

1. Asset Categories Eligible for Sale:

Answer: Real Estate Loans:
Single Family Residence- SFR
Multifamily Residence-MFR
Commercial- Income Producing
Construction Loans- Acquisitions and Development

2. Initial Investors be permitted to pledge, sell or transfer their interest in the PPIP?

Yes, as any member of an LLC or corporation, when they own stock or percentage of membership, there is verbiage that explicitly gives the other members the first option to purchase their shares at current market value. IE so if a group of private investors form a LLC to bid on a larger pool, the members should have the 1st option of buying the other member out at an internal agreed price. This type of transaction does not affect the ownership with the asset.

Upon sale, government should not have to provide programs. Should the sale be less than current "Booked" value, then requires government approval for loss. If net process exceeds "Booked" value, then all everyone gets paid off.

3. Appropriate Percentage of government equity participation: Current program of Treasury matching equity funding and loan guaranteed by FDIC and assets seems to minimize the risk.

Question: How much is the fee FDIC is going to charge the private investor for this guarantee. The private investor will take into account this expense in calculating the anticipated ROI.

The government investment amount should not depend on the type of portfolio, then only those assets will be targeted and the overall goal of eliminating all the "toxic assets" off the banks balance sheets will not be accomplished. The system is relying on auction setting the "Market Value".

4. Should investor's identities NOT be made publicly available?

No, since there is tax payers funds involved, the tax payers have a right to know where their funds and who their funds are invested with.

5. A. FDIC encourages broad and diverse range of investment participation:

FDIC should allow private investors with net worth of \$10MM with smaller capital increments of \$1MM otherwise they will only get the same big players, pensions, insurance companies, and public builders. Also the investors should be qualified to manage the assets to protect the tax payer's funds.

Investors should have proven track records of no foreclosures, deeds-in-lieu of foreclosures, good credit history, certificate of good standing provided by residing state, certified financial statements showing liquidity (cash) of one (1) million cash balance and background checks.

Example: Our company which is looking to invest 10 million in both commercial and real residential (SFR and MFR). We are an experienced real estate developer in SFR, MFR and Commercial. I have a Commercial Portfolio of 12 Commercial Centers totaling approx 350,000 sq ft with approx 120 tenants. I own my property management company which employs a broker, in-house leasing agent, senior accountants, and real estate agents for new tract and re-sales.

B. How can FDIC structure valuation and bidding process to motivate sellers to bring Assets to PPIF?

How are the losses going to be booked on the banks P&L? If banks have to post losses all in one year, the results may be detrimental to their stability depending on their pre-calculated loan loss reserves.

a. Can Losses be carried forward and back five years as Capital Losses to offset future income and reduce future tax liabilities on banks?

b. Are there provisions that these losses do not have to be fully covered by loan loss reserves? IE...or maybe require a certain percentage based on the calculation of the future tax refund for Loss Carry Back and apply to a "Net Loss"?

6. Auction Process:

- a. I would suggest you break up auction by type and size of assets to ensure a range of investor participation.
- b. Partial stakes should be allowed in a PPIF.
- c. Dutch Auction-No, values should be ascending.
- d. Asset Management- Highest percentage ownership should have 1st option.

7. Priorities- types of assets for pools to set for auctions. Pools should be categorized by type and risk level.

Suggestion each asset be weighted and assigned a matrix number based on location, condition, delinquency status. I would have these areas defined and include this in the FDIC valuation process.

REO'S (Real Estate Owned by the Banks) - Are investors going to be to purchase these from the pools as personal assets?

8. Optimal Size and Characteristics of a Pool: Between \$50MM and \$100MM with clear risk rates, type of security, securitize individual assets separately so can be sold unattached to the balance of pool, and location identified. See above for characteristics.



9. Parameters of the Note and rate structure:

See attached examples for Loan Terms on Bank Commercial/Conduit Notes

10. There may be an incentive for banks to carry notes to increase value of security and/or make the note sellable and discount it to raise cash.

11. FDIC annual fee should be variable or fixed based on risk: Should be fixed.

12. Government investment triggers a higher return:

This adds a level of complexity and services of government bookkeeping and oversight would be required. I would not advise, but it is possible, if so investor should be credited the "Annual Guaranteed Fee".

13. Multiple Banks Pool Assets for Sale: Yes, so smaller banks can participate and FDIC can create balanced pools. See #7. Proceeds should be prorated based on the total sales price and asset ratio, type of asset and location risk factors.

14. Conflicts: LLP Participants: FDIC might not approve of asset management or have unrealistic goals. For example, it is difficult times in maintaining occupancy ratios and owners have to be creative in incentives and work out plans and try not to reduce rental rates as which devalues the commercial income producing assets.

Government officials, bankers, original owners should not be allowed to participate in repurchase of same pools. The same should not be able to have contact or sabotage the relationship between any leasehold estates and private investors.

15. Selection of Asset Managers: Role of government and private sector:

Both sectors for Asset Managers should have good credit history, certificate of good standing provided by residing state, certified financial statements showing liquidity (cash) of one (1) million cash balance and background checks, licensed contractors, real estate brokers license.

Private sector to submit quarterly reports to government for them to ensure their assets are managed and have an option to intercede at some agreed point if assets are not managed properly.

16. On-going servicing requirements of underlying assets be sold to PPIF and paid for? Require performance bonds, require "X" dollars in cash in a third party escrow account for expenses per dollar of assets or letter of credit from bank.

Yes, value should be separately attributed to control of the servicing rights.

17. Valuation Data to be provided to potential bidders and sellers: Absolutely This is part of the due diligence and all parties verifying value of the purchase.

CONSTRUCTION ON/OFFSITE+PRODUCTION
LOAN COMPARISON

APPRaised VALUE Estimated Loan \$ LTV	\$	8,715,000.00 5,671,730.00	\$	8,715,000.00 4,528,537.00	\$	8,715,000.00 5,250,000.00	\$	8,715,000.00 5,500,000.00
Lender		Bank #1		Bank #2		Bank #3		Bank #4
Rate		Revised 9/16/08 Floor of 5.5% or W/CWSJ Rate-.25% 1.65 over 10 yr Treasury Variable		WSJP + 2% (7% Today) 1.65 over 10 yr Treasury Variable		1.2 or 3 mos libor+2.5 .25%-today variable 4.75%) Variable		Revised quote dated 9/10/2008 6.6%-final quote tbd 2.60 bps over 10 year treasury/or swap Fixed
Spread		Variable		25 Years		25 Years		Fixed
Fixed or Variable		Interest only		12 Mos or if need 18 mos then loan fee increase EDR - \$350, FLOOD - \$17, INSPECT \$1000 1%		18 mos + extension Cost Eval, + all 3rd part 1%, extension is .15 of Principal		In/Only up to 18 mos/7 yr tm with 25 yr amort 25 yrs Cost Eval, +all 3rd party 1%
Amortization		18 Months + auto 6 mos extension \$5,000 appraisal 1% and extension is .50 on total appr loan		LLC and Principal only Up to 65% LTV or cost whichever is LESS 1.25 to 1.30		Full plus completion Guaranty 1.25x amort for 25 years did not specify able to Lock Rates		Principal Only Not provided 1.25
Term/Adjust Period								
Processing Fees/Cost								
Loan Fee		\$		\$		\$		\$
Documentation Fee		750.00		450.00		141,198.00		
Guarantees		100% Guaranteed, LLC, Principal Only Up to 70% LTV pr 85% of bulk sale value				70%		
LTV-Max		1.25		60%				
Minimum DCR		20%						
Preleasing Requirements		none		862,661.00				
Additional Equity Required								
Notes:		Bnk increase I/R by \$315,214						Prepayment Penalty & Save \$75K, no perm loan fee

#9 Example
Loan Terms

**Loan Submission
Document Checklist**

Property Name _____
 Originator/Seller _____
 Underwriter _____

Item completed
 Item included in this transmittal
 Item Outstanding

Document	Borrower	Lender	Received	Lender Comments	Comments and Notes	Task assigned to
1 Preliminary Submission Package						
2 Executive Summary						
3 Final Submission Form, Disk & Documents						
Property						
4 Locator Map						
5 Plot or Site Plan						
6 Photos						
7 Property Staff/Payroll						
8 Recent & Planned Capex						
9 Service Contracts & Leased Equipment						
10 Certificates of Occupancy						
11 Zoning Letter						
12 Warranties/ Guaranties						
13 Licenses / Permits						
Underwriting						
14 3 yr. Historical Operating Info						
15 Certified Current Year Operating Info (monthly & YTD)						
16 Current rent receivable schedules						
17 6 mo. Proof of Collections (Bank statements)						
18 3 yr. Historical Rent Rolls (annual for commercial; monthly for multifamily, MHP, self-storage, hotels)						
19 Certified Current Rent Roll						
20 Budget Projection						
21 Prior 6 Months Utility bills (electric, gas, water/sewer)						
22 2 yr. & Current Year Tax Bills						
23 Insurance Certificates & Last 2 yrs Premiums paid						
24 Standard Lease Form						
25 Major Lease Abstracts (Retail, Office, Industrial)						
26 Leases & Amendments (Retail, Office, Industrial)						
27 24 mo. Vacancy history						
28 Store Sales (Retail)						

*Worksheets
 Candia +
 Loans
 # 9*

	Borrower/ Principal					
	Borrower/ Principal Financial Statements					
29						
30	Borrower/ Principal Tax Returns (Personal-1 year only; 3 yrs for corporate etc.)					
31	Borrower Structure or Org. Chart					
32	Borrower R.E. Experience (Resume)					
33	Principals' NW & Liquidity (NAP w/certified stmt)					
	<i>Principals' Realty Owned Schedule</i>					
34						
35	Borrower & Principal Credit Reports					
	Borrower & Principal Credit References					
36						
	Bankruptcy/Foreclosure History					
37						
38	Management Agreement/Contract					
39	Management Resume					
40	Management D&B Reports					
	Third party reports					
41	Appraisal					
42	Appraisal Review					
43	Engineering Report					
44	Engineering Review					
45	Environmental Report					
46	Environmental Review					
47	Site Inspection Report					
48	PML Report					
	Miscellaneous					
49	Reciprocal Easement Agreement					
50	Franchise Comfort Letter					
51	Market Survey					
52	Expense Recovery Detail (by Tenant)					
53	Tenant Profiles					
54	Current Mortgage Statement					
55	Purchase Agreement					
56	Sources & Uses of Funds					
	Additional Items Requested					
57	Title Report					
58	Survey					
59	SNDA					
60	Estoppels					
61	Property Insurance					
62	Credit Check					
63	Zoning Report					