1. Asset Categories

(a) Which asset categories should be eligible for sale through the LLP?

Accrual and non-accrual loans, as well as REO should be included in the program.

(b) Should the program initially focus only on legacy real estate assets or should any asset on bank balance sheets be eligible for sale?

All assets should eventually be offered for sale, but right now legacy real estate assets should be the focus. Maintaining focus will help facilitate sales and stabilize prices.

(c) Are there specific portfolios where there would be more or less interest in selling through the LLP?

Given the scarcity of capital in the market, the larger the pool, the fewer the number of participants that will be able to bid. We would be interested in almost any portfolio given the size of our fund.

2. Transfer of PPJF Equity Interests

(a) Should the initial investors be permitted to pledge, sell or transfer their interests in the PPIF?

Yes, investors should have the ability to transfer their interests in PPIF to qualified investors. Illiquidity would reduce the number of potential bidders and this provision should be made clear before the program commences.

(b) If so, how should the FDIC ensure that subsequent investors meet the program's criteria for investors?

The investors should be qualified institutional investors with a minimum net worth, access to capital and significant experience.

3. Equity Split

(a) What is the appropriate percentage of government equity participation which will maximize returns for taxpayers while assuring integrity in the pricing by private investors?

A 50/50 split seems to be the most equitable government participation. Less participation from the government would constrict the participation for taxpayers in potential upside of the investment.

(b) How would a higher investment percentage on the part of the government impact private investment in PPIFs?

If the government provides higher levels of equity, the private equity contribution may become too insignificant and target less qualified investors. If a private investor only has to put up 10-20% equity, the actual dollar amount with leverage may cause institutional real estate investors to shy away.

(c) Should the amount of the government's investment depend on the type of portfolio?

The split should be the same regardless of the makeup of the portfolio. This will allow adequate liquidity regardless of asset type.

4. Confidentiality

(a) Is there any reason that investors' identities should not be made publicly available?

We do not believe there is any reason why investors' identities should not be publicly available.

5. Investor Participation

(a) How can the FDIC best encourage a broad and diverse range of investment participation?

The information on the sales should be easily accessible and complete. Diligence materials should be organized and available online.

(b) How can the FDIC best structure the valuation and bidding process to motivate sellers to bring assets to the PPIF?

Giving the sellers the requirement to set reasonable reserve levels will likely motivate buyers to participate in the auctions. Having organized sales with qualified and experienced bidders will make the process smoother and lead to more successful auctions. If a market is created, sellers will quickly be able to evaluate their assets and decide if they are willing to sell.

6. Auctions

(a) What type of auction process facilitates the broadest investor participation?

Investors are most likely to spend resources participating in auctions if there is a high likelihood that the seller will transact. Knowing in advance that there is a reserve level that will automatically trigger a sale will give bidders the confidence to participate. Knowing that the other bidders participating in the auction are legitimate and able to close a deal is important as well.

(b) 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?

We believe investors should be able to bid on the entire equity stake. As long as the bid criteria are clear upfront, we would be comfortable taking all of the equity risk.

(c) If multiple investors are allowed to bid through a Dutch auction, or similar process, how should asset management control be determined?

Allowing multiple investors to bid on the pools would needlessly complicate the process and produce control and management issues that would be solved by having single bidders.

7. Asset Prioritization

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

We believe that pools should be constructed that cater to ease and efficiency of asset management. Structuring pools that are concentrated in region as well as asset type enables bidders to be focused on extracting maximum value from the assets. This will translate into higher bids.

8. Asset Pool Size

(a) What are the optimal size and characteristics of a pool for a PPIF?

For us the ideal pool would be 10-15 assets with an overall size of $250-500MM. This allows us to adequately underwrite each asset and come up with an accurate assessment of value. We would not be averse to bidding on large single assets, or larger multi-asset pools but the above number is ideal.

9. Note Parameters

(a) 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?

It is extremely important to know all the details of the note prior to bidding and have assurance that nothing will change during the investment period. We would need to know the term, recourse, amount of leverage or LTV/LTC, rate, provisions, and fees associated.

10. Sale Structure Issues

(a) 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?

We would be open to the selling bank taking the note but would be concerned that this would not alleviate the capital situation at the banks. It would be preferable for the owners of the notes to be involved with and accessible throughout the investment period in the event issues arise.

(b) 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?

A single lender would be the best structure for the PPIF. It is clear from the difficulties being encountered with CMBS that the syndication and sale of debt can make it difficult to restructure in the event of problems or defaults.

(c) Would a public issuance of debt by the PPIF limit its flexibility compared to the issuance of a note to a selling bank?

Public issuance would certainly limit the flexibility of the PPIF. Assuming that public issuance would necessitate a greater number of debt owners which would make it more difficult to come to agreements in the event of a restructuring.

11. <u>FDIC Guarantee Fee</u>

(a) 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.

(b) Should the guarantee fee be adjusted based on the risk characteristics of the underlying pool or other criteria?

The fee should be adjusted based on the risk profile of the collateral. Since the leverage on the portfolios will be assessed by the FDIC, it seems simple to adjust the fee according to the same criteria. This would make it more fair for buyers of less risky assets.

12. <u>UST Equity Percentage</u>

(a) Should the program include provisions under which the government would increase its participation in any investment returns that exceed a specified trigger level?

No we do not believe the participation in investment returns should be changed based on the success of the PPIF. If there is the potential that upside may be removed from the PPIF, private investors are much less likely to participate in the program and/or substantially lower their bids.

(b) If so, what would be the appropriate level and how should that participation be structured?

13. <u>Multiple Sellers</u>

(a) Should the program permit multiple selling banks to pool assets for sale?

Yes there could be pooling of assets from multiple banks. It would be helpful if the pooling banks are in the same region and the assets are similar. This may become necessary as smaller banks may not have a large enough concentration in certain asset types to create a sizable pool.

(b) If so, what constraints should be applied to such pooling arrangements?

The pools would ideally be in the same region and have similar asset types.

(c) How can the PPIF structure equitably accommodate participation by smaller institutions?

Smaller institutions with smaller individual loans may need to be sold in smaller pools to local and regional investors.

(d) Under what process would proceeds be allocated to selling banks if they pool assets?

It would be essential to establish the prices allocated to each individual banks' pool prior to the sale. Proceeds would be allocated based on the on the value assigned to the pool in the bid.

14. Conflicts

(a) What are the potential conflicts which could arise among LLP participants?

There could potentially be an issue with the way the leverage level is assessed for each portfolio. Banks and LLP participants could feel their portfolio deserves the maximum leverage level if it is granted less than 6 to 1.

(b) What structural arrangements and safeguards should the FDIC put into place to address or mitigate those concerns?

It will be very important to maintain consistence from the onset of the program to make sure later participants in the PPIP feel they are receiving fair treatment.

15. Asset Managers

(a) What should the relative role of the government and private sector be in the selection and oversight of asset managers?

The government should establish criteria for asset managers prior to the launch of the program. Information should be regularly provided to the government and the private sector should have access to this information. The private sector should have the ability to monitor the program but the government should be the bridge between the private sector and the PPIF

(b) 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?

There should be standardized reports submitted monthly to monitor the status of the pool. The government should have one point of contact at the PPIF for each pool who is responsible for handling any questions or concerns. Unless there is a major issue with the pool, the FDIC should be in a monitoring role.

16. Servicing

(a) How should on-going servicing requirements of underlying assets be sold to a PPIF and paid for?

The PPIF should be able to service the pool on its own with no assistance from the government. Any servicing expenses should be borne by the deal based on the initial equity contribution to the PPIF.

(b) Should value be separately attributed to control of the servicing rights?

It is essential for the asset manager to have the ability to retain servicing rights if it so desires. The PPIF should have the right to sell servicing rights if it is economical for the deal. Any value should be determined by the PPIF after the original sale is completed.

17. Valuation Information

(a) Should data used by the independent valuation consultant, as well as results of such consultant's analysis, be made available to potential bidders?

Yes the data provided by independent value consultants should be available to bidders. This information will be of limited use since most bidders will want to do their own diligence to determine values.

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

Yes the valuations should be available to potential sellers but they must know that bids will be submitted based on individual underwriting and not on a third party's assessment. The actual values will be determined by those who are putting capital at risk not by third party consultants.