To: Chairperson Bair, FDIC

Date: April 10th, 2009

From: Robert LaRocque, Compass Rose Funding

Subject: Response to Comment Period

Thank you very much for inviting comments and questions pertaining to the FDIC's proposed Private-Public Investment Fund ("PPIF"). After studying this proposal over the last 10 days we have the following comments and recommendations concerning eligibility, application, bidding, funding and finally, cash distributions within this program.

Investor Eligibility

There has been much written about the potential of both the Legacy Securities and Legacy Asset Pool programs to be 'closed' shops where only existing financial institutions have the financial backing, price discovery experience and operating back rooms to support these programs. Our contention is that very well qualified groups that are not related to Wall Street or existing financial institutions will emerge to address a significant portion of the potential Legacy Asset Pool. The pressure to award 'qualified' status to all-comers has to be offset with the need for this program to function efficiently through its' lifetime.

We believe that qualified investors should exhibit the following qualities:

I. CEO leadership with a background in distressed asset management
II. EVP with real estate industry knowledge and most importantly, price discovery experience
III. COO with unquestioned background in managing a portfolio of at least $1B of financial assets

Without these three qualities the FDIC risks having a partner that can not properly price the asset pool, administer the pool once won or reform the mortgages so as to insure that the maximum number of home owners will be encouraged to stay in their homes. Without the aforementioned qualifications the chance for the failure of a PPIP partner increases dramatically. Such a failure will be an unnecessary distraction and lightening rod for those looking to find fault with this program.

While the FDIC qualification process is integral to establishing the minimums for partner formation we believe that ultimately the market will reward the most qualified groups with the requisite capital to participate in the bidding process. Armed with a Letter of Qualification from the FDIC and a business plan to address the unique challenges of this program we believe capital will find the most qualified groups.

Finally, it was suggested in a FDIC conference call that investors would be asked to re-qualify for each auction since each auction will represent a different type of paper or asset. We strongly hope that the FDIC re-thinks this layer of redundancy. If the Qualified Investor is qualified to bid on one pool they will be equally qualified to analyze the risk parameters of a slightly different asset pool and price such a pool accordingly.

Application Process

It is critically important to the stated objective of transparency that the criteria for eligibility be well-defined, inclusive but also resolute in identifying those groups that will not be able to meet the long term goals of the PPIF.

Appreciating the need to get this program rolling we believe that the first deadline for applications should be no sooner than 60-days from the date of announcing the criteria for eligibility. The criteria should almost be 'check the box' so that if an applicant is denied qualified status they will immediately know what area of their application fell short of FDIC standards.

Recommendation: Each denied applicant should have one opportunity to either contest or address the FDIC decision.

Leverage

We have spent a good deal of time wondering how the FDIC will allocate leverage to each pool of assets. From a traditional corporate and residential finance perspective the truism rules that higher risk assets are afforded lower, if any, leverage. If that was the case then the riskiest of residential or commercial real estate asset classes would be granted a leverage multiple of less than 3 times. The risk level of this pool of assets will be reflected in higher impaired asset levels and write offs. The higher those levels of non-cash producing assets the quicker losses will mount and eventually eat into the equity of this partnership.

Almost counter intuitively there is a justified argument supporting just the opposite with a higher risk asset pool being granted a higher level of leverage. The higher the asset pool risk the higher the leverage level allowed for the pool.

Our concern in rating the asset pools with different levels of leverage will be an opportunity for investors to try to game off your leverage levels. The higher the leverage ratio, the higher the imputed risk of the pool and consequently, the lower the price offered to the asset pool.

Recommendation: The only way that the FDIC will be able to avoid sending such signals to investors would be to ascribe the same leverage to all risk classes of assets.

Bidding Process

The total resource commitment required by any investor to staff, fund and qualify as an Eligible Investor will be significant. But that is only the first step. Before bidding on a pool of assets an investor will perform a level of due diligence per criteria established with its own investors.

We would recommend that the FDIC 'due diligence' consultant run credit checks on each mortgage holder and an electronic Automated Value Model for each note. The standardization of diligence at the FDIC level by your due diligence consultant will allow for more timely and cost effective bids by investors.

Finally, there will still be a significant amount of time and effort that goes into a bid by the investors. Our bids will only be subject to procurement of our equity contribution. If the market is going to truly be the guiding force in this recovery then the sell side of this equation can not hold a pre-emptive and unilateral veto of the process by being able to put assets up for auction with a reserve.

Recommendation: Either the 'legacy' or toxic assets are for sale or they are not for sale. With no reserve allowed the selling banks know that they will get 'good' market prices for their assets if each auction has at least 8 independent investors bidding.

Asset Types:

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 feel that the program should focus only on real estate assets until the partners of the PPIF and the selling banks get a feel for how this program is working. We believe that there are non-conforming mortgages such as jumbo loans that are impaired by market illiquidity that could be efficiently removed from the banks balance sheets.

Asset Pool Sizes

We believe that the minimum asset pool size (face value of notes) should be in the $50MM range. Assuming a 6:1 leverage ratio and a purchase price of 70% this would equate to a meaningful, but not so large as to preclude any level of serious investors, investment of $5MM for the partners. By assuming an average face value of $150,000 for each mortgage, a $50MM pool would less than 350 mortgages which would be small enough to garner a quick due diligence and bid.

Funding

While we are prepared to utilize idle capital markets capacity to issue federal government guaranteed paper, we feel that the most efficient source of debt for the partnership would be for the selling bank to take a federally guaranteed note back from the partnership.

If each partnership is responsible for raising the allowed debt for its asset purchase then the costs of raising that debt must be shared by the partnership.

We would like to make sure that foreign capital has every right to participate in the PPIF. There can be no onerous levels of diligence or taxation placed on international investors that are coming to this process.

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?

Of critical importance to the investors will be the term of the loan, repayment schedule and flexibility for early repayment and finally, the all-in interest rate to be charges to the partnership. As mortgage holders we will have only three tools in which we can encourage a delinquent note holder to stay in his house and resume payments. We must know that we can reduce the principle outstanding, reduce interest rates and forgive missed payments in order to regularize the note and motivate the owner to stay in his home and keep paying on our note.

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?

We have no problem with paying a fee for the guarantee of the debt of the PPIF. That having been said whatever the government charges will ultimately be passed through to the selling banks in the price realized for their assets.

Servicing

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?

Our feelings are that initially it is important that the servicing arrangements remain in place but we see an inherent conflict of interest between servicers and our investment group. Servicers are motivated to keep a loan in place and basically bank the annuity of the fee. We, the investors in the PPIF, feel that control over the servicing will be integral to reforming the loans in our pool. It would be our intent to quickly repatriate the servicing of our loans either to an in-house operation or to a third party with which we have mutual objectives.

Earnings, Cash Flow and Distributions

Firstly, partnership earnings, salaries and bonuses must in some way be protected from shifting winds of moral outrage within our economy. It will be impossible for the investors in this program to raise capital if our potential returns are limited by specific policy or moral suasion in the future.

Secondly, the successful partners will require highly talented professionals to commit to this undertaking. This undertaking, by definition, is a liquidating pool of assets that in all likelihood will not survive through maturity. That having been said the professional commitment required to meet the

FDIC, as well as the private equity requirements can not be short to medium term in nature. Accordingly, salaries and bonuses must be commensurate both with the risk of the undertaking as well as the potential uncertain nature of this opportunity. As a result, a pre-approved waterfall will have to be agreed to by both partners. The Treasury and FDIC must be in agreement that they will not mount any type of public opinion campaign to claw back, impair or tax these earning through maturity of the program.

Third, there must be some mechanism in place to allow the partnership to capture annual surplus cash flow for the public and private investors. Our suggestion would incorporate a cash sweep for investors once current expenses, debt obligations and a surplus pool were met at the partnership. The surplus pool would satisfy two years of interest expenses and debt maturities.

Social & Governance Issues

In a number of instances the term 'vigorous over-sight' has been used in reference to how the FDIC will work with its partners in this program. We fully appreciate the need for transparency and the fact that the federal government, as representative of the US tax payers, has significant stakes in this program. That having been said we believe that the partnerships will only thrive if there is a positive and healthy discourse between partners.

Furthermore, we strongly believe that the private sector is being invited to this opportunity more for its industry knowledge than simply for its capital gathering prowess. Private industry is being brought into the process because our economy still thrives from the energetic, entrepreneurial spirit that brings expertise together with opportunity and risk. The 50% ownership of private investors must equate to an effective 51% mandate to operate, reform and administer this paper in the best interests of its investors.

Thank you very much for taking the time to consider our recommendations for the PPIP.