From: Daphne Firth [mailto:DFirth@woodsidemanagement.com]
Sent: Friday, April 10, 2009 3:41 PM
To: LLPComments
Cc: Scott Schooley; David Ray
Subject: Legacy Loans Program
Importance: High

Woodside Capital Management, a potential bidder for assets available for sale in the Legacy Loan Program, would like to submit the following comments:

1. While we understand that initially the program will focus on Residential Real Estate Mortgages and Commercial Real Estate Mortgages, we believe that middle market loans to commercial businesses should also be eligible for the LLP. Unlike broadly syndicated loans which have an active secondary trading market, these lower middle market loans are illiquid and therefore potentially create a significant financial burden on bank balance sheets. These loans also create a human resource burden – many banks are not sufficiently staffed with experienced commercial workout and restructuring professionals. Many business directly tied to the automotive industry, residential housing and discretionary consumer demand have experienced liquidity crises which are not being met or addressed by senior lenders or other constituents in the borrower's existing capital structure. The ability to get these loans into the portfolios of private investors who have a more long term investment perspective will be critical in saving jobs and businesses in this market.
2. Investors should not be able to pledge their interests in the PPIF as this only encourages leverage upon leverage. Too much leverage was a major factor in the economic crisis that we have today.
3. The proposed equity participation percentages are appropriate.
4. Investors' identities should be made publically available – transparency is critical in this process.
5. It will be important to create a "level playing field" for all bidders on the pools of assets. Selling banks will be able to more effectively choose the winning bidder if all bidders are offered the same capital structure and financing for the proposed pool. If this principal is used, the FDIC and the Treasury can responsibly determine the appropriate amount of leverage for a pool of loans based on its risk and cash flow characteristics, thereby avoiding the temptation to over-leverage assets. The over-leveraging of assets based on greed was a driving force in creating the challenging economic environment that we now face.
6. In order to attract the broadest range of bidders, it will be important to allow bidders to qualify as servicers of their own purchased assets. Many hedge funds and private equity firms successfully raise capital based on the expertise and experience of their management staff and the confidence that investors have in that team's ability to manage and execute exit strategies associated with loan assets.
7. As set forth above, we understand that real estate is the primary focus of this program. However, lower middle market commercial loans will create operational and human resource burdens for many banks. Including these loans in the program will help banks manage these challenges.
8. The size of the pool should be based on the type and complexity of assets involved. However, in order to attract a wide range of investors, pool sizes of $250 million to $1 billion should be considered. Widespread participation will result in higher purchase prices.

9. The investor will be putting funds at risk behind the proposed debt financing to be guaranteed by the FDIC. All of the significant terms of that note should be disclosed as part of the bid package, including amount as a % of bid price, interest rate, payment terms (cash interest, PIK interest, principal payments, waterfall etc.), covenants and default provisions.
10. No comment
11. Yes, the guarantee should reflect the risk parameters of the pool of assets and the associated capital structure.
12. In order to comment on this issue, we would need to understand exactly what the Treasury has in mind.
13. The contribution by multiple banks to a single pool would be administratively burdensome and potentially discourage participations from sellers who may have to argue the value of their assets versus assets contributed by other lenders.
14. No comment
15. Asset managers should be required to have their own primary capital at risk, demonstrate clear experience and success in managing assets of a similar profile during previous recessions and possess the information systems to be able to transparently report cash flow and valuation information on the portfolio.
16. The value of the servicing rights will depend on the size, complexity and level of financial stress associated with the pool and therefore needs to be evaluated on a case by case basis.
17. Valuation information should be available to all participants in the process. The valuation of a security (loan) reflects the amount, depth and reliability of the underlying information on the borrower and the risks associated with the source of repayment. The more information made available the more effectively the market will be able to price the risk.

Thank you for your consideration of these comments.

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