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To: LLPComments
Cc: llundin@lbgfunds.com
Subject: Legacy Loan Program

I am an interested bidder with a new Fund being formed solely to maximize the value of distressed commercial real estate assets. The fund will be woman owned. I'm interested in finding out what programs will be available to woman owned businesses under the Legacy Loan Program and if there will be a different application required to qualify for these programs.

I believe that this program is critical to regain the health of the banking system and will ultimately be successful.

Thank you for the opportunity to share my thoughts.

I have provided my comments to your questions below.

- 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? **The program should allow banks to liquidate all assets. To maximize pool value, however, the pools should be specific geographically and by property type as investors in CRE tend to specialize in this manor.**

- 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? **Yes, in the absence of traditional financing sources, the ability to provide seller financing will be essential to the successful exit of the initial investors. These assets must go back to individuals for maximum value to be created. A participating debt structure will allow the seller/lender to manage the redevelopment of the asset.**

- 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? **There is no one answer to this question. The structure of the equity and debt should be commensurate with the risk. Having been involved in JV's since 1990, I can say that, you have to have knowledgeable experienced CRE equity people on your staff to negotiate and structure these pools. You need to understand the markets and the risks inherent in the pool which means that these people should be localized and know the assets. A broad brush approach (like the RTC) could cause a big loss to taxpayers and windfall to private enterprise. There is a way to structure a win win.**

- Is there any reason that investors' identities should not be made publicly available? **CRE ownership is typically not public information other than entity names on tax records and title reports. The nature of CRE having deeper tenant and buyer relationships that could be adversely impacted should this information become public knowledge, makes keeping the identity and contact information private, essential.**

- 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's important to open the field up to a broad playing field of qualified bidders. You can't however, open it up to all bidders. Bidders should have the requisite**

experience and financial strength needed to manage and execute on the business plans. The process should be similar to how banks qualify borrowers. Experience, integrity, financial wherewithal.

- 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? **My experience in the auction arena is limited. I would seek the advice of the large national auction houses. They are your best resource.**

- What priorities (i.e., types of assets) should the FDIC consider in deciding which pools to set for the initial PPIF auctions? **I would think that this would be determined by the needs of the sellers. If the goal is to keep banks from failing, address the failing banks first. This answer also changes over time, there are better and worse times to sell assets. Right now is a bad time to sell everything.**

- What are the optimal size and characteristics of a pool for a PPIF? **Smaller pools ($100MM minimum) of a specific asset type in a specific location will attract the most bidders and get the best prices. You can do this if you farm out the auctions to existing auction houses.**

- 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? **This is a huge question. They should know all key business terms (rate, fees, leverage, pre-payment terms, etc.) as well as have a sample set of loan documents to review plus know if they are negotiable. You need to use commercially reasonable docs. They also need to know the JV equity terms.**

- 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? **I can't comment on banking questions but I would presume that cash would be preferred. Public debt issuance right now would be very difficult, time consuming and costly.**

- 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? **Yes but it's going to be very difficult to manage. If you are varying the terms of the debt and equity, these should account for risk. It will be easier to raise the equity for the program if there's a standard fee and the debt risk is equalized by the other factors.**

- 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? **Typically, in a JV waterfall the government would share in the upside of the pool, it's not a set amount. You need to give an incentive to the managers to achieve greater returns because typically they don' t make as much until very high returns are achieved. This structure is standard and works.**

• 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? **That's a great question. Unless you have individual asset pricing in a pool, it's going to be hard to pool assets from different sellers. If you choose a broad brush discounted price approach to the pool, you are going to have a hard time attracting sellers.**

• 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? **Self dealing is a huge risk in this industry. Knowledge is a risk. You need to be very careful to make sure that everyone has the same data (no inside info) and there is huge transparency and fairness in the bidding process. I don't think that coordination among bidders is a problem.**

• 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? **Take a cue from JV lenders. There are oversight and reporting mechanisms that are standard in these documents. There are potential issues if you hold the debt and the equity, very different than if you are in one or the other. You can set up broad parameters within which managers can make decisions. These are going to be specific to the assets. In my experience, though, no matter what you put in the documents, it's the character of your partners/borrowers that will determine your ultimate success. That's why it's so essential to pick the best managers (not the biggest necessarily) but the ones that have a demonstrated knowledge of the product, integrity, track record, lack of litigation, no legacy issues, etc. . This is an extremely important consideration and one that's often overlooked.**

• 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? **Servicing of these types of assets needs to ultimately rest in the hands of the manager. In a distressed asset situation, you want hands on managers to service and be involved in the day to day life of the loans. Servicing is a commodity in performing loans without moving parts, in all the rest, it can be an art form. Again, this is a critical overlooked area which can make or break your deal.**

• 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 bid? **Yes, if it has an economic affect on them, this data should be available to everyone.**

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