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Below, you will find responses to most of the questions. We have completed 14 portfolio acquisitions of toxic assets since Nov. 2007 and are quite experienced in this process. Additionally, we have already been vetted by the FDIC as a qualified investor to participate in structured sales. Please le me know if you have any additional questions.

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?

    A. It is our belief that assets should be limited to real estate only, or if other asset classes are considered, at the very least pools ought to be limited to single asset classes on individual sales: ie residential real estate, commercial real, auto loans, etc. Blending assets will severely limit investors who may not be willing to invest across asset classes, and will ultimately result in lower bid levels.

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?

    A. N/A

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. The percentages proposed seem appropriate….6 to 1 from FDIC and 50/50 split in equity with the Treasury. These levels seem to provide good leverage while still requiring private investors to put a good level of skin in the game. Higher investment from government increases leverage of private investors and makes participation more enticing. At the same time, if the leverage is too high and private investors fail, the American tax payers will lose out. The investor participating need to have strong asset management experience for this to work appropriately.

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

    A. For the most part, I believe we all value privacy. However, if investors are willing to utilize taxpayer money as leverage to acquire assets, then investors ought to be willing to let themselves be identified publicly.

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?

    A. It is our opinion that a broad and diverse range of investment participation ought to be limited to those that can appropriately manage assets. There is discussion of having individual investors participate, for example. The major dilemma with this is that the

American taxpayer will be investing side-by-side with this individual and they may or may not be able to manage the assets, and good returns will come through the successful asset management efforts. There is a high-likelihood that there will be broad regional participation amongst investors in submarkets around the country. There should be no problem in developing regional interest.

B. Our experience with DebtX, for example, is a structure that ought to encourage sellers to participate. We typically operate within the following procedures: Receive bid tape, 3 day indicative period, place indicative level, awarded bid, 10-20 day diligence period whereby we pull valuations, title reports, review loan files, pull credit, finalize contract, fund and close. Depending on the asset type (REO, for instance) it is best to follow the bid process as a certain % of the updated collateral value as reflected on an independent party's 30-day BPO. The only caution with the indicative process is that often times firms will bid-up their indicative bid to be awarded the diligence and then cut back their bid when it comes time to perform. Bidding as a % of updated collateral value from an independent valuation company often times eliminates fades of indicative levels.

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?

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

    A. Setting nonperforming real estate assets, both whole loans and REO/OREO, as a top priority seems to be the best method for cleaning balance sheets. Additionally, evaluating a banks biggest regional pain (ie state or geographic region), with the fastest rate of depreciation should also be a consideration.

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

    A. If there is an interest in attracting a diverse range of investors then pool sizes will also need to be diverse. There will be some investors that are only able to participate in smaller regional pools, while others can handle several $100mm of assets, nationally. G8 Capital, for example, would be interested in bidding on pools ranging from $10 million to $500 million.

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?

    A. The more detail the better….rates, terms, etc.

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?

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?

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?

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?

    A. It could, but we do not think this is needed. Some of the strongest buyers will likely be localized, regional buyers focusing on buy in their particular region. We do not see much value in pooling assets between banks.

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?

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?

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? Should it be made available to potential sellers prior to their decision to submit assets to bid?

Additional Points of Consideration:

1. The taxpayer needs additional protection for overly aggressive bidding from firms wishing to work with smaller leveraged yields. The independent consultant ought to have a hi-level of concern for this potential conflict. The bank ought to consider the premium it will pay for moving their risk and the taxpayer risk exposure ought to be limited because of over-aggressive bidding.

2. Existing performance data for firms wishing to participate in the bidding process ought to be given additional priority.

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