Corus Overview

A.) Bid Summary:

- 8 bidders provided initial bids on Sunday, September 27th with best and final offers received on September 30th from certain bidders.
    - Bidders were provided non-negotiable documentation, and were limited to any due diligence previously performed or the information posted to FDIC's virtual data room and available in their one day on-site due diligence session.

B.) Deal Overview/LLC Structure

Specifics

- Winning Bidder: Northwest Investments LLC (Northwest)
    - Consortium managed by Starwood Capital Group that also includes TPG Capital Group, Perry Capital and WLR Lefrak .
- Equity Structure & Price Information:
    - A Northwest-owned entity to purchase an initial 40% managing equity interest in the LLC, with the FDIC retaining the remaining 60% equity interest.
        - Purchase Price for 40% equity stake: $554.4mm with FDIC's 60% stake equal to $831.6 mm
        - 1-1 Leverage equals debt of $1.386 billion & equity of 1.386 billion
        - **Produces a dollar price of $2.772 billion for the $4.5bn (current UPB) of assets which equates to a price of approximately 60% on the $4.5bn**
        - FDIC Equity kicker increases FDIC stake in equity to 70% (from 60%) once Northwest has received cash distributions equal to (a) 2 times initial investment and (b) a 25% IRR.
- Other:
    - Expected Closing Date: October 15th
    - Financial Advisor to the FDIC: Barclays Capital

C.) Debt Structure

i.) Summary – Both the Advance Facility & the Term Notes must be paid in full prior to any cash distributions to the equity holders

- The advance facility will fund construction of incomplete buildings, operating deficits in completed buildings and other asset-related working capital needs.

    - Any draws on the Advance Facility must be repaid in full prior to any cash distributions to the equity holders, thus aligning the incentives of Northwest to only draw funds to the extent that it maximizes the value of its (and the FDIC's) equity interest. .

  - Cash flow from performing assets will be able to reduce the potential funding needs in excess of the Advance Facility, and allow for the transaction to become self-funding, by allowing the use of these cash flows to cover carry costs and other non-construction expenses.

- The Term Note structure was designed to support sub-performing/non-performing assets that have little current cash flow and uncertain timing of resolution.

  - **Zero-coupon debt allows for payment of interest up front to reduce demands on cash flow going forward**.

  - Flexible maturity debt structure gives the asset manager the ability to time asset dispositions liquidations more opportunistically rather than be forced to sell in non-functioning and illiquid markets.

ii.) Specifics

- Debt Structure (provided initially by the FDIC as Receiver)
  - Bullet Maturity Term Notes to produce 1-to-1 leverage ($1.386bn)
    - Guaranteed by FDIC in its corporate capacity.
    - Repaid prior to any cash flow distributions to the equity holders.
    - **Zero-coupon structure due to volatile cash flow profile of the assets to allow for interest payments to be made upfront (through pricing) to reduce cash burden on the LLC** and to get better pricing by benchmarking off an existing market (zero-coupon Treasuries)
    - Expected to be subsequently sold into the market at market yield (thus priced at a discount). **Market yield is expected to be wider (or greater) in yield than comparable zero-coupon Treasuries.**
  - Advance Facility to fund future unfunded commitments and overages on the construction loans as well as the carry costs of the REO and related working capital needs.
    - Up to $1 billion of financing to be provided over next 3 to 5 years.
    - **Coupon of LIBOR + 3.00%.**
    - Repaid prior to any distributions on the Term Notes or to the equity holders.
    - Structured with the ability for FDIC to syndicate up to 51% of the Facility without LLC approval.

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