOT SURE

15. What should the relative role of the government and private sector be in the selection and oversight of asset managers? PRIVATE INVESTORS ARE IN FIRST LOSS POSITION, THEY SHOULD CHOOSE ASSET MGR. 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?

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?

17. Should data used by the independent valuation consultant, as well as results of such consultant's analysis, be made available to potential bidders? YES, INVESTORS WILL STILL DO THEIR OWN VALUATION, AND THIS WILL SIMPLY HELP THEM TO SURFACE INFORMATION, INCREASING THEIR CAPABILITY TO COMPLETE DUE DILIGENCE. Should it be made available to potential sellers prior to their decision to submit assets to bid? I'D SAY YES; THIS WILL HELP SET BANK EXPECTATIONS AND SHOULD INCREASE THE % OF CLOSED TRANSACTIONS COMING OUT OF WINNING BIDS AT AUCTION. IT'S A BIT OF A FREE APPRAISAL FOR THE BANKS, BUT THE WHOLE PROGRAM COULD BE HANDICAPPED IF BANKS ARE RELUCTANT TO SUBMIT ASSETS AND FURTHERMORE IF THEY WITHDRAW THEM AFTER INVESTORS HAVE SPENT TIME DOING DUE DILIGENCE AND BIDDING AT AUCTION.