Legacy Loan Program Comments:

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?

At this time it would be best to only include legacy real estate assets in any sales. The situation is complicated enough without muddying the waters further by including all sorts of asset classes at one time. Once it is proven that this type of sale is a success other asset classes could be included on an as needed basis.

As to specific portfolios, we believe it will make for a much more efficient sale if the legacy real estate assets are sold in particular classes such as: raw land, single family developed, multi-family developed, multi-family under construction, etc. That way investors do not have to worry about getting involved with and disposing of asset classes that do not interest them and should lead to the best prices for the assets being sold.

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?

Yes, but the initial investors must remain responsible for all requirements placed on original buyers so that trades cannot be made and no liability remains. That is what got us into this mess to start with. The issue would be large pools being chopped up into tranches and sold as A pieces and B pieces. This method has led to no accountability on the large buyers' part and is essentially the CMBS model.

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 investments in PPFIs? Should the amount of the government's investment depend on the type of portfolio?

We believe that the government participation as outlined in the plan at an amount equal to that of the private investors is adequate and realistic. If the government invests more or less than the private investors it risks being accused to cutting too good or too bad of a deal so an even equity contribution with the private sector seems right.

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

None at all. Investors that are allowed to participate should not have received any government monies such as TARP, unless they have paid the funds back. If the Treasury and FDIC allow entities such as Morgan Stanley to purchase assets, they are essentially using the governments'

monies to purchase said legacy loans. This would mean that these entities are using 100% of the tax payers' monies which is not the point of LLP.

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?

The FDIC can best encourage a broad and diverse range of investor participation by pooling the assets in sizes that more people can participate in. Packages of $100,000,000 of assets should be the maximum which will open up the process to a much wider spectrum of buyers and result in multiple bids.

This is already being done by FDIC on loans taken over through the conservatory process. The FDIC is currently using DebtX as a clearing house of smaller loans. Why recreate the wheel?

6. What type of auction process facilitates the broadest investor participation? Should we require investors to bid on the entire equity stake of PPIF, or should we allow investors to bid on partial stakes in the 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?

Question is unclear on entire equity stake of PPIF. The banks should have the governments' third party valuation report to get the banks comfortable with the market price. The issue is that banks are using third party valuation firms whose assumptions are off base and do not have the pulse of the market. Some would argue the banks' valuation firms are presenting numbers the bank would like to see to ensure they are retained for future contracts.

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

Would sell the best asset pools first to start the price line at a higher level. For instance, an asset pool consisting of completed multi-family projects will garner a much better price than an asset class consisting of raw land. Also pools should be regional because some areas are likely to garner a higher sales price.

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

As stated above we believe an optimal pool would consist of like assets and a pool size that opens the process up to a wider band of potential buyers.

9. What parameters of the notes and is rate structure would be essential for a potential private capital investor to know at the time of the equity auction to provide equity?

Term and fixed rate of the notes. The notes must be at a fixed rate. Additional costs such as servicing or any other FDIC cost should be charged up front in forms of points at close of loans.

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 issue debt publicly in order to pay cash to 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?

No, a note is not worth much to the bank if it cannot then be sold on the open market and then the proceeds used for the lending purposes of the bank. The entire purpose of this exercise is to convert the legacy assets of the banks into cash to allow the banks to build their balance sheets and let them get on with their business of lending money.

11. In return for its guarantee of 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?

No, the risk characteristics of the underlying pools will be accounted for in the prices those pools of assets receive. Riskier asset pools will receive lower prices and the less riskier higher asset pools higher prices.

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?

No, establish what the return is to the government will be and keep it static. That will give the investors a greater incentive to make things work out well. We do not want a GM/Chrysler situation where investors go back to the government for second round of funding.

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?

Yes, the constraints should be the agreements the banks work out amongst themselves as to the allocation of the proceeds. The PPIF can structure participation by smaller institutions by allowing the pooling of assets by the smaller banks. Proceeds should be allocated to the selling banks per the pooling agreements between the 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?

The ability of the FDIC to step in and take over any pools that become unmanageable.

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?

The government should allow the private sector to manage the assets themselves. There should be reporting to the government on a quarterly basis like an investment committee. The government should contract this "portfolio management" to firms to protect the government.

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?

The purchasers of the asset pools should be responsible for any costs associated with the servicing of those assets.

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?

Yes and yes, if the government has already paid for it, it should be available to all. There needs to be transparency on this program to ensure that taxpayer's money isn't given away or wasted needlessly and not used by those who can use the information.