

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 1<sup>st</sup> 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 1<sup>st</sup> 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	8,715,000.00	8,715,000.00	8,715,000.00	8,715,000.00	8,715,000.00
	5,671,730.00	4,528,537.00	5,250,000.00	5,500,000.00		
	65%	52%	60%	63%		
<b>Lender</b>	<b>Bank #1</b>	<b>Bank #2</b>	<b>Bank #3</b>	<b>Bank #4</b>		
<b>Rate</b>	Revised 9/16/08 Floor of 5.5% or W/CWSJ Rate-.25% 1.65 over 10 yr Treasury Variable	W/SJP + 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 thd 2.60 bps over 10 year treasury/or swap Fixed		
<b>Spread</b>	Fixed or Variable	Variable	25 years	Int/Only up to 18 mos/7 yr trm with 25 yr amort 25 years		
<b>Amortization</b>	Interest only	25 Years	18 mos + extension	Cost Evalul. +all 3rd party		
<b>Term/Adjust Period</b>	18 Months + auto 6 mos extension	12 Mos or if need 18 mos then loan fee increase	18 mos + extension	Cost Evalul. +all 3rd party		
<b>Processing Fees/Cost</b>	\$5,000 appraisal	EDR - \$350, FLOOD - \$17, INSPECT \$1000	1%, extension is .15 of Principal	1%		
<b>Loan Fee</b>	1% and extension is .50 on total appr loan	1%	Full plus completion Guaranty			
<b>Documentation Fee</b>	\$	\$	1.25x amort for 25 years	Principal Only		
<b>Guarantees</b>	100% Guaranteed, LLC, Principal Only	LLC and Principal only	did not specify	Not provided		
<b>LTV-Max</b>	Up to 70% LTV pr 85% of bulk sale value	Up to 65% LTV or cost whichever is LESS	141,198.00	90%		
<b>Minimum DCR</b>	1.25	1.25 to 1.30				
<b>Prereleasing Requirements</b>	20%	60%				
<b>Additional Equity Required</b>	none					
<b>Notes:</b>	Bank increase I/R by \$315,214					

#9 Example  
Loan Terms

Loan Submission  
Document Checklist

Property Name  
Originator/Seller  
Underwriter

Item completed  
Items included in this transaction  
Item(s) missing

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)						
Leases & Amendments (Retail, Office, Industrial)						
26						
27 24 mo. Vacancy history						
28 Store Sales (Retail)						

*Worksheets  
Condo +  
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 (NAD w/certified smt)								
	Principals' Realty Owned Schedule								
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								