From: Agus [mailto:aguswork@gmail.com]
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To: LLPComments
Subject: Legacy Loans 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? REAL ESTATE

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? SHOULD BE A LIMITATION ON ABILITY TO TRANSFER/SELL/PLEDGE FOR A CERTAIN PERIOD OF TIME – THIS ENSURES THAT INVESTMENT BANKS WILL NOT FLIP DEALS TO END USER LONG TERM INVESTORS.

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? GOVERNMENT SHOULD CONSIDER ITS OWN RISK IN MAKING THE INVESTMENTS AND NOT JUST BE CONCERNED ABOUT MAXIMIZING TAXPAYER RETURNS. SEE COMMENT #15 RE: USING A PRIVATE VEHICLE TO REPRESENT THE GOVERNMENT'S INTERESTS AND ENSURE THE GOVERNMENT RECEIVES A PROPER RISK ADJUSTED ROE.

4. Is there any reason that investors' identities should not be made publicly available? WHAT INTEREST IS THERE BY THE GOVERNMENT IN PUBLICIZING NAMES? INVESTORS LIKE TO KEEP THEIR NAMES CONFIDENTIAL IF POSSIBLE

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? TO ENSURE DIVERSE INVESTMENT PARTICIPATION, IT IS IMPORTANT FOR THE GOVERNMENT TO PROVIDE AN ADEQUATE PERIOD FOR THE PUBLIC TO PREVIEW THE LOANS FOR SALE BEFORE INVESTORS NEED TO SUBMIT THEIR NAMES FOR QUALIFICATION. SOME INVESTORS LEGITIMATELY OPERATE BY SYNDICATING DEALS TO OTHER INVESTORS (WITH SOME INVESTMENT ON THEIR OWN) AND THE ONLY WAY THEY CAN PUT TOGETHER A SYNDICATE IS IF THEY CAN PREVIEW THE REAL ESTATE ASSETS FOR SALE BEFORE. OTHERWISE, THE GOVERNMENT WILL ONLY BE INCENTIVIZING FUNDS AND ESTABLISHED REAL ESTATE COMPANIES TO BID AND INHERENTLY OBTAINING LOWER PRICING.

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? ENTIRE EQUITY STAKE OF A PPIF AND LET INVESTORS HAVE THE ABILITY TO SYNIDICATE THE EQUITY AS NOTED ABOVE (I.E., PUBLICIZE ASSETS

FOR SALE WITH ENOUGH TIME PERIOD FOR THE INVESTORS TO PUT TOGETHER THEIR POOL OF INVESTORS BEFORE BIDS ARE DUE)

7. What priorities (i.e., types of assets) should the FDIC consider in deciding which pools to set for the initial PPIF auctions? PROVIDE A SAMPLE OF MANY ASSET CLASSES AND SEE FOR YOURSELF WHAT OBTAINS MOST INTEREST

8. What are the optimal size and characteristics of a pool for a PPIF? THIS WILL DIFFER FOR DIFFERENT INVESTORS. PROVIDE SAMPLE AND SEE FOR YOURSELF WHAT ATTRACTS THE INTEREST.

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? COPY OF MORTGAGE DOCUMENTS (LET INVESTORS SIGN A CONFIDENTIALITY AGREEMENT IN ADVANCE IF NECESSARY), STATUS OF LOAN PAYMENT HISTORY, BORROWER INFORMATION, ASSET INFORMATION, 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? CONSIDER WHETHER DEBT REPAYMENT HAS AN IMPACT ON EITHER SCENARIO

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? WHATEVER THE FEE IS, INVESTORS WILL INCORPORATE INTO THEIR PRICING

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? TRIGGER LEVEL WILL DEPEND ON THE ASSET CLASS AND STAGE OF THE DEAL (I.E., INCOME PRODUCING VS DEVELOPMENT). GOVERNMENT CAN STRUCTURE A TYPICAL L.P. FUND INVESTOR STRUCTURE OF GETTING CAPITAL BACK PLUS PREFERRED RETURN (8%+), WITH THE G.P. HAVING THE ABILITY TO PROMOTE THE GOVERNMENT.

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? POOLING ASSETS IS NOT A GREAT IDEA IN MY VIEW. LET INVESTORS BUY ONE OFF DEALS. THE GOVERNMENT MAY NEED A MINIMUM DEAL SIZE TO MAKE IT WORTHWHILE TO SPEND ITS TIME ON DILIGENCING THE ASSET AND COMING UP WITH VALUE.

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? QUESTION WOULD APPLY TO LLC PARTICIPANTS AS WELL, PRESUMABLY. GOVERNMENT CAN STRUCTURE IN TYPICAL SAFEGUARDS THAT A PENSION FUND STRUCTURES IN A 90/10 EQUITY ARRANGEMENT WITH AN OPERATOR.

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? GOVERNMENT SHOULD APPROACH THIS AS A BUSINESS AND HIRE EMPLOYEES (WITH ADEQUATE PAY AND EQUITY INCENTIVE) TO OVERSEE THE GOVERNMENT'S INTERESTS HERE AND ENSURE MANAGERS ARE PERFORMING ADEQUATELY. IF NOT, GOVERNMENT CAN HAVE THE ABILITY TO REPLACE MANAGERS UNDER SPECIFIED CONDITIONS UP FRONT WITH THE INVESTOR).

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? BORROWER WOULD TYPICALLY PAY FOR SERVICING COSTS SO THIS SHOULD BE PART OF THE DEAL COSTS THE INVESTOR KNOWS ABOUT UP FRONT AND ASSUMES.

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? THE MORE DISCLOSURE, THE BETTER.