



Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

Daithí McKay MLA
Chairperson, Committee for Finance and Personnel
Room 144
Parliament Buildings
Belfast
BT4 3XX

4 September, 2015

Dear Mr McKay

Thank you for your letters of 20 August 2015 and 2 September 2015 to which you appended lists of questions regarding NAMA's sale of the loan portfolio of Northern Ireland debtors (Project Eagle).

Attached are responses to the two sets of questions that you submitted to us. We have also appended the transcript of the meeting of the Dáil Public Accounts Committee of 9 July 2015 at which the NAMA CEO, Mr Brendan McDonagh, and I were questioned about the sale of Project Eagle.

We also include minutes of meetings of NAMA's Northern Ireland Advisory Committee and, in cases where they exist, minutes of meetings held with NI Ministers and officials. You will appreciate that, for certain types of engagement such as courtesy calls, no minutes were recorded.

Also appended are a number of additional documents which may assist the Committee in its understanding of NAMA's engagement with various interests in Northern Ireland.

I trust that our responses and the various associated documents will be of assistance to the Committee in its work. Please note that we propose to copy these documents today to the Dáil Public Accounts Committee and to publish them on our website.

Yours sincerely,



Frank Daly
Chairman

Introduction

NAMA sets out below (pages 2 to 15) its responses to questions submitted to it by the Finance and Personnel Committee of the Northern Ireland Assembly on 20 August 2015. Responses to a second set of questions submitted by the Committee on 2 September 2015 are set out on pages 16 to 19.

In order to further assist the Committee's work, NAMA also submits the following additional documents to the Committee:

- A transcript of the proceedings of the Dáil Public Accounts Committee meeting of 9 July 2015 at which the NAMA Chairman, Mr. Frank Daly, and the NAMA CEO, Mr. Brendan McDonagh, responded to questions from members of the Committee about the sale of the loan portfolio of debtors based in Northern Ireland (**Appendix 3**).
- A copy of the minutes of meetings of NAMA's Northern Ireland Advisory Committee (**Appendix 4**).
- A copy of the minutes of NAMA meetings and conference calls with NI Ministers and officials (**Appendix 5**).
- Address by Mr Peter Stewart, Chairman of the NAMA Northern Ireland Advisory Committee, to the Northern Ireland Chamber of Commerce, 14 May 2010 (**Appendix 6**).
- Address by Mr Peter Stewart, Chairman of the NAMA Northern Ireland Advisory Committee, to the Northern Ireland Economic Conference, 29 September 2010 (**Appendix 7**).
- Opening Statement by Mr Frank Daly, Chairman of the NAMA Northern Ireland Advisory Committee, to the Joint Committee on the Implementation of the Good Friday Agreement, 8 March 2012 (**Appendix 8**).
- Transcript of NAMA's appearance before the Joint Committee on the Implementation of the Good Friday Agreement, 8 March 2012 (**Appendix 9**).
- Address by Mr Frank Daly, Chairman of the NAMA Northern Ireland Advisory Committee, to the Northern Ireland Chamber of Commerce, 24 October 2013 (**Appendix 10**).
- NAMA correspondence with the Public Accounts Committee regarding Northern Ireland property price movements, 20 July 2015 (**Appendix 11**).

**NAMA responses to questions submitted to it by the
Finance and Personnel Committee of the Northern Ireland Assembly
on 20 August 2015**

1) NAMA's operations and assets in NI

a. Please explain the nature of the role of NAMA in relation to Northern Ireland (NI)?

RESPONSE:

NAMA acquired loans from five Irish financial institutions with a nominal value of €74 billion. The acquisition took place largely over the course of 2010. Loans secured by property assets in Northern Ireland (NI) accounted for approximately 4% of the acquired portfolio. In the legislation which established NAMA (the **National Asset Management Act 2009**), the Oireachtas gave it a commercial mandate to optimise the financial return to Irish taxpayers from its acquired assets and to do so expeditiously. As with all segments of its acquired portfolio, this was the primary objective guiding NAMA's management of loans secured by NI assets.

NAMA engaged with a wide array of public and business representatives in NI who had an interest in its activities. It sought to explain its role and its strategy in the context of its independent commercial mandate. After NAMA acquired loans secured by NI assets, concern was expressed by a number of NI public and business representatives about the possibility that NAMA would engage in a 'fire sale' of NI assets. NAMA stated on a number of occasions that it had no intention of engaging in such a 'fire sale'. This strategy was not particular to NI; it was entirely in line with the strategy that NAMA adopted towards assets located in the Republic. As such, NAMA did not treat NI debtors or assets in any exceptional or special manner.

It should be noted that NAMA was far from being the largest player in the NI property market and that, in some sectors, its exposure was relatively low. In the residential sector, for example, NAMA's debtors and receivers controlled only 900 residential properties in Northern Ireland, a miniscule exposure in the context of the total housing stock of over 750,000 residential units. While its exposure to the NI land and development sector was more substantial, it was by no means the largest player in that sector either.

b. Please explain NAMA's operations in relation to NI from the start to date.

RESPONSE:

As regards Northern Ireland, NAMA's primary engagement was with the debtors whose loans it had acquired. As with all other debtors, the engagement was guided primarily by the need to maximise the return to Irish taxpayers from management of the loans and of the underlying collateral.

After it acquired their loans, NAMA requested all of its debtors to submit a business plan which was then independently reviewed. Active and intensive engagement with debtors involved a range of activities including setting and monitoring strategies, targets and milestones. The strategy adopted towards most debtors involved a phased and orderly disposal of assets over a medium-term horizon. NAMA's approach also required debtors to minimise their costs, to secure and maximise income streams and to optimise asset values through proactive asset management. Where appropriate, NAMA was willing to provide capital expenditure in cases where such expenditure was commercially justifiable. NAMA's engagement with NI debtors was no different from its engagement with all other debtors. Detailed explanations of the debtor engagement process are set out in NAMA's Annual Report for the years from 2010 to 2013 which is available on its website ***www.nama.ie***.

Other than debtors, NAMA engaged with an array of NI public and business representatives who had an interest in its activities. In doing so, it sought to explain its role and its strategy in the context of its independent commercial mandate.

Following the sale of the Project Eagle portfolio in 2014, NAMA's exposure to assets located in NI was reduced to less than €50m i.e. assets controlled by non-NI debtors.

c. Please explain the nature of the relationship between NAMA and DFP in relation to NAMA's operations in NI.

d. Please explain the mechanisms of communication between NAMA and DFP, including who would communicate, how, why and when.

RESPONSE

NAMA had limited direct engagement with the DFP.

An initial introductory meeting was held on 24 January 2011 attended by Mr. Ronnie Hanna and Mr. Jonathan Milligan from NAMA, Mr. Frank Cushnahan (NIAC) and Mr. Richard Pengelly of the DFP. Thereafter, direct engagement involved meetings

between the NI Minister for Finance and Personnel and certain members of the NIAC. NAMA and DFP officials attended these meetings. A list of meetings and of attendees is set out at **Appendix 1**.

Subsequent engagement between NAMA and DFP officials was informal and would have related typically to the discussion of agendas for upcoming meetings between the NI Minister for Finance and Personnel and certain members of the NIAC. That engagement about meeting agendas would usually have involved telephone conversations between Mr Ronnie Hanna and/or Mr Jonathan Milligan of NAMA and officials at the DFP, including Mr Bill Pauley.

Meetings and other engagement between NAMA and DFP officials and between the NIAC and the Minister for Finance and Personnel did not involve any discussion of particular debtors or assets. The NAMA Act prohibits the disclosure of confidential information including the identity of debtors and of the assets under their control.

NAMA's engagement with the Minister for Finance and Personnel and with the DFP did not alter its strategy towards NI debtors or assets which, as pointed out above, was similar to its strategy towards debtors and assets in the Republic.

e. What assets has NAMA held in NI in the past? What was the nature of those assets?

RESPONSE:

Appendix 2 provides a breakdown (by value) of the Northern Ireland portfolio as it was at the point of the Project Eagle sale.

f. What was NAMA's disposal strategy for the assets it held in NI in the past?

RESPONSE:

NAMA's asset disposal strategy in any of the jurisdictions in which it operated was determined by conditions in the market concerned and by the market's absorption capacity. For much of the period from 2009 to 2013, the property markets in NI and in the Republic were in a fragile condition with little or no capacity to absorb disposals. In the circumstances, NAMA turned its attention to the London market and to other overseas markets which were performing strongly and which had the liquidity to absorb a significant volume of disposals.

In the case of both NI and the Republic, NAMA considered that, in the absence of market demand and poor liquidity, offering a large volume of assets for sale could

have precipitated further significant price declines in both markets. It was decided accordingly to offer for sale only those assets for which there was apparent market demand. In line with this approach, NAMA disposals in Northern Ireland totalled only £130m between NAMA's first loan acquisitions in 2010 and the end of 2013. This was against a background of limited investor interest in acquiring either NI assets or the associated loans.

This strategy remained in place until late 2013 when an approach was made to NAMA in relation to the possible sale of its entire NI debtor loan portfolio. The rationale for the sale of the portfolio was set out by the NAMA CEO, Mr. Brendan McDonagh, in his evidence to the Dáil Public Accounts Committee on 9 July 2015 and is reproduced below.

Rationale for sale

There were a number of reasons why the Board took the view that the sale of the portfolio represented the best commercial option for NAMA. From 2010 to 2013, there had been relatively few sales of properties in our NI portfolio and there had been little/no investor interest in acquiring either NI assets or the associated loans. The total volume of investment activity in NI is estimated to have been only €75m in 2012 and €175m in 2013. Absorption capacity was a key strategic concern of the Board given that over 50% of the portfolio was based in NI. The asset portfolio securing NAMA loans was very granular and had few major assets which might have been of interest to purchasers if we had decided to proceed to sell the assets on an asset-by-asset basis.

That granularity is illustrated by the fact that, as of November 2013, only 2% of those properties had an acquisition value in excess of £20m and many of these were in regional locations in Britain. 81% of the properties by number had an acquisition value of less than £2m. 70% of the properties by number were categorised either as residential or land and development assets and the average acquisition value per asset in this group was about £800,000.

Appendix 2 provides a breakdown (by value) of the portfolio as it was at the point of sale. As mentioned earlier, most of the assets securing the portfolio declined substantially in value between NAMA's reference acquisition date (November 2009) and late 2013. It was clear that realising even the carrying value of a portfolio secured by so many small assets was going to be a long and difficult process.

The medium-term outlook for the NI economy was uncertain and it was clear to us, even if there was to be a sustained recovery in the years ahead, that the assets securing our loans would have been slow to benefit from such a recovery. In other words, in the event of a sustained recovery,

the larger commercial income-producing assets would be the first to gain and it would be some time before the impact of recovery would percolate down to smaller assets.

The Project Eagle portfolio included 36 smaller debtor connections that were managed by NAMA's participating institutions. Many of these connections had little or no property management platform or capability and it was likely, in the Board's view, that the workout process would be protracted and costly and there was no certainty that it would have yielded a superior commercial outcome to a loan sale. A loan sale would eliminate the risks, uncertainties and costs associated with a protracted workout of a portfolio which had limited capacity to appreciate in value over a medium-term horizon.

The Board and the Executive also considered the impact of a potential Eagle sale on our ability to manage the rest of our portfolio. From a risk management perspective, sale of the Eagle portfolio would help to de-risk the overall portfolio by removing a heavy concentration of assets in markets with significant liquidity challenges and where recovery was likely to lag major markets. It would also free up our resources to focus more on the portfolio of assets in the Republic and in London where, in our view, asset management work and effort would yield better results.

For all those reasons, we made a decision that the best return that we could generate from the portfolio would be from a loan sale. This assumed that we could achieve a price that matched our expectations as to what the portfolio should realise, based on the information available to us. As a commercial entity, decisions to sell or hold assets are decisions that we are required to make all the time. All our decisions are based on the best available information at the time the decision is taken.

g. Did NAMA provide DFP with detailed breakdowns of the assets it held in NI in the past? Please provide details of all communications and all relevant documents, analyses, or reports.

RESPONSE:

No such information was ever provided by NAMA.

h. Did NAMA provide DFP with detailed breakdowns of the assets it currently holds in NI, if any? Please provide details of all communications and all relevant documents, analyses, or reports.

RESPONSE:

No.

2) NAMA NIAC

a. Why was the NAMA Northern Ireland Advisory Committee ('NAMA NIAC') established?

RESPONSE:

Section 33 of the NAMA Act 2009 provides for the establishment of advisory committees and, following discussions between the then Minister for Finance, Mr. Brian Lenihan, and the then NI Minister of Finance and Personnel, Mr Sammy Wilson in late 2009, it was agreed that an advisory committee would be established to advise the NAMA Board in relation to matters regarding NAMA's Northern Ireland assets. On the proposal of the then Minister for Finance, NAMA established the Northern Ireland Advisory Committee ("NIAC") in January 2010.

b. What were the roles and responsibilities of the NAMA NIAC?

RESPONSE:

The role of the NIAC was to provide advice and to make recommendations to the Board on Northern Ireland matters. The purpose and objectives of the NIAC are set out in its Terms of Reference (copy attached) as below:

- Making recommendations to the Board on matters pertaining to Northern Ireland in the context of NAMA's objectives and functions as set down in Sections 10 and 11 of the Act.
- Ensuring these recommendations include the Committee's view in relation to the impact on Northern Ireland of the implementation of the Board's strategy.
- Making recommendations to the Board concerning strategy for NAMA in so far as it relates to the Northern Ireland assets.

In carrying out its work, the Committee engaged extensively with a broad range of relevant public and private bodies with a view to furthering mutually beneficial commercial initiatives in Northern Ireland.

For instance, in 2013, the NIAC engaged with bodies such as the NI Office (including the Secretary of State), the NI Chamber of Commerce, CBI Northern Ireland, the

Federation of Small Businesses, the NI Assembly and Business Trust, Invest Northern Ireland, the Northern Ireland Housing Executive, the Federation of NI Housing Associations, various NI housing associations, city councils, the Ulster Society of Chartered Accountants in Ireland, the Northern Ireland Centre for Economic Policy in University of Ulster, the NI Department of the Environment and the NI Planning Service.

A vital element of the Committee's engagement activity was its constructive working relationship with the Northern Ireland Executive and Assembly and key political stakeholders regarding NAMA's plans for Northern Ireland. The Chairman of the Board and members of the NIAC met with senior public representatives on a regular basis and provided briefings, whenever requested, to NI political parties.

The NIAC had no role in relation to NAMA debtors or the assets securing their loans. No discussion of particular debtors or particular assets was permitted at NIAC meetings. No specific information relating to debtors or assets was ever provided to external members of the NIAC and the NIAC had no decision-making powers.

c. Did DFP play any role in establishing the NAMA NIAC?

d. What was the nature of any such role?

e. What actions, of any, did DFP take in relation to the establishment of the NAMA NIAC?

RESPONSE:

The NIAC was established in January 2010 at the suggestion of the then Minister for Finance, Mr. Brian Lenihan. NAMA consulted with Minister Lenihan who in turn consulted with the Northern Ireland Executive. Following this consultation process, the Department of Finance wrote to NAMA on 21 April 2010 indicating the Minister's agreement to the appointments of Mr. Brian Rowntree and Mr. Frank Cushnahan as external members of the NIAC. In May 2010, the NAMA Board decided to appoint Mr. Rowntree and Mr. Cushnahan to the NIAC.

NAMA has no knowledge of the role, if any, played by the DFP in the consultation process.

f. Please provide details of any and all communications between NAMA and DFP relating to the establishment of the NAMA NIAC.

g. Please provide details of any and all meetings between NAMA and DFP in relation to the establishment of NAMA NIAC to include details of attendees, invitees, communications, agendas and minutes.

h. Please explain the process of appointments to the NAMA NIAC.

i. Did DFP play a role in suggesting potential appointees to NAMA for the NAMA NIAC?

j. If so, why did DFP play a role; and what action did it take in this regard? Please provide details of any and all communications between NAMA and DFP relating to NAMA NIAC appointments.

k. Please provide details of any and all meetings between NAMA and DFP in relation to NAMA NIAC appointments to include details of attendees, invitees, communications, agendas and minutes.

RESPONSE:

Please see response to Q2 (c), (d) and (e). NAMA had no engagement with the DFP on the establishment of the NIAC.

l. Please explain the nature of the relationship between the NAMA NIAC and DFP.

m. Please explain the mechanisms of communication between NAMA NIAC and the DFP, including who would communicate, how, why and when.

RESPONSE:

Please see response to Q1 (c) and (d) above.

n. Were there any communications or meetings between NAMA (including NAMA NIAC) and DFP about resignations and or resignees from the NAMA NIAC?

o. If so, please provide details of any and all communications between NAMA and/or NAMA NIAC and DFP relating to NAMA NIAC resignations.

RESPONSE:

No.

p. Please provide details of any and all meetings between NAMA (including NAMA NIAC) and DFP in relation to NAMA NIAC resignations to include details of attendees, invitees, communications, agendas and minutes.

RESPONSE:

Please see response to 2 (n) above.

3) Communications and meetings generally

a. Did NAMA (including NAMA NIAC) communicate and/or hold meetings with DFP about the NI property loan portfolio?

b. In relation to any and all such communications, please provide full details including copies, notes and minutes.

c. In relation to each of any such meetings, please provide details of attendees, invitees, communications, agendas and minutes.

d. Did NAMA (including NAMA NIAC) communicate and or hold meetings with DFP about any other NAMA assets that NAMA held or holds in NI, if any?

e. In relation to any and all such communications, please provide full details including copies, notes and minutes.

f. In relation to each of any such meetings, please provide details of attendees, invitees, communications, agendas and minutes.

g. Please provide details of any communications by NAMA (including NAMA NIAC) with any party in relation to the NI property loan portfolio of which DFP was on notice.

h. In relation to any and all such communications, please provide full details including copies, notes and minutes.

i. Please provide details of any meetings between NAMA (including NAMA NIAC) and any party in relation to the NI property loan portfolio of which DFP was given notice.

j. In relation to any such meetings attended by DFP, please provide details of attendees, invitees, communications, agendas and minutes.

RESPONSE:

Please see response to Q1 (c) and (d) above.

4. Discounted sale price of the NI property loan portfolio

a. Did NAMA (including NAMA NIAC) and DFP communicate about the strategic decision to sell the NI property loan portfolio in one tranche in 2014?

b. If yes, what was communicated, when and by whom?

c. And what action, if any, was taken, when and by whom?

d. Did NAMA (including NAMA NIAC) and DFP communicate about how it could be ensured that NI interests were protected?

e. If yes, what was communicated, when and by whom?

f. And what action was taken, if any, and when and by whom?

RESPONSE:

NAMA informed the DFP of the planned sale of the NI loan portfolio shortly before the sale was publicly announced in January 2014.

This was a commercial decision of the Board of NAMA and NAMA did not communicate with the DFP about the protection of NI interests.

As pointed out by the NAMA Chairman to the PAC on 9 July 2015, NAMA received a copy of a 'letter of interest' on 17 January 2014 from the principal private secretary to the NI First Minister relating to the proposed management of the Northern Ireland portfolio. The letter appeared to summarise an agreement between PIMCO and the Northern Ireland Executive and its purpose was to require the purchaser of the portfolio to enter into a Memorandum of Understanding (MOU) with the government of Northern Ireland, confirming certain fundamental conditions relating to the future

management of the portfolio. NAMA did not engage further in regard to the draft letter.

As outlined by an official of the Department of Finance, Mr. Declan Reid, to the PAC on 9 July 2015, NAMA and the Department first became aware of the existence of the MOU during a call in January 2014 which included Minister Noonan, First Minister Robinson, Mr. Ronnie Hanna (then Head of Asset Recovery in NAMA) and Mr. Reid. During this call, First Minister Robinson indicated that he had concerns about how NAMA, or any owner of the Northern Ireland loans, would manage the loans of NI debtors in the interests of the Northern Ireland economy. He indicated that he would seek to put a letter of intent, or MOU, in place with potential bidders for the NAMA portfolio. The First Minister was advised to forward a copy to NAMA for Mr Hanna's attention. However, as indicated, NAMA did not engage further in regard to the draft letter.

g. Did NAMA (including NAMA NIAC) work with DFP to secure a sale that would maximise potential market value? If yes, how?

RESPONSE:

The DFP had no involvement in the sales process. The sale of the portfolio was a matter solely for the NAMA Board by reference to the independent commercial mandate given to it by the Oireachtas. The Board is satisfied that it secured maximum market value for the portfolio.

h. Did NAMA (including NAMA NIAC) and DFP communicate about the data quality and the methodology used by NAMA to estimate the par value of the assets?

(i) If yes, what was communicated, when and by whom?

(ii) If yes, action was taken, if any, and when and by whom?

RESPONSE:

No. The management and sale of loans and the assets securing them is solely a matter for NAMA by reference to its independent commercial mandate.

i. Did NAMA (including NAMA NIAC) and DFP communicate about bidders' offers before the sale was agreed?

(i) If yes, what was communicated, when and by whom?

(ii) If yes, what action was taken, if any; when and by whom?

RESPONSE:

No communication occurred regarding any bids.

5) Open and competitive sales process

a. Did NAMA conduct an open and competitive sales process in relation to the sale of the Northern Ireland property loan portfolio?

b. If so, please detail how NAMA ensured that the sales process was open and competitive.

RESPONSE:

The Eagle loan portfolio was openly marketed by Lazard, NAMA's appointed loan sales agent. NAMA is satisfied that the sales process for Project Eagle was robust, open and competitive and that it secured the best outcome for Irish taxpayers.

As with any of its sales processes, a key consideration for NAMA was that all parties which were interested in bidding and had the capacity to submit credible bids to Lazard were given the opportunity to do so and that all bidders were treated equally and fairly throughout the process.

At a meeting on 12 December 2013, the NAMA Board decided that the portfolio should be openly marketed as part of a competitive process; the Board also set a minimum price below which it would not be willing to proceed with a sale. This minimum price reflected NAMA's valuation of the underlying assets.

At a further meeting on 8 January 2014, the Board approved the appointment of Lazard to advise NAMA on the appropriate marketing approach and to oversee the sales process. It was envisaged that this would involve marketing to suitable targeted bidders who would have the financial wherewithal to submit credible bids on the portfolio. Lazard invited nine major global investment groups to participate in a competitive sales process (Project Eagle).

On 10 March 2014, PIMCO, one of the potential bidders, informed NAMA that its compliance staff had discovered that PIMCO's proposed fee arrangement with Brown Rudnick included a proposed payment of fees to Tughans, the legal firm who acted as

a subcontractor for Brown Rudnick and a proposed payment of fees to a former external member of the NIAC, Mr. Frank Cushnahan. NAMA viewed this disclosure as a very serious development and the NAMA Board met on 11 March 2014 to consider the most appropriate course of action. The Board decided that if PIMCO did not withdraw, NAMA could not permit them to remain in the sales process.

On 12 March 2014, NAMA indicated its serious concerns to PIMCO regarding the proposed fee arrangement and, in particular, the proposed fee payment to the former member of the NIAC. On 13 March 2014, PIMCO informed NAMA that it would withdraw from the Project Eagle sales process.

NAMA and Lazard continued to engage with the remaining bidders and Cerberus emerged as the highest bidder for the loan portfolio. In light of the matter disclosed to it by PIMCO in March 2014, before confirming Cerberus as its preferred bidder, NAMA, sought, and received, confirmation from Cerberus that no fee was payable to any person connected with NAMA in relation to any aspect of Project Eagle. The proposed sale to Cerberus was announced in April 2014 and completed on 20 June 2014.

The sale was conducted in line with best international practice and all bidders had access to the same detailed information on the portfolio. NAMA took care at all stages to ensure that the integrity of the sales process was fully protected and the NAMA Board acted quickly and decisively as soon as the proposed fee arrangement to a former NIAC member came to light.

c. Did NAMA (including NAMA NIAC) and DFP communicate about any potential conflicts of interest (perceived or actual) relating to the sales process?

(i) If yes, what was communicated, when and by whom?

(ii) If yes, what action, if any, was taken, when and by whom?

RESPONSE:

No.

d. Did NAMA (including NAMA NIAC) and DFP communicate about complaints (past or current), if any, about the sales process relating to the NI property loan portfolio?

(i) If yes, what was communicated, when and by whom?

(ii) If yes, what action was taken, if any; when and by whom?

RESPONSE:

No.

6) Fee arrangements

e. Did NAMA (including NAMA NIAC) and DFP communicate about arrangements, agreements, negotiations or expectations relating to the payment of fees (potential or actual) relating to the sale of the NI property loan portfolio?

(i) If yes, what was communicated, when and by whom?

(ii) And what was any action taken, if any; when and by whom?

RESPONSE:

No.

**NAMA responses to additional questions submitted to it by the
Finance and Personnel Committee of the Northern Ireland Assembly
on 2 September 2015**

1. What was the role of the NIAC to NAMA, what information would members have access to, can NIAC minutes be made available to the Committee?

Please see responses to Q2 (b) above.

NIAC meeting minutes are available at Appendix 4 below.

2. How did NAMA manage issues of conflict of interest? Were all conflicts of interest with regard to the NIAC fully disclosed and recorded?

All NAMA Board and Board committee members are required to disclose their interests on an updated basis in January of each year and, should a potential or real conflict arise in relation to an upcoming Board or committee agenda item, members are required to disclose any interest they may have and to absent themselves from the relevant meeting for that item. As with other NAMA committees, members of the NIAC were obliged to abide by these requirements and any declarations made by NIAC members were duly recorded.

3. How were members of the NIAC selected and did NAMA officials have any role in the selection process?

Please see responses to Q2 (a) and Q2 (c)/(d)/(e) above.

4. Since being established, did Board members of NAMA (including NIAC members) or officials or staff meet with relevant Ministers of the NI Executive and/or DFP officials or staff and if so when and who was in attendance? Can minutes be provided of these?

Meetings were held on a regular basis between NAMA and Ministers and officials of the NI Executive. Details are set out in Appendix 1 below.

5. Provide a full list of all official meetings NAMA had in the North, who they were with and where they were held?

Please see Appendix 1 below. The meetings were held in Parliament Buildings, Stormont.

6. When did NAMA become aware that PIMCO had an interest in purchasing the NI loan book?

NAMA first became aware that PIMCO had an interest in acquiring the loan portfolio of NI debtors in September 2013.

7. Were NAMA aware of any unsolicited third-party approach made to PIMCO in this regard? If so, when did you become aware and who was the third party involved?

NAMA was not aware of any such approach.

8. Can you confirm and disclose all relevant correspondence including minutes and agenda relating to meetings with relevant Ministers and departmental officials and NAMA in relation to PIMCO.

There were no such meetings.

9. Did any of the NIAC members attend any meeting with NAMA in relation to the bid by PIMCO?

No.

10. What other assets do NAMA hold in NI?

11. What is the nature of those assets?

The residual loan portfolio secured by property assets located in NI is worth less than €50m.

12. Is NAMA aware of any attempts by former advisors to NAMA to invite the purchase of assets in NI by potential buyers?

No.

13. Has NAMA received any approaches in relation to the potential purchase of assets in NI?

In relation to assets within the Eagle portfolio, please see response Q5 (a)/ (b) above. The residual loan portfolio secured by property assets located in NI is worth less than €50m. No approach has been made to purchase this residual portfolio as part of a single transaction.

The property assets involved are likely to be sold on an asset-by-asset basis as part of the workout process for particular debtors.

14. What is NAMA's disposal strategy for NI assets?

Please see responses to Q1 (a), (b) and (f) and to Q13 above.

15. Has NAMA made any changes to its processes in response to its experience of the sale of the NI portfolio to ensure that best value is achieved?

NAMA is satisfied that its loan sales process meets best practice international standards. This is recognised in the global loan sales market where NAMA enjoys a strong reputation for the quality of information that is provided in its data rooms and for the transparent and professional manner in which all loan sales transactions have been completed to date.

The key consideration for NAMA in any loan sale process is that all interested parties are given the opportunity to bid and all bidders are treated equally and fairly. NAMA insists on the open marketing of loans through experienced loan sales advisors. It insists also that all bidders are given access to the same information, including all loan agreements, security and title information, data tapes, lease information and tenancy

schedules. All bids are evaluated on the same basis.

NAMA now requires that purchasers of its loan portfolios confirm to it in writing that no fees have been paid or are payable to any current or former member of the NAMA Board, any current or former member of the NAMA executive, any current officer of NAMA, any person who was an officer of NAMA in the six months preceding the date of confirmation or any current or former member of a NAMA advisory committee.

Appendices

- A list of meetings and of attendees of meetings between NAMA and Minister for Finance and Personnel/DFP (**Appendix 1**).
- A breakdown (by value) of the Northern Ireland portfolio as it was at the point of the Project Eagle sale (**Appendix 2**).
- A transcript of the proceedings of the Dáil Public Accounts Committee meeting of 9 July 2015 at which the NAMA Chairman, Mr. Frank Daly, and the NAMA CEO, Mr. Brendan McDonagh, responded to questions from members of the Committee about the sale of the loan portfolio of debtors based in Northern Ireland (**Appendix 3**).
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Appendix 1

- Meetings between NAMA and Minister for Finance and Personnel/DFP.

Date	NAMA Attendees	MFP (NI)	DFP (NI)
24 th January 2011	Ronnie Hanna NAMA Head of Asset Recovery Jonathan Milligan NAMA Senior Divisional Manager Frank Cushnahan NAMA Northern Ireland Advisory Committee (NIAC)		Richard Pengelly Public Spending Director, DFP
7 th March 2011 ¹	Frank Daly NAMA Chairman Brendan McDonagh NAMA CEO Peter Stewart NAMA Board Members & Chairman of NAMA NIAC (Mr Stewart resigned both positions on 10 th October 2011) Brian Rowntree NIAC Frank Cushnahan Ronnie Hanna	Peter Robinson First Minister Martin McGuinness Deputy First Minister Sammy Wilson MFP	
28 th June 2011	Peter Stewart Frank Cushnahan Jonathan Milligan	Minister Sammy Wilson Simon Hamilton Assembly Private Secretary to the Minister	Richard Pengelly Siobhan Tweedie MFP Private Office
16 th December 2011	Frank Daly NAMA Board Chairman & Chairman of NAMA NIAC (Mr Daly replaced Mr Stewart as NIAC Chairman with effect from 13 th October 2011) Brian Rowntree Frank Cushnahan Ronnie Hanna Jonathan Milligan	Minister Sammy Wilson	Richard Pengelly Siobhan Tweedie
18 th June 2012	Frank Daly Willie Soffe NAMA Board Member & NIAC Member Brian Rowntree	Minister Sammy Wilson	Bill Pauley Strategic Policy Division, DFP Siobhan Tweedie

¹ This was an introductory meeting.

	Frank Cushnahan Ronnie Hanna Jonathan Milligan		
10th December 2012	Frank Daly Brian Rowntree Frank Cushnahan Ronnie Hanna Jonathan Milligan	Minister Sammy Wilson	Bill Pauley Siobhan Tweedie
22nd April 2013	Frank Daly Frank Cushnahan Ronnie Hanna Martin Whelan NAMA Head of Relationship Management	Minister Sammy Wilson	Tony Simpson Strategic Policy Unit, DFP Kim Burns Senior Press Officer, DFP
7th October 2013	Frank Daly Brian Rowntree Frank Cushnahan Ronnie Hanna Jonathan Milligan Martin Whelan	Minister Hamilton Simon	Bill Pauley Siobhan Tweedie

Conference Calls between NAMA and MFP

Date	NAMA Attendees	MFP	DFP
19th December 2013	Frank Daly Jonathan Milligan	Minister Simon Hamilton	
7th January 2014	Frank Daly Jonathan Milligan	Minister Simon Hamilton	
8th January 2014	Frank Daly Jonathan Milligan	Minister Simon Hamilton	

Courtesy Calls between NAMA and MFP

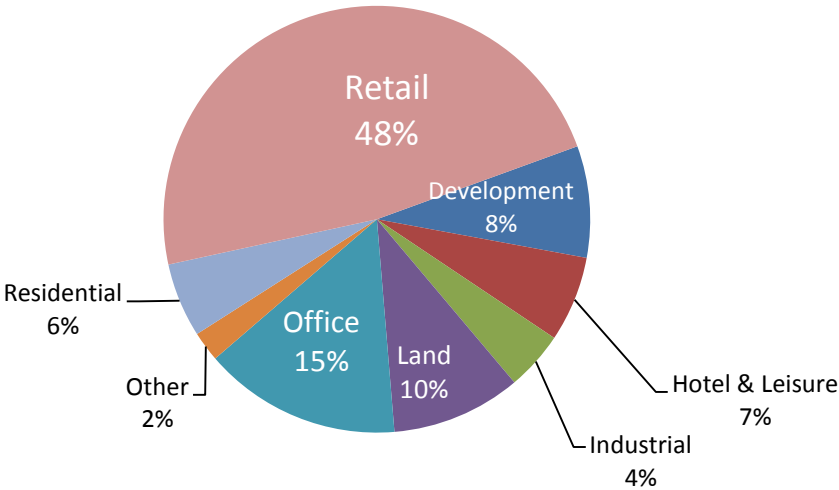
Date	NAMA Attendees	MFP	Note
3 rd April 2014	Frank Daly	Minister Simon Hamilton	Call to inform the NI MFP that NAMA had agreed and was about to issue a statement that on the sale of the portfolio to Cerberus
3 rd April 2014	Frank Daly	First Minister Peter Robinson	At the request of Minister Hamilton, the NAMA Chairman also advised the First Minister

Appendix 2

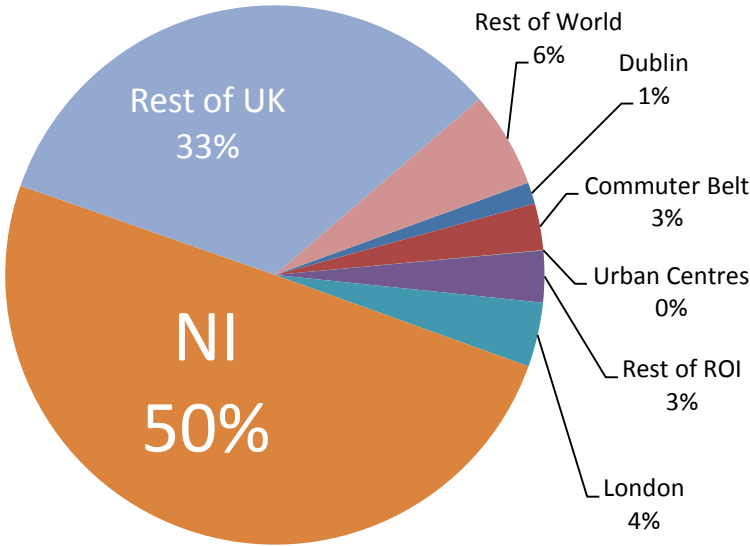
- A breakdown (by value) of the Northern Ireland portfolio as it was at the point of the Project Eagle sale.

Debtor connections included in Eagle	55
Assets sold	794
Units sold	4,118

Project Eagle Portfolio by asset sector



Project Eagle Portfolio by jurisdiction



Appendix 3

- A transcript of the proceedings of the Dáil Public Accounts Committee meeting of 9 July 2015 at which the NAMA Chairman, Mr. Frank Daly, and the NAMA CEO, Mr. Brendan McDonagh, responded to questions from members of the Committee about the sale of the loan portfolio of debtors based in Northern Ireland.








AN COISTE UM CHUNTAIS PHOIBLÍ
COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 9 Iúil 2015.

Thursday, 9 July 2015.

The Committee met at 09:30



MEMBERS PRESENT:

  Deputy Paul J. Connaughton,	  Deputy Mary Lou McDonald,
  Deputy Joe Costello,	  Deputy Patrick O'Donovan,
  Deputy John Deasy,	  Deputy John Perry,
  Deputy Robert Dowds,	  Deputy Shane Ross.
  Deputy Sean Fleming,	



  DEPUTY JOHN MCGUINNESS IN THE CHAIR.

Mr. Seamus McCarthy (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.



Business of Committee



Chairman:   The first part of our meeting today will deal with the financial statements of the National Asset Management Agency, NAMA, for 2014, where we will deal with Project Eagle. The committee will examine the financial statement in full in the early autumn. It is proposed to break at 1 p.m. and resume at 2 p.m. If we have dealt with NAMA, at 2 p.m. we will resume with the Department of Education and Skills special report.

I am reminded by the clerk that Mr. McDonagh and the other representatives of NAMA are due to appear before the banking inquiry at 2 p.m.



Deputy Sean Fleming:   What is the sequence of speakers today?

Chairman:   Deputy Ross is the lead speaker.

Deputy Sean Fleming:   Will you put my name on the list? I must go to the Chamber for 10.30 a.m. so I will be gone for a while, but I will be back.

Chairman:   Yes.

Deputy Paul J. Connaughton:   It will be all sorted at that stage.

Deputy Sean Fleming:   Hopefully.

Deputy Paul J. Connaughton: Deputy Ross will have it sorted. We will have all the answers we need.

Deputy John Deasy: Deputy Ross might not want to go first.

Deputy Mary Lou McDonald: He might, but I suggest to him not to bow to the Fine Gael-Fianna Fáil axis and to stay strong.

Deputy John Deasy: Will we be doing the other correspondence and normal housekeeping later?

Chairman: Yes, at 2 p.m.

National Asset Management Agency: Financial Statements 2014

Mr. Brendan McDonagh (*Chief Executive, NAMA*) and **Mr. Frank Daly** (*Chairman, NAMA*) called and examined.

Chairman: I advise the witnesses that they are protected by absolute privilege in respect of the evidence they are to give this committee. If they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a Member of either House, a person outside the House or an official by name or in such a way as to make him or her identifiable. Members are reminded of the provisions of Standing Order 163 that a committee should also refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government or the merits of the objectives of such policies. I welcome Mr. Brendan McDonagh, CEO of NAMA, and ask him to introduce his officials.

Mr. Brendan McDonagh: I wish the Chairman and Deputies a good morning. To my right is Mr. Frank Daly, chairman of NAMA, to his right is Mr. Michael Moriarty, head of asset recovery, to my left is Ms Aideen O'Reilly, head of legal, and to her left is Mr. Declan Reid from the Department of Finance.

Chairman: They are all very welcome. Before I ask the Comptroller and Auditor General for his statement, I remind members, witnesses and those in the Visitors Gallery to please turn off their mobile phones.

Mr. Seamus McCarthy: The National Asset Management Agency is tasked under the National Asset Management Agency Act 2009 with acquiring loans from certain Irish financial institutions, protecting and enhancing the value of the assets that it has acquired and ultimately disposing of those assets or the underlying collateral in a timely manner. A key objective for NAMA in its management and ultimate disposal of the assets is to maximise the return to the State.

The financial statements for 2014 received a clear audit report, which issued on 29 April 2015. Without qualifying my audit opinion, I have drawn attention to note 2.1 in the financial

statements. This describes NAMA's main funding source, which is in the form of short-term borrowing, with a Government guarantee. The note explains the basis on which the board is satisfied that it was appropriate to prepare the financial statements on a going concern basis.

Some of the key financial highlights for 2014 are that NAMA generated a profit, after impairment, of €458 million; interest on loans recognised in the year amounted to €950 million; around €7.6 billion was raised in 2014 from asset sales, which were divided between sales of loan assets amounting to €3.4 billion and sales of underlying collateral amounting to €4.2 billion; the 2014 impairment charge was €137 million; the total accumulated impairment charge to end 2014 was €3.5 billion, reflecting the deterioration in NAMA's expectation of total loan asset cashflows relative to the value of the remaining loans when they were taken on; the carrying value of loans and receivables at end 2014 was €16.9 billion, before impairment; and by end 2014, NAMA had redeemed €16.6 billion of its initial borrowing.

The largest single disposal of loan assets undertaken by NAMA since its establishment was in relation to a bundle of debtor connection portfolios disposed of in 2014. The disposal was code named Project Eagle, and involved the bundling of the loans of all 55 debtor connections based in Northern Ireland. The loans were secured by around 900 property assets and around 68% of the properties were located in Northern Ireland itself, 18% in the rest of Ireland, 12% in Great Britain and 2% elsewhere.

We have drawn up a figure, now on screen, to try to summarise the Project Eagle transaction. At the time the loan bundle was sold, the par value of the loans, which is the amount the borrowers collectively owed NAMA, amounted to a total of around €5.7 billion. The carrying value of the loans before impairment was just under €2.2 billion. The difference of €3.5 billion, or 61% of the par value, is accounted for mainly by the discount in the price paid by NAMA to the relevant banks when it acquired the loans in the bundle.



Much of the Project Eagle borrowing was in sterling and the sale was in sterling. All the values, as presented in the figures on screen, are in euros, which is how they are accounted for in the NAMA accounts. When the bundle of loans was sold, and after payment of disposal costs, NAMA received net proceeds from the sale amounting to just under €1.4 billion. As a result, the total loss on disposal was around €783 million. This was made up of impairment provisions previously booked amounting to €572 million that crystallised when the sale went through plus a further loss of €211 million incurred on disposal.

Under section 226 of the National Asset Management Agency Act, I am required every three years to carry out a review of the progress NAMA has made towards achieving its overall objectives. Members will recall that the first report related to the period up to the end of 2012, which the committee examined last May or so. The next report will cover NAMA's progress up to the end of 2015. I reported in the first report on loan sales by NAMA up to the end of 2012. Our analysis indicated that those sales resulted in NAMA securing net proceeds of €1.4 billion. Unlike Project Eagle, those disposals, taken together, resulted in a gain for NAMA of around €112 million over and above the carrying value of the loans.

Members may recall that, in the report, I recommended the NAMA board set an overall target rate of return and targets for the overall rates of return on disposals and on property that NAMA decides to hold and-or invest in. These are the kinds of benchmarks commonly used by investors to guide investment and divestment decisions. However, NAMA disagreed on the relevance of such measures for its business, on the basis that they would act as an

unnecessary constraint on its flexibility, given the imperative that it be open to commercially sensible disposal opportunities when they arise.

I previously indicated to the committee that, when preparing the next section 226 report, I intended to look in detail at a sample of NAMA disposals and a sample of properties held by it for investment. Given the scale of the loss incurred on the Project Eagle disposal, it was and remains my intention to examine that disposal further in the course of that work. As I mentioned here a couple of weeks ago, planning work on the section 226 examination has commenced.

Chairman:   I thank Mr. McCarthy. I now call Mr. Frank Daly to make his opening statement.

Mr. Frank Daly: I thank the chairman and wish him and the Deputies a good morning. The committee has invited us today to outline the background to the sale of the loans of Northern Ireland debtors, Project Eagle, and the process which was followed by NAMA in securing the sale. We welcome the opportunity to put the facts on the record, that is, the fact as they are known to us. In so far as there may have been some wrongdoing on the part of certain individuals at the periphery of the transaction in Northern Ireland - individuals who acted as advisers to potential purchasers - we are not in a position to comment as we have no knowledge of what may have taken place. The facts, as they pertain to those individuals and their activities, are a matter for authorities in Northern Ireland to establish. I note that in the past 24 hours, the PSNI has indicated it would be looking at that aspect of this issue.

However, in view of the very extensive commentary around this issue in recent days, which has conflated alleged wrongdoing involving individuals in Northern Ireland with the sale by NAMA of Project Eagle, I wish at the outset today to make four points very clear. The NAMA sale process for Project Eagle was robust, competitive, and competitive right to the end, and secured the best outcome for the Irish taxpayer. When NAMA became aware of a concern surrounding the participation of one of the bidders for Project Eagle, we immediately, and without hesitation, took steps to ensure that bidder withdrew from the process. The third point is that no pressure from any source, political or otherwise, influenced NAMA in regard to the decision to sell the loans of Northern Ireland debtors or the decision to accept the winning bid from Cerberus. The fourth point is that if a payment did find its way to an account in the Isle of Man, as has been alleged, then wherever such a payment came from, it most certainly did not come from NAMA or from proceeds due to NAMA under this sale. In fact, NAMA had no knowledge of this alleged payment to Mr. Coulter by Brown Rudnick until recent days when it was put into the public domain. I will outline the sequence of events in this sale. As chairman both of the NAMA board and, since October 2011, the Northern Ireland advisory committee, I feel I am well placed to outline this sequence of events that led to the sale of the Project Eagle portfolio. We first became aware of investor interest in purchasing the portfolio after the Minister for Finance, Deputy Michael Noonan, passed to us a letter he had received from the Northern Ireland Minister for Finance and Personnel, Mr. Sammy Wilson, on 24 June 2013. Mr. Wilson enclosed a copy of a letter, of the same date, that he had received from a law firm, Brown Rudnick, in which Brown Rudnick indicated that clients of the company were interested in acquiring the Northern Ireland loan portfolio. In his reply on 25 July 2013, and after his Department had consulted with us, the Minister, Deputy Noonan, pointed out to Mr. Wilson that parties interested in acquiring NAMA loans or assets securing NAMA loans should make direct contact with NAMA. The Minister, Deputy Noonan, also drew attention to NAMA's policy that loan and

asset sales should be openly marketed and he furthermore pointed out that NAMA did not favour granting exclusive access to any potential purchaser as that would militate against achieving optimal value for the assets concerned. I understand that the Department of Finance proposes to circulate copies of the Minister's correspondence with Mr. Wilson.

In September 2013, Brown Rudnick made an unsolicited approach to NAMA and indicated that one of its clients, PIMCO, was interested in acquiring NAMA's Northern Ireland loan portfolio. In its subsequent engagement with NAMA, PIMCO indicated a preference for a closed transaction, which did not involve open marketing of the portfolio. The board agreed that senior NAMA staff should engage further with PIMCO but with a view ultimately to completing an openly marketed loan sale in line with board policy. On 4 December 2013, PIMCO submitted a bid expressed in terms of a price range with the final price to be determined after due diligence. PIMCO indicated that its preference remained that the sale would be a closed transaction.

At a meeting on 12 December 2013, the NAMA board decided that the portfolio should be openly marketed as part of a competitive process; the board also set a minimum price below which it would not be willing to proceed with a sale. This minimum price reflected NAMA's valuation of the underlying assets. At a further meeting on 8 January 2014, the board approved the appointment of Lazard to advise NAMA on the appropriate marketing approach and to oversee the sales process. It was envisaged that this would involve marketing to suitable targeted bidders who would have the financial wherewithal to submit credible bids on the portfolio. On 17 January 2014, NAMA received from the principal private secretary to the Northern Ireland First Minister a copy of a "letter of intent" relating to the proposed management of the Northern Ireland portfolio. The letter appeared to summarise an agreement between PIMCO and the Northern Ireland Executive and its purpose was to require the purchaser of the portfolio to enter into a memorandum of understanding with the government of Northern Ireland, confirming certain fundamental conditions relating to the future management of the portfolio. NAMA did not engage further in regard to the draft letter. I understand the draft letter of intent is also being released today.

On 10 March 2014, PIMCO informed NAMA that its compliance staff had discovered that PIMCO's proposed fee arrangement with Brown Rudnick included also the payment of fees to Tughans, a Belfast law firm, and to a former external member of NAMA's Northern Ireland advisory committee. PIMCO named that individual as Mr. Frank Cushnahan. Our understanding was that PIMCO and Brown Rudnick had been engaging since September 2013, and possibly earlier, but it appears that its compliance staff only became aware of the "fee-sharing" arrangement in early March 2014. It is not clear to us whether this late discovery arose because of internal communications issues within PIMCO or between PIMCO and Brown Rudnick.

A special meeting of the NAMA board was convened on 11 March 2014, the following day. The board viewed PIMCO's disclosure as a very serious development and it considered the most appropriate course of action. Whereas the former Northern Ireland advisory committee member was no longer a member of the committee at the time of the disclosure - he had resigned on 8 November 2013 - and never had access to confidential information, the board considered that the proposed fee arrangement could undermine the integrity of the sales process. The board decided that if PIMCO did not withdraw, NAMA could not permit it to remain in the sales process. On 12 March 2014, NAMA indicated its serious concerns to PIMCO about the proposed fee arrangement to the former member of the Northern Ireland

advisory committee. On 13 March 2014, PIMCO informed NAMA that it would withdraw from the Project Eagle process. I understand that in recent days PIMCO has disputed the facts as outlined above and suggested that its withdrawal from the sales process was voluntary. I do not propose to enter into a debate with PIMCO as to the meaning of the word "voluntary". Suffice it to say that it was left in no doubt that if the withdrawal was not voluntary, it would have to be involuntary.

Lazard engaged with a total of nine potential purchasers, including PIMCO, during the first quarter of 2014 and, at the end of the process, the best bid from the two remaining bidders was received from Cerberus. I say in response to some insinuation in the past few days that the other remaining bid was not from PIMCO. The Cerberus bid was accepted by the board on 3 April and announced on 4 April 2014. The transaction was completed in June 2014.

For the avoidance of doubt, no fee payment was made by NAMA to Brown Rudnick. NAMA had very limited engagement with Tughans on this sale and did not instruct Tughans to advise it on any aspect of the sale. Fees totalling €7,839 were paid to Tughans as payment for delivery of title documents and assistance with due diligence queries. NAMA's legal adviser on Project Eagle was Hogan Lovells.

Cerberus has stated that it made a fee payment to Brown Rudnick and that Brown Rudnick advised that the fee would be shared with Tughans. Cerberus state that this was payment for strategic advice relating to the sales process and for work that Brown Rudnick and Tughans had already carried out on the portfolio. From NAMA's perspective, there would have been no reason to question why a purchaser of a loan portfolio would have been making payments to two law firms. What did concern us, based on PIMCO's disclosure, was the possibility that a payment would have been made to a former member of the Northern Ireland advisory committee. We sought and received written confirmation from Cerberus at the time that no fees were paid to any party with a connection to NAMA. Cerberus confirmed the position as follows:

We confirm that no fee, commission or other remuneration or payment is payable to any current or former member of the board of the National Asset Management Agency (NAMA), any current or former member of the executive of NAMA or any current or former member of an advisory committee of NAMA in connection with any aspect of our participation in the Project Eagle sales process.

I am confident that the NAMA board acted quickly and decisively and took every measure available to it to protect the integrity of the sales process as soon as the proposed fee arrangement came to light.

Tughans, in its recent statement, indicated "that a former partner diverted to an account of which he was the sole beneficiary professional fees due to the firm without the knowledge of the partners". Tughans also confirmed that the individual in question no longer works for the firm and that the company has "reported the circumstances of the departure of the former partner to the Law Society". These disclosures by Tughans are a matter for that company and they had no impact on the competitive sales process run on behalf of NAMA. If there are suggestions that there was wrongdoing by certain parties, it is a matter for the Northern Ireland authorities to investigate them. Given the facts as outlined above, it would be entirely wrong and dishonest to conflate NAMA's process with the unrelated Tughans issue.



I will outline the role played by the Northern Ireland advisory committee with regard to NAMA's activities in Northern Ireland. NAMA has four statutory committees – the audit committee, the credit committee, the finance and operating committee and the risk management committee - established under section 32 of the NAMA Act. Section 33 of the Act provides that the board may establish such advisory committees as it considers necessary or desirable to advise it in the performance of its functions. The NAMA board established two such committees, the planning advisory committee and the Northern Ireland advisory committee, the NIAC. The latter was established in 2010 at the suggestion of the late Minister for Finance, Mr. Brian Lenihan. The Minister felt the committee would be useful in advising the board on the strategy for Northern Ireland assets. Following consultation with the Minister, who in turn I understand had consulted the Northern Ireland Executive, the NAMA board decided in May 2010 to appoint Mr. Brian Rowntree and Mr. Frank Cushnahan to the NIAC. From 2010 to 2011, the NIAC was chaired by Mr. Peter Stewart, who was a member of the board of NAMA. After Mr. Stewart's resignation from the board and from the NIAC in October 2011, I became chairman of the committee until its dissolution in September 2014.

I would like to clarify a few points regarding the role of the NIAC. Its role was to advise on the broad economic and social context in Northern Ireland in which NAMA was operating and on the overall state of the property market. The NIAC had no role in relation to NAMA debtors or the assets securing their loans. No discussion of particular debtors or particular assets was permitted at NIAC meetings. No specific information relating to debtors or assets was ever provided to external members of the NIAC and the NIAC had no decision-making powers. I am aware a former member of the NIAC, Mr. Brian Rowntree, has said in recent days that the NIAC was "kept in the dark" about the Project Eagle transaction. I agree. While the committee was informed at its meeting on 7 October 2013 that PIMCO had made an unsolicited approach to purchase the portfolio, it was made clear that key information and decisions relating to the portfolio were matters for the board of NAMA only. For the avoidance of any doubt, therefore, it is important to point out that external members of the NIAC did not have access to any information about the portfolio that would have been of value to a potential bidder. The board took the view for reasons that Mr. Brendan McDonagh will outline later that the best commercial option was to sell the portfolio on the basis that there was a limited prospect over a medium-term horizon of a significant improvement in values.



The sale of the Project Eagle portfolio received a broad welcome when it was first announced. The extent to which the sale has acted and may continue to act as a catalyst to stimulate activity in the Northern Ireland property market and in the economy more generally is to be welcomed. I am confident that the transaction will ultimately be seen as benefiting Northern Ireland and the taxpayers in the Republic. We have no difficulty in discussing NAMA's commercial rationale for the sale. All documents and records relating to the sale of Project Eagle were available to the Comptroller and Auditor General as part of his audit of the 2014 financial statements. We are aware that, as required by the NAMA Act, he is planning to initiate his second section 226 triennial review of NAMA, covering the 2012-15 period, over the coming months. The Comptroller and Auditor General has confirmed this plan this morning. He has also confirmed my assumption that this transaction will be one of those assessed as part of that review. On behalf of NAMA, I welcome the Comptroller and Auditor General's forthcoming review. I am confident it will show that we have acted commercially and properly. Regardless of the commercial aspects of this sale, we take great exception to any suggestion that anyone representing NAMA - a current or former board

member, or a current or former member of staff - was engaged in wrongdoing. I reiterate that if there has been wrongdoing at the periphery of this transaction in Northern Ireland, it has nothing to do with NAMA. In the absence of any evidence to the contrary, it is wrong and dishonest to claim otherwise.



I have read my statement as it was submitted to the committee. Before I conclude, I wish to make three short points about the coverage of this issue over the past 24 hours. First, there is no PSNI investigation of the sale of these loans by NAMA. The PSNI is investigating activities relating to the purchase of these assets, rather than their sale. That is a critical distinction. Second, there is no truth in the suggestion that €7 million of the sales proceeds of this transaction ended up in an Isle of Man account. NAMA received the full proceeds from this sale. The origin of that €7 million is not NAMA. There has been no suggestion that NAMA is the origin. Many media outlets are continuing to make this error. Third, it has been mistakenly claimed in the media that NAMA sold assets that were valued or worth approximately €5 billion for approximately €1.5 billion. Again, this is simply wrong. It is a very serious error. NAMA sold the assets for exactly what they were worth and not a cent less. The assets may or may not have been worth more years earlier. We will go into that in more detail later. The fall in their value resulted from the property crash. They were not worth anything more than the price achieved by NAMA when it sold them for €1.5 billion. Such errors are damaging NAMA and are misleading. I just wanted to put that on the record at the end of my statement.

Chairman:   Mr. Reid has made these letters available.



Mr. Declan Reid: That is correct.

Chairman:   Can he just tell us what they are?

Mr. Declan Reid: These are the letters to which Mr. Daly has just referred in his opening statement. They were received by the Minister, Deputy Noonan, from the then Northern Ireland Minister for Finance and Personnel following a meeting they had. The letters indicate that Brown Rudnick had approached the then Minister, Sammy Wilson, to say that it had identified two potential purchasers for the Northern Ireland portfolio of NAMA, that the potential purchasers had expressed an interest to Brown Rudnick and that Mr. Wilson was passing that interest on to the Minister, Deputy Noonan.

Chairman:   Okay.



Mr. Declan Reid: In turn, the Minister, Deputy Noonan, passed that interest on through myself to NAMA. The committee will see the response that the Minister, Deputy Noonan, provided back to Mr. Wilson, expressing that this was an issue for NAMA. Two considerations that were present in the Brown Rudnick letter were specifically addressed in the response from the Minister, Deputy Noonan: first, that any process would have to be open and competitive; and second, that any matters regarding exclusivity could not be considered.

Chairman:   Okay. Mr. Daly mentioned a memorandum of understanding in his opening statement.



Mr. Frank Daly: Yes.



Chairman:   That is not here.

Mr. Frank Daly: That is the draft letter of intent.



Chairman:   Can we have a copy of that?



Mr. Frank Daly: Yes, we can make a copy of that available to the committee.

Chairman:   It would be helpful for the meeting if we had a copy. Deputy Ross is the next speaker.



Deputy Shane Ross:   I think we need to get a statement from the chief executive, Mr. Brendan McDonagh, first.

Chairman:   I know. I was just indicating to Deputy McDonald that Deputy Ross will be called first.



Deputy Shane Ross:   Could we have approximately five minutes to read the correspondence before we go any further, or after Mr. McDonagh's statement?

Chairman:   Maybe we will hear Mr. McDonagh's statement next. I suppose it will clarify what we had and what had been given to us. I reiterate that a copy of the memorandum of understanding is not here. Perhaps it can be copied for the members. I would like to raise one other question for the purposes of clarification, seeing as we are sharing the documents. Are the minutes of meetings of the Northern Ireland council in relation to this whole sale available? Can they be made available?

Mr. Frank Daly: Is the Chairman seeking that they be made available to the committee?

Chairman:   Yes.



Mr. Frank Daly: We can certainly do so. We would be minded to do that if that is what the Chairman is asking us to do.

Chairman:   I think it would be helpful.



Mr. Frank Daly: There may be some references to particular debtors in it, although not very many. This would have nothing to do with Project Eagle, by the way.

Chairman:   We just want them for the purposes of this meeting.

Mr. Frank Daly: I want to be sure I am not breaching section 202 or section 90 of the Act.

Chairman:   Yes.



Mr. Frank Daly: We would certainly be prepared to make them available.

Chairman:   If Mr. Daly could provide that information-----



Mr. Frank Daly: There is five years of-----

Chairman:   It would be helpful to know who attended-----



Mr. Frank Daly: Yes.



Chairman:   -----and how this sale was managed, thought of or spoken about.

Mr. Frank Daly: In all of the meetings of the NIAC over five years - there would be four or five meetings a year - there was a reference to Project Eagle at just one meeting. I would have absolutely no problem in releasing that to the committee.

Chairman:   Okay.

Mr. Frank Daly: I refer to the meeting of 7 October 2013, at which I briefed the committee very generally on the fact that there had been an approach in relation to the Northern Ireland debtors and on the broad approach the board was taking. As far as I remember, that is the only reference to Eagle at any time in those minutes. I have already mentioned that another member of that committee feels he was "kept in the dark" in relation to Eagle. We can certainly release those.

Chairman:   It would be helpful if that could be done as soon as possible. Deputy McDonald wants to come in on this matter.

Deputy Mary Lou McDonald:   Is the document dated 17 January 2014 from the principal private secretary being copied?

Chairman:   Yes. I call on Mr. McDonagh to make his opening statement.

Mr. Brendan McDonagh: My chairman has provided the committee with a chronology of the sales process for Project Eagle. The board approved the sale because it took the view in early 2014 that it represented the best financial outcome for Irish taxpayers, taking a range of factors into account. The key point about the Eagle portfolio is the fact that five Irish banks advanced £4.5 billion to Northern Ireland-based debtors for property which subsequently lost over two thirds of its value.

Taking into account the Northern Ireland asset mix securing NAMA loans, we estimate that prices fell by over 50% from peak to the end of 2013. Lending by Irish banks to Northern Ireland debtors appears to have been particularly risky. Some 44% of the assets by number in the Eagle portfolio were land and development properties which were severely affected by the collapse in commercial and residential prices. Another 26% by number were residential assets. There was also a heavy concentration of lending secured by assets in regional UK which did not benefit from the strong recovery experienced in London after 2009. That element of the decline in asset values in Northern Ireland and regional locations in Britain which happened prior to November 2009 was reflected in the discounts applied when NAMA acquired the portfolio from the banks. The further decline in prices which took place after 2009, however, had to be absorbed by NAMA and, as was prudent, it took appropriate impairment provisions against the loans of Northern Ireland debtor connections which were fully reflected in each year's audited financial statements by the Comptroller and Auditor

General.

In accordance with international financial reporting standards, NAMA must recognise impairment in its financial statements, to the extent that it arises, in each accounting period. Cumulatively, the write-down against Northern Ireland debtor connections totalled €800 million between 2010 and 2014 and would mainly have reflected falling collateral values. The provisions were included in successive financial statements from 2010 onwards. They included a closing write-down of over €200 million which was recognised in the 2014 financial statements. Clearly, it was fully understood by the NAMA board and the executive that the impairment taken on this portfolio, while substantial, reflected poor lending decisions by the Irish banks in advancing £4.5 billion for the purchase of assets which were generally of mediocre or poor quality and which were seriously affected by the economic downturn primarily in Northern Ireland and regional UK.

In overall cash terms, taking into account disposal proceeds, non-disposal income, advances and the proceeds of the loan sale, the net cash loss to NAMA, in layman's terms, on the Northern Ireland portfolio was about €280 million. In January 2014 the board approved the sale of the Northern Ireland portfolio by reference to a minimum sale price of £1.3 billion. This reflected our valuation of the underlying assets. For a range of reasons which I will outline, the board's view was that NAMA could struggle to achieve this amount if we were to manage the loans over a seven-year period to 2020, bearing in mind the size of the Northern Ireland economy. The minimum sale price was adjusted to £1.24 billion by early April 2014 to reflect asset disposals which had taken place in the intervening period between the launch of the loan sale and the closing. The associated cash proceeds from these sales, however, were received by NAMA.

Lazard, appointed by NAMA in January 2014 to oversee and advise it on the loan sale, confirmed to the board that the sales and marketing process was appropriate, given the nature and scale of the transaction and given NAMA's objective of maximising the recovery to Irish taxpayers. Lazard also stated in a closing transaction letter to the board that "sufficient competitive tension remained in the process" following the withdrawal of PIMCO and, having reviewed the remaining two bids, it recommended moving forward solely with Cerberus with a view to executing the loan sale agreement on agreed terms and at the agreed price.

In terms of the rationale for the sale, there were a number of reasons the board took the view that the sale of the portfolio represented the best commercial option for NAMA. From 2010 to 2013, there had been relatively few sales of properties in the Northern Ireland portfolio and there had been little or no investor interest in acquiring either Northern Ireland assets or the associated loans. The total volume of investment activity in Northern Ireland is estimated only to have been €75 million in 2012 and €175 million in 2013. Absorption capacity was a key strategic concern of the NAMA board, given that over 50% of the portfolio was based in Northern Ireland. The asset portfolio securing NAMA loans was very granular and had few major assets which might have been of interest to purchasers if we had decided to proceed to sell the assets on an asset by asset basis. That granularity is illustrated by the fact that, as of November 2013, only 2% of the properties had an acquisition value in excess of £20 million and many of these were in regional locations in the United Kingdom. Some 81% of the properties by number had an acquisition value of less than £2 million. Some 70% of the properties by number were categorised either as residential or land and development assets

and the average acquisition value per asset in this group was about £800,000.

The appendix to the paper provides a breakdown by value of the portfolio as it was at the point of sale. As mentioned, most of the assets securing the portfolio declined substantially in value between our reference acquisition date in November 2009 and late 2013. It was clear that realising even the carrying value of a portfolio secured by so many small assets was going to be a long and difficult process. The medium-term outlook for the Northern Ireland economy was uncertain and it was clear to us, even if there was to be a sustained recovery in the years ahead, that the assets securing our loans would have been slow to benefit from such a recovery. In other words, in the event of a sustained recovery, the larger commercial income producing assets would be the first to gain and that it would be some time before the impact of recovery would percolate down to smaller assets. The Project Eagle portfolio included 36 smaller debtor connections that were managed by NAMA's participating institutions. Many of these connections had little or no property management platform or capability and it was likely, in the board's view, that the work-out process would be protracted and costly and that there was no certainty that it would have yielded a superior commercial outcome to the loan sale. A loan sale would eliminate the risks, uncertainties and costs associated with a protracted work-out of the Northern Ireland portfolio which had limited capacity to appreciate in value over a medium-term horizon.

The board and the executive also considered the impact of a potential Eagle sale on our ability to manage the rest of our portfolio. From a risk management perspective, the sale of the Eagle portfolio would help to de-risk the overall portfolio by removing a heavy concentration of assets in markets with significant liquidity challenges and where recovery was likely to lag behind other major markets. It would also free up our resources to focus more on the portfolio of assets in the Republic of Ireland and London where, in our view, asset management work and effort would yield better results.

For all these reasons, we made a decision that the best return we could generate from the portfolio would be from a loan sale. This assumed that we could achieve a price that matched our expectations as to what the portfolio should realise, based on the information available to us. As a commercial entity, decisions to sell or hold assets are ones we are required to make all the time. All of our decisions are based on the best available information at the time a decision is taken.



In terms of the loan sales process in general adopted by NAMA, the key consideration for NAMA in any loan sale process is that all interested parties are given the opportunity to bid and that all bidders are treated equally and fairly. We insist on the open marketing of loans through experienced loan sales advisers. We set clear ground rules at the start of each loan sale. Everybody knows the rules. We ensure all bidders are given access to the same information at the same time, including all loan agreements, security and title information, data tapes, lease information and tenancy schedules. We evaluate all bids on the same basis. We execute our loan sales to best practice international standards. This is recognised in the global loan sales market where NAMA enjoys a strong reputation for the quality of information provided in our data rooms and for the transparent and the professional manner in which all loan sale transactions have been completed to date.

To conclude, I reiterate a number of important points. The commercial decision taken by the NAMA board to dispose of the Northern Ireland loan portfolio was the correct one. The board took the view that this option would provide the best financial outcome for Irish



taxpayers, taking into account the quality of assets in the portfolio, the lack of liquidity in the Northern Ireland property market, the availability of a number of investors to bid competitively on the size of the portfolio and NAMA's need to focus on its assets in the Republic of Ireland and London, which were more likely to benefit from intensive asset management attention. The sale was conducted in line with best international practice and all bidders had access to the same detailed information on the portfolio. We took care at all stages to ensure the integrity of the sales process was fully protected and the NAMA board acted quickly and decisively as soon as the proposed fee arrangement to a former NIAC member came to light.



Lazard advised on and recommended the outcome of the Eagle sales process to the board. I am satisfied, from a commercial perspective, that the transaction would stand up to rigorous scrutiny by any independent assessor. I am also satisfied that there has been no wrongdoing on the part of any current or former member of the NAMA board or NAMA staff. It is entirely unfair that there has been an attempt to besmirch NAMA's reputation on the basis of the alleged behaviour of certain individuals in Northern Ireland who were at the periphery of the transaction and advising potential purchasers, not NAMA.

I thank members for their attention. We can respond on any issue they may wish to address.

Chairman:   May we publish the statements?



Mr. Frank Daly: Yes.

Deputy Shane Ross:   May we have five minutes to read the papers?



Chairman:   Yes. We will wait for members to conclude their consideration of the letters and the memorandum of understanding.

On the first point, that the third party release all corporate and personal guarantees as security, is there a list of who would benefit?

Mr. Frank Daly: I wish to be clear that the MOU has no status within NAMA and that we never took any action in regard to it. I am not sure what the purpose was in sending it to us.

Chairman:   Was Mr. Daly not curious about whom it might benefit?

Mr. Frank Daly: We knew that it would have benefited the debtors. When we looked at the MOU, or whatever it was, we would never ever have countenanced this as a condition of sale by NAMA of the Project Eagle or any other portfolio. One could understand what might be going on in using Northern Ireland businesses or supply chains-----

Chairman:   I can understand that, but it is a nice little arrangement, although I am not saying anything about NAMA.

Mr. Frank Daly: No. 1 would be a debtors' charter, which we would never have countenanced.



Deputy Mary Lou McDonald:   Mr. Daly has only given us the memorandum of

understanding. Presumably, there was a letter attached to it.



Mr. Frank Daly: I attached a covering email. If the Deputy did not get it, it was simply an email-----

Deputy Mary Lou McDonald:   From whom?



Mr. Frank Daly: It was from somebody in the office of the First Minister and the Deputy First Minister in Northern Ireland, dated 17 January and sent to our head of asset recovery. It states: "I have been asked to forward you the attached MOU-----

Deputy Mary Lou McDonald:   I am sorry, but I cannot hear Mr. Daly.



Mr. Frank Daly: It reads, "I have been asked to forward you the attached MOU," the document the Deputy has. That is all it was.

Deputy Mary Lou McDonald:   By whom was it signed?

Mr. Frank Daly: It was signed by an individual in the office of the First Minister.

Deputy Mary Lou McDonald:   Who is that individual?

Mr. Frank Daly: He is a principal private secretary to the First Minister and if the Deputy wants me to name him, I can. It was signed by Mr. Jeremy Gardner.



Deputy Mary Lou McDonald:   To whom was it sent?

Mr. Frank Daly: It was sent to our head of asset recovery who at the time was Mr. Ronnie Hanna.

Deputy Mary Lou McDonald:   How did it start? "As requested-----



Mr. Frank Daly: No; it reads, "I have been asked to forward you....."



Mr. Declan Reid: I wish to clarify the matter for Deputy Mary Lou McDonald. The memorandum of understanding originated from a call between Ronnie Hanna, the Minister, Minister Robinson's office and me regarding the sales process. Minister Robinson indicated that he had concerns about how NAMA, or any owner of the Northern Ireland loans, would manage these loans in the interests of the Northern Ireland economy, which was understandable. He indicated that he would seek to put such a letter of intent, or MOU, in place with potential bidders. We advised him that it would be wise to send it to NAMA for its information and identified Ronnie as the appropriate person to send it to.



Chairman:   The first point made in the memorandum of understanding is that the third party should release all corporate and personal guarantees as security of borrowers and related parties. Out of curiosity I would have been inclined to look at who would benefit. I understand it was the borrowers, in the first instance, but was there any other reason? I may just be suspicious that this would have been the case because everyone was being released from their obligations. Was it put forward for any other reason and did NAMA examine why it was being suggested? Was it just an honest effort to free everyone or were there individuals

who might benefit and would have been well placed insiders, as they are often described?

Mr. Declan Reid: From the discussions, my understanding of the intent of that was to allow the recovery on the loans to be reliant upon the security attaching to them as opposed to the personal guarantees to help promote activity and the resumption of activity in the Northern Ireland construction development sector over the medium term under the stewardship of any potential buyer.

Chairman:   Are members finished with the letters? I want to move to Deputy Ross.



Deputy Joe Costello:   I have one further query. Regarding the board meeting on 11 March when the board was informed of the PIMCO arrangement and it was agreed that PIMCO should withdraw from the sale due to the payment to a former member, are minutes of that meeting available?

Chairman:   We have asked for those.

Mr. Frank Daly: Yes. They can certainly be included with the minutes that I referred to earlier. We will make them available to the committee.

Chairman:   When might we get those?

Mr. Frank Daly: Tomorrow. Obviously, there was a series of board meetings during the period at which Project Eagle would have been discussed. It would be helpful to the committee if we were to provide it with the extracts from those relating to Project Eagle. I want to be sure that I am not inadvertently breaching sections 202 or 90, but we will do that very quickly.

Deputy Shane Ross:   I thank the witnesses for attending at such short notice. No one present is alleging what could be called wrongdoing in a criminal or other sense by NAMA. There is no attempt to pin that on NAMA. Anyone who has tried to do so is wrong. However, this may be the most extraordinary sequence of events in a deal that I have ever come across in a State body. Having read about the unorthodox approach to Mr. Sammy Wilson before the matter was passed on to the Minister for Finance, Deputy Noonan, who then passed it on to NAMA, and the other sequence of events that is peculiar all the way through, with Tughans and Brown Rudnick acting for both parties and the fact that NAMA discovered in the middle of the bidding process that there was a fundamental difficulty, I wonder why NAMA did not call off the sale.

Mr. Frank Daly: I agree with the Deputy. Some of this is extraordinary. From our point of view, the most important aspect is the action that we took as a consequence of those events. As to the Deputy's question on why we did not call off the sale, it is not that we did not discuss doing so. A number of factors were in place. Lazard was advising us on the sale process. Once PIMCO was out, that removed from the process the taint of the possibility of something being wrong - I must be careful - in respect of a former member of the Northern Ireland advisory committee, NIAC. That was our great concern.

Bidders were still in the process at that stage.

Deputy Shane Ross:   Two.

Mr. Frank Daly: No, not at that stage. There were two remaining, but there had been nine. That would not have been unusual. One might start with eight or nine bidders and whittle them down to the two or three who are really interested. At that stage, there were still two. We wanted Lazard to give us an assurance that there was still genuine competitive tension, which it did unequivocally. There was competitive tension, we were still of the view that we would get the best price possible and we went down that road. Cerberus emerged on top and we had a disappointed underbidder, which is always good to have in a process.

Deputy Shane Ross:   Who was the underbidder?

Mr. Frank Daly: Fortress Capital.

Deputy Shane Ross:   What is Fortress Capital and who acted for it?

Mr. Frank Daly: Mr. McDonagh will explain.



Mr. Brendan McDonagh: Fortress Capital is a major, and predominantly US, private equity fund. It is similar in scale to Cerberus, other loan sale buyers like Lone Star and Apollo Global Management and other major international funds.

Deputy Shane Ross:   Did it also use Tughans?



Mr. Brendan McDonagh: I have no idea as to whom Fortress Capital used as its adviser.

Deputy Shane Ross:   Sorry?

Mr. Brendan McDonagh: It never disclosed to us whom it used as its adviser.

Deputy Shane Ross:   Mr. McDonagh must have some idea because someone must have been dealing with its adviser.



Mr. Brendan McDonagh: No. Fortress Capital had access to the data room, and it accessed the room itself.

Deputy Shane Ross:   Mr. McDonagh does not know who it used as its adviser.

Mr. Brendan McDonagh: No.

Deputy Shane Ross:   But Fortress Capital was also from the US?

Mr. Brendan McDonagh: Yes.



Deputy Shane Ross:   Did NAMA believe it was peculiar that both bidders, PIMCO and Cerberus, were using Tughans and Brown Rudnick?

Mr. Frank Daly: As far as we are aware, Cerberus did not begin to use Brown Rudnick or Tughans until after PIMCO had pulled out. Its rationale, which it explained to us, was that

Brown Rudnick and Tughans had done a great deal of due diligence work for PIMCO, so it made commercial sense for it to avail of that work. I do not know, but I presume that this may have been reflected in the price or cost that Cerberus eventually paid to Brown Rudnick.

There is another point about why we continued with the sale. We were still getting from Cerberus a figure that was in excess of our minimum price for Project Eagle. With Cerberus, there was competitive price tension even during the period after the deal was agreed and the money was paid when it was trying to knock us back for technical reasons, which we resisted. We got the full price.

There was another reason for continuing. If one went through a sales process in respect of what was, as Mr. McDonagh outlined, a troubled portfolio that was hard to shift, one might abort it at the last minute for genuine reasons, but one would not want to do so because whatever prospect there was of getting a good price for it would certainly lessen after taking it off the market and starting all over again, as people out there would know that one was having difficulties.

Deputy Shane Ross:   For clarity, will the witnesses take us through the process? Did NAMA end up with three bidders? Lazard started with nine and NAMA ended up with three.



Mr. Brendan McDonagh: Yes. In March 2014, three bidders were remaining.

Deputy Shane Ross:   Correct.



Mr. Frank Daly: Including PIMCO.

Deputy Shane Ross:   PIMCO then withdrew-----



Mr. Brendan McDonagh: Yes.

Deputy Shane Ross:   -----because of this extraordinary incident and NAMA was left with two. Had PIMCO made a bid at that stage?

Mr. Brendan McDonagh: No. PIMCO had-----

Deputy Shane Ross:   It had made an indicative bid.

Mr. Brendan McDonagh: It had made an indicative bid, which was a range value bid of £1.1 billion to £1.3 billion, subject to full due diligence. The closing date for bids was 1 April 2014.

Deputy Shane Ross:   PIMCO pulled out. One third of NAMA's bidders were gone.

Mr. Brendan McDonagh: Yes.

Deputy Shane Ross:   NAMA went ahead all the same.

Mr. Brendan McDonagh: But it is not-----

Deputy Shane Ross: 🗣️🔍 Even though three was the optimum number.

Mr. Brendan McDonagh: Three is the optimum number, but it is not unusual in loan or asset sales to fall to two bidders eventually.

Deputy Shane Ross: 🗣️🔍 Yes, but the third withdrew for unusual reasons,-----

Mr. Brendan McDonagh: The third-----

Deputy Shane Ross: 🗣️🔍 -----not commercial ones.

Mr. Brendan McDonagh: No, no.

Mr. Frank Daly: PIMCO was very interested in the portfolio.

Mr. Brendan McDonagh: Let us be very clear about this. PIMCO approached us on 10 March 2014. It told us that it was using Brown Rudnick as its adviser, that Brown Rudnick had a subcontractual arrangement with Tughans and Mr. Cushnahan and that it presumed we were aware of that. We said that we were not aware of it. For the record, we have no issue with Brown Rudnick or Tughans. They are reputable law firms. We had an issue with Mr. Cushnahan regarding the question of perception as much as anything. PIMCO indicated to us that, now that it had made us aware of this, it would continue in the process. We said we would take this away and discuss it and we called a board meeting to discuss it. The board took the view that it was a very serious development, particularly due to the issue of the involvement of Mr. Cushnahan. We went back to PIMCO and informed it that the board viewed this as a very serious development and did not think it was tenable for PIMCO to remain in the process. In fairness, PIMCO gave us the information but the position was not tenable. PIMCO indicated it would think about this and the following day it stated that, having thought about the issue and taken on board the view of the NAMA board, it had decided to withdraw from the process. As Mr. Daly outlined in his statement, if PIMCO had not withdrawn from the process, we would have withdrawn it. Those are the facts.



Deputy Shane Ross: 🗣️🔍 In the middle of the biggest property portfolio deal NAMA had ever done, involving the whole Northern Ireland portfolio, there was a massive cock-up. One third of the bidders had gone and NAMA just ploughed ahead. Surely the solution would have been to ask Lazards to get another bidder because the process had been fractured and damaged by the withdrawal of the person in question. Is that not correct?

Mr. Brendan McDonagh: No, I do not accept that. We took advice from Lazards at the time and asked it whether, following the withdrawal of PIMCO, there was still sufficient competitive tension regarding who could buy the portfolio. Lazards advised us that there was sufficient competitive tension remaining and both Fortress Capital and Cerberus were very eager to acquire this portfolio and would bid competitively against each other.

Deputy Shane Ross: 🗣️🔍 It was not the optimum or best possible scenario for NAMA when one of the bidders had left the process, resulting in the disappearance of one of the pillars of the project.

Mr. Brendan McDonagh: At the start, there were only about eight or nine funds in the world that could write such a big cheque. All of these funds were approached to see if they were



interested in the portfolio. The number was whittled down to three and one of these three parties withdrew, as happens quite regularly not only in NAMA sales, but in other bank sales. Sometimes it happens in major property sales that one interested party falls away for its own reasons. It is just that this was a very particular reason and one for which NAMA would not allow PIMCO to continue.

Deputy Shane Ross:   What was the difference between the two remaining bids?

Mr. Brendan McDonagh: The difference was-----



Deputy Shane Ross:   What were the two bids?

Mr. Brendan McDonagh: The final bid by Cerberus was £1.241 billion and the bid by Fortress was almost £1.1 billion.

Deputy Shane Ross:   If I could move on, did it seem peculiar to NAMA that Brown Rudnick and Tughans were apparently involved in both bids?



Mr. Frank Daly: It would not be totally unusual for that to happen. We certainly looked at the fact that Brown Rudnick and Tughans were, at that stage, coming in on behalf of Cerberus. However, it should be remembered that we did not have a problem with Brown Rudnick or Tughans as such. Our problem always was with the Northern Ireland Advisory Committee member or what was reported to us in relation to that NIAC member. I suppose we were concerned enough. It was really more a case of "to be sure, to be sure" that when it came to our attention that Brown Rudnick and Tughans were involved with Cerberus, we went back to Cerberus before its bid was considered or accepted and asked for an undertaking in relation to fees, which I outlined in my statement. As it is in my statement, I will not read it again. However, Cerberus gave us an unequivocal statement in writing to the fact that no fees were paid to any party with any connection to NAMA. That was really the issue for us, namely, that fees to any party with any connection to NAMA. Cerberus provided a very broad confirmation in relation to any board member, executive member or current or former member of the advisory committee.

While that may seem to be a very broad statement, our real target was to know whether there was any fee that in any way might be payable to Mr. Cushnahan at that time. One cannot go out and ask a particular question about a particular individual without giving oneself a level of exposure to something that NAMA would not want to get into. For this reason, we asked Cerberus for a very broad statement covering anybody connected with NAMA and it gave us that.



Deputy Shane Ross:   I accept that. What I am trying to ask is this. Here we have a massive global transaction, one of the biggest deals ever done in the world of property, I suspect, involving some 850 properties in a bulk sale, and, by complete coincidence, two of the principal bidders are using Brown Rudnick and, by an equally odd coincidence, they are both using Tughans in Belfast. Did NAMA's antennae not go up when both bidders landed in the same place? Were alarm bells not ringing about a conflict here?

Mr. Frank Daly: No, there was not a conflict in relation to Brown Rudnick or Tughans. That was not the issue for us. The issue for us was the former NIAC member or anybody else in that space. That was the confirmation we sought. The rationale for Cerberus involving

Tughans, through Brown Rudnick, was that Tughans and Brown Rudnick had been doing a lot of work on this portfolio anyway when PIMCO was in the frame. Commercially, it made sense for Cerberus to use those firms, rather than starting back at square one. I am not making a judgment on whether this was a totally rational commercial decision but it did not seem unreasonable to us.

Deputy Shane Ross:   Was Tughans acting simultaneously for both bidders?



Mr. Frank Daly: No, I am not aware that it was. Tughans or Brown Rudnick was acting for Cerberus only after PIMCO withdrew.

Deputy Shane Ross:   Who was acting for Cerberus prior to that?



Mr. Frank Daly: Cerberus's prime legal advisers were Linklaters.

Deputy Shane Ross:   I will move on to Frank Cushnahan and the board. How is the board of the Northern Ireland advisory committee selected?



Mr. Frank Daly: We would need to go back to the beginnings of NAMA when there was significant sensitivity about the fact that the agency would be taking on or have control of a very significant portfolio of real estate in Northern Ireland. This was quite sensitive politically as is, I suppose, understandable in the context of North-South relations. At the time, the Minister for Finance, the late Deputy Brian Lenihan, came up with a neat solution that NAMA would be asked to form an advisory committee on Northern Ireland which would have a couple of representatives from Northern Ireland on it. As I understand it, the selection process was that the Minister or Department consulted the Northern Ireland Executive, in particular, Sammy Wilson, who was then the Minister for Finance and Personnel. The two names of Frank Cushnahan and Brian Rowntree were furnished to NAMA as a consequence of that consultation and the NAMA board then set up the committee and appointed these two individuals to it, together with several directors of the NAMA board because the Act requires that the majority of members of an advisory committee like the Northern Ireland committee or the planning committee be members of the board of NAMA. That was the origins of the committee and the two individuals were appointed for two years. They were renewed in 2012 and Mr. Cushnahan resigned in November 2013. We dissolved the committee in September 2014 because there was no longer a need for it after Project Eagle and Mr. Rowntree's term ceased at that stage.

Deputy Shane Ross:   They were nominated by the Northern Ireland Minister.

Mr. Frank Daly: As I understand it-----



Deputy Shane Ross:   Mr. Daly should understand it.

Mr. Frank Daly: They were the names given to the Department and the Minister, Mr. Lenihan. It was an agreement between the two Ministers.



Deputy Shane Ross:   It was, basically, a political appointment.

Mr. Frank Daly: It was an appointment to take account of the sensitivity of the North-South



stuff at that stage.

Deputy Shane Ross:   That is a political appointment, is it not?



Mr. Frank Daly: Yes. Even then and subsequently there was and has been a lot of agitation and the view has often been expressed in Northern Ireland that they should have had a representative on the main board of NAMA, but that did not happen.

Deputy Shane Ross:   Mr. Frank Cushnahan and Mr. Brian Rowntree were reappointed in 2012.

Mr. Frank Daly: Yes.

Deputy Shane Ross:   What procedures were gone through to reappoint them?

Mr. Frank Daly: I spoke to the Department, or the Minister, and said their two-year terms of office were due to expire. I presume there was an informal engagement with Northern Ireland, following which it was confirmed that there would be no objection to the two being reappointed. The NAMA board reappointed them on that basis.

Deputy Shane Ross:   I think they were appointed by the two Ministers. It is important to know that because they are very controversial people. Why did Mr. Frank Cushnahan resign?

Mr. Frank Daly: He told us he was resigning for personal reasons to reduce his work commitments.

Deputy Shane Ross:   Did Mr. Daly accept that?



Mr. Frank Daly: I did. He wrote to me. I will read his letter of resignation which was dated 7 November:

Dear Frank,



It is very much with regret that with effect from 8 November 2013 I tender my resignation as a member of the NAMA Northern Ireland advisory committee. As I have previously indicated to you, family priorities represent my principal reason for such initiative and, not least, I am not getting any younger. It has been an enormous privilege and honour to have been associated with NAMA and, more especially, to have enjoyed the companionship, friendship and, not least, the contribution made by all colleagues, past or present, during my time as a member. I wish you, the non-executives and, especially, the executive management the best wishes for the future.

Deputy Shane Ross:   The next time Mr. Daly heard about him was when he was getting an acquisition fee.

Mr. Frank Daly: The next thing I heard was PIMCO telling us he was to get a fee.

Deputy Shane Ross:   On what date did that occur and how long was it after his resignation?

Mr. Frank Daly: On 10 March.

Deputy Shane Ross:   For how long had he been working for PIMCO? What was his acquisition fee?


Mr. Frank Daly: We do not know that either. A subsequent piece of information indicated that there was a fee of £15 million which was to be split three ways among Brown Rudnick, the managing partner of Tughans and Mr. Frank Cushnahan.

Deputy Shane Ross:   Wow.

Mr. Frank Daly: That was after PIMCO had been exited by us.

Deputy Shane Ross:   A fee of £15 million.



Mr. Frank Daly: Yes.

Deputy Shane Ross:   When did Mr. Daly find that out?



Mr. Frank Daly: PIMCO told us.

Deputy Shane Ross:   It told NAMA at the time.



Mr. Frank Daly: No, it told us after the withdrawal. I agree with the Deputy that there is a "wow" factor to this, but it would not have mattered to us whether it was-----

Deputy Shane Ross:   It is just another startling fact in this process and suggests something very odd was going on. I would have thought the sequence and accumulation of events would have made you guys say, "This thing stinks. We had better start again." There was £15 million to be split and this individual would get a certain amount of it. Did the board discuss pulling the tender?

Mr. Frank Daly: We were appalled, but our real concern was the alleged involvement of a former member of the NIAC. Brown Rudnick was strategic adviser, while Tughans was engaged in due diligence and charged legal fees. Fees can be of that scale in such a project.



Deputy Shane Ross:   Was NAMA paying such fees? Obviously, it was not paying finders' fees. It did not pay fees on that scale to Hogan Lovells, did it?

Mr. Frank Daly: No. Hogan Lovells was our main legal adviser and its fees were €1.8 million.

Deputy Shane Ross:   Did Mr. Daly not think there was something a bit odd about this? There was an awful lot of money slushing around in the system. Did he not ask, "What are the guys who are doing the bidding up to?"



Mr. Frank Daly: I agree, it is an extraordinary amount of money, but the real issue for us was the possible involvement of a former member of the Northern Ireland advisory committee. We wanted to deal with that issue and get him out of the way. Any involvement with PIMCO

after that was-----

Deputy Shane Ross:   Is there any possibility PIMCO could have been a stalking horse for anyone else and that that withdrawal inconvenienced another bidder?

Mr. Frank Daly: No.



Mr. Brendan McDonagh: No. Due diligence costs a lot of money when it involves any portfolio, certainly when it involves a portfolio of this size. It is not unusual for people bidding on portfolios to spend €1 million, €2 million or €3 million on due diligence. If they do not win the portfolio, they are disappointed because they have spent so much money. That happens in big asset and big portfolio sales.

Deputy Shane Ross:   Their withdrawal would, however, have inconvenienced other bidders. If one was another bidder in that situation and one of the biggest beasts in the world pulled out, one would be quite pleased.



Mr. Brendan McDonagh: Another big beast was left, though.

Mr. Frank Daly: Cerberus.



Mr. Brendan McDonagh: If one is selling a house and three bidders are trying to buy it, that is great as it pushes up the price. If one withdraws, there will be two bidders. There was nothing unusual in this and it happens the world over. Online news providers such as Costar have very good information on different sales in this area and one often sees, with the big portfolio sales of banks, that only two bidders remain at the end.

Deputy Shane Ross:   I will ask further about Mr. Cushnahan. He is a controversial character. Is that not correct? When NAMA appointed him, at least technically, was it aware that there had been a report of the Northern Ireland audit team covering some of his activities on the Northern Ireland Housing Executive?

Mr. Frank Daly: No. When we appointed him in 2010-----



Deputy Shane Ross:   It had not been issued by then. I am talking about the reappointment.

Mr. Frank Daly: I am coming to it. I knew nothing about Mr. Cushnahan. I never met him until the first meeting of the Northern Ireland advisory committee. There was nothing in that area in 2010. When he was reappointed in 2012, as I understand it, the report had not been issued.

Deputy Shane Ross:   Yes, it was issued after the reappointment, but it was absolutely damning of his activities. I think I am correct in saying some of it involved property transactions.

Mr. Frank Daly: As I understand it, it was a report on the Northern Ireland Housing Executive, of which Mr. Cushnahan had been a member at one stage. It would have been difficult for us to take action at that stage on foot of a report which was contested. I am not sure whether, to this day, final conclusions have been arrived at. I do not think we would



have had grounds to do so.

Deputy Shane Ross:   Did anybody speak to him about it?



Mr. Frank Daly: No.

Deputy Shane Ross:   It was just ignored.



Mr. Frank Daly: Yes. One needs to be aware that the two members of the committee were mentioned in the report.

Deputy Shane Ross:   One of them resigned immediately from the Northern Ireland Housing Executive.


Mr. Frank Daly: He resigned as chairman of the Northern Ireland Housing Executive. The report was issued in mid-2013 and Mr. Cushnahan resigned in November 2013.

Deputy Shane Ross:   Despite that report it was thought he was a suitable member of the advisory board.



Mr. Frank Daly: I understand the origins of the Northern Ireland advisory committee. I understand the sensitivity in terms of North-South stuff because of NAMA having control of such a large portfolio there. Certainly, in my time as chairman and in all the time on the Northern Ireland advisory committee there was a sense that we were going to make absolutely sure, as the board of NAMA, that that committee talked only about strategic issues and did not get into any debtor activity or debtor information or insider information or anything like that.

Deputy Shane Ross:   What use would he have been to PIMCO then?

Mr. Frank Daly: I do not know. One needs to be careful here. Everything I am saying is on the basis of which PIMCO told us. PIMCO have not told us what use he would have been to them so I will not speculate on that.

Deputy Shane Ross:   How much of the £15 million was he getting?



Mr. Frank Daly: The indication from PIMCO was that it was to be split three ways.

Deputy Shane Ross:   So Mr. Daly thinks he was going to get £5 million. They were not paying that for a guy without any knowledge of what he was doing, were they?



Mr. Frank Daly: I have been at every meeting of that Northern Ireland committee since 2011 when I began to chair it and there has only ever been one very broad discussion in relation to Eagle and there was never a discussion about debtors because we made very sure there was none so I am very firm in my conviction that Mr. Cushnahan or Mr. Rowntree did not gain any confidential information or any useful insider information from being a member of that advisory committee.

Deputy Shane Ross:   What were they paying him £5 million for?

Mr. Frank Daly: I think-----

Deputy Shane Ross:   They would not pay it to Mr. Daly or me. Well, they might pay it to Mr. Daly, but not to me.

Mr. Frank Daly: I will not speculate on that. What are they paying him £5 million for? One would have to ask PIMCO. One would have to ask elsewhere about that.

Deputy Shane Ross:   It is mind boggling that they would go and ask a guy to act for them and pay him an acquisition fee of £5 million if he was just an ordinary Joe Soap of the street who did not know anything about the property portfolio. He had an office-----



Mr. Frank Daly: I do not disagree with the Deputy's theory but all I can say is that from his work with NAMA on the Northern Ireland advisory committee, he did not gain any inside knowledge of the portfolio. One must remember that we are talking about Northern Ireland and a relatively small business community where there is an awful lot of information out there about debtors, developers, properties, who is in NAMA, and who is not in NAMA. It did not come from NAMA but it is there.

Deputy Shane Ross:   Mr. Cushnahan had an office in Tughans, did he not?

Mr. Frank Daly: He did, yes. As I understand it, he had the use of an office in Tughans. That is what they said in their statement.

Deputy Shane Ross:   Did that worry Mr. Daly?


Mr. Frank Daly: No, it did not. If we knew then what we know now a lot of things would worry us but at that time it did not worry us, no.

Deputy Shane Ross:   But Mr. Daly knew that he had an office in Tughans at the time that the bidding was going on.

Mr. Frank Daly: Yes. At the time the bidding was going on?

Deputy Shane Ross:   Yes.



Mr. Frank Daly: Yes, he had the use of an office. That is what Tughans have said.

Deputy Shane Ross:   Did that not set alarm bells ringing again?

Mr. Frank Daly: No. We knew nothing at that stage about any fee payment or any alleged involvement by Frank Cushnahan in this process with PIMCO.



Deputy Shane Ross:   Yes, but there was a link.

Mr. Frank Daly: He was gone from the Northern Ireland advisory committee in November 2013. We first heard of any suggestion about his involvement with PIMCO in March 2014 when he had been gone for five months.



Deputy Shane Ross:   That was during the bidding process. The bidding process was

under way when you heard about it.



Mr. Frank Daly: Yes.

Deputy Shane Ross:   That is what I am trying to say.

Mr. Frank Daly: That is why we got PIMCO to withdraw.



Deputy Shane Ross:   I know. I am not saying that NAMA acted dishonourably, I am saying that that was just another factor which should have made Mr. Daly realise that the whole process was flawed, that there was something wrong at every turn and something suspicious going on. At that stage I would have thought that Mr. Daly might have been worried about the price that NAMA was getting at the end because there was so much going on in the undergrowth and in the background that he did not know about.

Mr. Frank Daly: No, we did not-----

Deputy Shane Ross:   Let me ask this question. There were millions sloshing around the system. There was £15 million, one guy getting £5 million, there were all sorts of potential conflicts of interest happening here, there were political sensitivities, yet NAMA ploughed ahead and said, "Okay, we will take the Cerberus bid."

Mr. Frank Daly: We did not plough ahead. We went ahead after considering whether we were still getting the best price that was obtainable for the portfolio and whether there was still competitive tension. There were still two bidders in there - seven of them had dropped out. There was not huge interest, by the way, in this portfolio, I must say. I think almost any company that would have had the scale to deal with this and the financial backing to actually deliver on it was invited in. Of the nine who came into the process, most backed out. This was not something that a whole lot of people were interested in.



Mr. Brendan McDonagh: I would add to that that we were very clear at the start. We informed people, through Lazard, that there was a minimum reserve price of £1.3 billion. We know the cost of due diligence that firms would spend on it and we did not want people wasting their money bidding on a portfolio that they would not pay up for. At the start of the process in January, the reserve price was £1.3 billion; at the end of the process in April we achieved our £1.3 billion. There was no question that we did not get the price that we valued the portfolio at.

Chairman:   I want to go back to a point raised by Deputy Ross. NAMA was told by PIMCO about the £15 million?

Mr. Frank Daly: Yes.

Chairman:   When was it told that?

Mr. Brendan McDonagh: It was disclosed on a PIMCO call on 12 March 2014.

Chairman:   What date was this confidential memorandum?

Mr. Brendan McDonagh: That memorandum was distributed by the private secretary to the

First Minister on 17 January 2014.

Chairman: 2014.

Mr. Brendan McDonagh: Yes.

Chairman: NAMA had roughly 55 debtors in Northern Ireland. It was a very small business community - I am sure that a lot of information is shared and a lot of information would be known. NAMA had someone on the Northern Ireland advisory committee, which was well known and well placed within that jurisdiction. They also had two firms - Tughans, the local firm, and Brown and Rudnick. In January 2014, there was a suggestion in terms of the memorandum of understanding. I know that no one acted on it, that it was not from NAMA, that it was just a piece of paper that went to NAMA. Bearing in mind the size of the economy and the 55 debtors, I would imagine there was a lot known about everyone within that community and their indebtedness and so on. The Northern Ireland Executive, or someone from it, suggested this MOU and, without a shadow of a doubt, it protects the debtors and it is the best offer I have seen for debtors in which, for nil payment, they were released. That is being suggested on one side and we cannot ignore it because there is something going on up here that is unusual and it is certainly unusual that someone of that standing within Northern Ireland would suggest it. Then there is the involvement of the two firms. Now, in the correspondence that NAMA has given us this morning, the Brown and Rudnick correspondence of 24 June 2013, the letter from Brown and Rudnick to Mr. Wilson, which is marked "highly confidential", it states: "Two of our clients have each confirmed that they would, independently, be committed to a process of potential outright purchase of the NAMA Northern Irish Borrower Connections Loan Book." At that stage, in June 2013, Brown Rudnick was indicating clearly there were two clients. They had two clients, but thereafter, when PIMCO withdrew in March 2014, it appears the information on the £15 million became clear to you.

To go back to the point made by Deputy Ross, it seems to me it is quite possible a company was used as a stalking horse and that then the final bidder was there to come in to make the final bid and close the deal. It seems the information was certainly being shared all around the place with connections in Northern Ireland and that not only was this deal compromised, but there was even an extension of the deal that would accommodate debtors. I must agree that bearing all of this in mind, the intelligence from the front up there would surely have told you there was something odd, to say the least, about the deal and that something should have been done by NAMA to restructure the process and its approach to that deal. Perhaps the decision made on that restructuring would have been not to sell in a single property portfolio but to break it down to attract a wider range of bidders. NAMA should at least have reported to someone the information that was in the public domain from 2013.

It appears to me that somebody was setting up the purchase. That is what comes across in the correspondence and in the confidential MOU and it is what seems to come across in the context of the use of Brown Rudnick and Tughans and the involvement of the individual you have just mentioned. What does NAMA have to say to that, even in the context of the perception. Can you deal with it that way?

Mr. Brendan McDonagh: It is not unusual that firms such as Brown Rudnick would go out and seek deals and try to get in a position to be able to promote that deal to third parties and get a fee. That happens quite regularly. Therefore, when Brown Rudnick went out and tried to

"source the deal", its fee was only going to be paid if the portfolio was sold. From our point of view, we want to sell the portfolio for the best price we can get for it. We were very clear from the outset that we wanted £1.3 billion for the portfolio, as that is what we valued the underlying portfolio at, and we got £1.3 billion for it.



A large portfolio can be broken into small or large parts, but as I outlined in my statement today, this was a very granular, quite poor portfolio in that there was a large number of small value assets, over 50% of it in Northern Ireland and 33% of it in regional United Kingdom areas. We would be a long time working through that portfolio trying to realise each individual asset, because there is not huge demand for granular portfolios like that. As can be seen from the case of other banks that are selling granular portfolios, there is a certain type of private equity buyer who buys that sort of portfolio. PIMCO, obviously, expressed an interest in the portfolio, Cerberus expressed an interest in it and Fortress expressed an interest in it. They are the type of buyers who buy these granular portfolios.

Therefore, for such a big deal ticket or big cheque, of £1.3 billion, there are not too many people out there who can do that who are interested in this type of portfolio. We researched this and discussed it with our loan supervisor, Lazard. We are satisfied there was competitive tension up to the very end of the process. This is a big portfolio. We did everything right. We did not accommodate any interference or involvement of Mr. Cushnahan. We sought confirmations from Cerberus and it has confirmed to the media that it sought confirmations from both Tughans and Brown Rudnick. It is not unusual that companies like Brown Rudnick would go around the place, in terms of people or companies that would approach NAMA or other financial institutions, saying they might have somebody who would be interested in a portfolio and asking whether we had a portfolio that had these characteristics coming to the market.

From our point of view, we must make sure we run a fair process. We ran a very fair process, with a data room which controlled access to the data, controlled information in that data room, with information provided at the same time to all bidders. We achieved the price we aimed for in January 2014 when the deal closed in April 2014.

Chairman:   Does Mr. McDonagh feel NAMA might have been set up in any way?



Mr. Brendan McDonagh: No.

Chairman:   This information was out there and these firms were out there. I understand they are reputable firms and understand the reason they, including Brown Rudnick, are in the market in terms of sourcing interest and getting value from their involvement and so on. However, when we piece together the correspondence NAMA provided to us this morning, the memorandum of understanding, the fact there were 55 debtors and that it is a small market, this would seem to me to have been the wrong approach, based on the information NAMA gleaned as it went through the process.

On 10 March 2014, when it became known to NAMA that this £15 million was to be split three ways, according to PIMCO, surely this should have set alarm bells ringing. There were other instances that should have set alarm bells ringing before that - going back to 2014 in that letter, going back to Mr. Cushnahan and his termination or resignation from the council and other issues I will come to later. In my opinion, this should have been a huge concern for NAMA at the time and it should have stood back and questioned the process again. That is

the point I am making.

In response to my questions, NAMA is outlining the involvement of Brown Rudnick, but I am going beyond that to the knowledge in the local economy and among debtors, the knowledge between Brown Rudnick, Tughans and Mr. Cushnahan and the other interests that were there. It just does not stack up.



Deputy Sean Fleming:   I want to come to the big picture about why NAMA decided to sell the portfolio in one lot shortly, because we have not really dealt with that issue but it is where the taxpayer lost out. However, I wish to clarify some issues first.

PIMCO made the disclosure to NAMA, and it has made the point that it came to NAMA first. However, NAMA made the point that if PIMCO did not leave voluntarily, it would have left involuntarily. PIMCO made the disclosure initially about the potential conflict of interest issue. Is that correct?



Mr. Frank Daly: That is correct.

Deputy Sean Fleming:   Were Tughans advising PIMCO?

Mr. Brendan McDonagh: They were advising Brown Rudnick. Brown Rudnick had sub-contracted to Tughans.

Deputy Sean Fleming:   Who were working for PIMCO. Were they working for Cerberus?



Mr. Brendan McDonagh: Not at that time.

Deputy Sean Fleming:   How do you mean "not at that time"?



Mr. Brendan McDonagh: We understood from Cerberus that it only engaged Brown Rudnick after PIMCO withdrew.

Deputy Sean Fleming:   Can you repeat that, because people were talking?



Mr. Brendan McDonagh: Cerberus advised us that it only engaged Brown Rudnick and Tughans after PIMCO withdrew.

Deputy Sean Fleming:   Who was advising Cerberus up to then?

Mr. Brendan McDonagh: Linklaters and A&L Goodbody.

Deputy Sean Fleming:   Why did Cerberus change legal advisers?

Mr. Brendan McDonagh: It took them on as additional strategic advisers.



Deputy Sean Fleming:   Why would they have done that?

Mr. Brendan McDonagh: They told us because we asked them. If it helps I might just read



some correspondence that-----

Deputy Sean Fleming:   Was Mr. McDonagh satisfied that it was a valid reason?

Mr. Brendan McDonagh: Yes. I can give the Deputy the reason that Cerberus gave why they took them on.

Deputy Sean Fleming:   Mr. McDonagh might summarise it in his own words.



Mr. Brendan McDonagh: I will just try to paraphrase this. As one of their many advisers, they retained the law firm, Brown Rudnick, as strategic advisers for the process to advise on the bid structure and on doing business in Northern Ireland because they have both experience working with NAMA and in real estate and in restructuring activities in Northern Ireland.

Deputy Sean Fleming:   So there is a conflict of interest between Mr. Cushnahan and Tughans. They were involved with PIMCO. Is that correct?



Mr. Brendan McDonagh: No. There was no conflict of interest between Tughans and NAMA. The conflict of interest was the-----

Deputy Sean Fleming:   I said between Mr. Cushnahan and Tughans.



Mr. Brendan McDonagh: No. The issue from our point of view is that there is a perception that because Mr. Cushnahan served on the Northern Ireland Advisory Committee, he was being paid a fee as part of this process.

Deputy Sean Fleming:   He was also involved in Tughans.



Mr. Brendan McDonagh: Yes, he was.

Deputy Sean Fleming:   NAMA removed PIMCO from the process by and large and then it dealt with Cerberus which re-engaged Tughans, the company that NAMA was concerned that Frank Cushnahan-----

Mr. Brendan McDonagh: We were never concerned with Tughans. Let us be clear about that. Tughans is the third biggest law firm in Northern Ireland. There are other law firms in Northern Ireland as well, but they were a reputable law firm in Northern Ireland. We had no concern about Brown Rudnick. It is a very strong international law firm. What we were always concerned about was the involvement of Mr. Cushnahan.

Deputy Sean Fleming:   In Mr. Daly's opening statement he said that the board meeting on 11 March 2014 "considered that the proposed fee arrangement could undermine the integrity of the sales process". It did undermine the integrity of the sale process, but NAMA proceeded. From what I have seen so far, that was the time to stop the process. NAMA started with nine interested parties and seven walked away.



Mr. Brendan McDonagh: Six had walked away at that stage.

Deputy Sean Fleming:   I will come to the valid reasons. Perhaps the job lot NAMA was selling was too big. That is the fundamental problem with everything here. The big issue



NAMA has to answer is why it put all that. I know it has a reason which we will tease out.

Six walked away and we were down to three. One had a conflict of interest and then NAMA was down to two. How could it be as competitive with two as with many more? Having just two is not a highly competitive situation. It begs the question from our point of view about what was the amount it got. The answer is approximately €1.4 billion.

Mr. Brendan McDonagh: It was £1.3 billion.

Deputy Sean Fleming:   What was the amount offered by the under-bidder?



Mr. Brendan McDonagh: The other bidder was close to £1.1 billion.

Deputy Sean Fleming:   Why did they come into that if NAMA had told them it had a reserve higher than that?



Mr. Brendan McDonagh: It was because they were trying to buy the portfolio for less than our reserve value.

Deputy Sean Fleming:   We have established that NAMA put a reserve on this at-----

Mr. Brendan McDonagh: At £1.3 billion.

Deputy Sean Fleming:   It had only one offer on the table above that.



Mr. Brendan McDonagh: Yes.

Deputy Sean Fleming:   Mr. McDonagh is now telling us that NAMA was in a competitive bidding situation. I ask him to think of those three points. NAMA had a reserve. It had only one offer above its minimum reserve and he is coming in here to tell us on behalf of the taxpayer that this was a competitive bidding situation. Who were they bidding competitively against above NAMA's reserve price? They were bidding against nobody.



Mr. Brendan McDonagh: But Deputy-----

Deputy Sean Fleming:   Mr. McDonagh gets the gist.



Mr. Brendan McDonagh: Absolutely.

Deputy Sean Fleming:   There was only one bid above the reserve and he is trying to tell us that it was competitive.

Mr. Brendan McDonagh: Yes.

Deputy Sean Fleming:   I do not consider one person coming to the table with a bid above NAMA's reserve as competitive. NAMA should have collapsed the situation. Did Mr. McDonagh tell the board that NAMA had only one offer above its reserve price?

Mr. Brendan McDonagh: Yes.

Deputy Sean Fleming:   Is that his definition of competitive bidding?



Mr. Brendan McDonagh: To be clear here, we put a reserve price on the portfolio as our estimation of the value of the portfolio. It is like selling a car or selling a house. There is no guarantee that the buyer thinks it is worth the same to them as the value that one puts on it oneself. We were very satisfied that £1.3 billion represented the value of the portfolio, given the nature of the portfolio both in asset time and in geographic terms. If we had been bid less than £1.3 billion, we would not have sold the portfolio.

Deputy Sean Fleming:   However, NAMA had only one offer above that-----

Mr. Brendan McDonagh: Yes.

Deputy Sean Fleming:   -----and Mr. McDonagh is telling me that was a competitive situation. I hope the Comptroller and Auditor General will look at NAMA's process.



Mr. Frank Daly: We had one offer above that at the end of a process in which nine started.

Deputy Sean Fleming:   Why did all the others all drop out? Was the project too big? We are back to this issue. Was this NAMA's biggest job lot to date?

Mr. Frank Daly: No. The people who were invited into this process were deliberately people who would have the scale and the finances to deal with this. They looked at the portfolio and for various reasons we would not be totally privy to they did not proceed. It could have been the reserve price or the nature of the portfolio. It could have been this-----

Mr. Brendan McDonagh: Concentration.

Mr. Frank Daly: ----- concentration in Northern Ireland and regional UK. It was, and we have described it as, a mediocre portfolio. They decided to withdraw in a competitive process. Right at the end we still had two bidders. Right at the end, too, we were advised by an independent merchant bank-----

Deputy Sean Fleming:   However, NAMA had only one bidder it would accept. It was not going to accept below its reserve price, as Mr. McDonagh just said. So NAMA had only one bidder.



Mr. Brendan McDonagh: The board is very clear about this. If we were offered £1.25 billion for the portfolio, then the board would probably not have accepted that and said we would just have to try to do it a different way. However, we were offered what we set as a minimum.

Mr. Frank Daly: We were always convinced, in response to the Deputy's other point as to why we did not break it up and sell it asset by asset-----



Deputy Sean Fleming:   We will come to that.

Mr. Frank Daly: We were always convinced, having done the analysis, that this would not

have yielded anything like £1.3 billion to us. That is why we set the reserve price at that.

Deputy Sean Fleming:   Had NAMA carried out an assessment of the Northern Ireland economy in relation to the sale of the loans?



Mr. Frank Daly: Did we take into account what?

Deputy Sean Fleming:   Much of what the witnesses have said here today is based on NAMA's assessment of the Northern Ireland economy and how it thought the potential for the loans and the property market would go. Did NAMA carry out an assessment of the Northern Ireland economy in relation to the sale of these loans?



Mr. Frank Daly: In relation to setting the reserve price of £1.3 billion, the analysis of that would have been an asset-by-asset analysis of what we were likely to achieve and what the value of these assets was.

Deputy Sean Fleming:   What did NAMA use against which to benchmark that?



Mr. Frank Daly: In that mix one takes into account everything, including the prospects in the Northern Ireland economy.

Deputy Sean Fleming:   Exactly. So what assessment did NAMA carry out of the Northern Ireland economy in relation to this sale because it was benchmarking individual properties against how it thought the economy in Northern Ireland was going to work?



Deputy John Deasy:   In hindsight, did NAMA get it right a year later? That is also important.

Deputy Sean Fleming:   Just on that-----

Mr. Frank Daly: In hindsight-----

Deputy Sean Fleming:   Mr. Daly has told us about NAMA's assessment of the economy. He has told us that the price was based on its assessment of the Northern Ireland economy. Did NAMA carry out an assessment? We are talking about billions of euro here. A couple of hundred thousand euro would have given NAMA some economic assessment of the growth. Did NAMA carry out an assessment?

Mr. Frank Daly: Based on our-----



Deputy Sean Fleming:   NAMA was going into a different market and selling what had a book value of €5.7 billion. We will not walk away from the book value of €5.7 billion that the taxpayer was on the hook for originally. Not all of it was on Mr. Daly's watch. Some of it was written off before it came to NAMA and I will come to that in a minute. If NAMA were selling property in Chicago, surely it would do some assessment of the economy in Chicago. What assessment did NAMA do of the economy in Northern Ireland to allow it reach the conclusion it reached? Did it do a back-of-the-envelope job?

Mr. Frank Daly: No, it was not a back-of-the-envelope job. It would have been an assessment of the market. These assets were not just in Northern Ireland. Many of them were in the



regional UK. We do continual assessments of the prospects in those markets. We take that into account in looking at the prospects for realisation of value in those assets. We go through the same process every year at the other side of it when we are doing impairment exercises.

Deputy Sean Fleming:   Am I right in saying-----

Mr. Frank Daly: Figures have been bandied about in the last couple of weeks. On Deputy John Deasy's point about whether we got it right, I have seen figures indicating that the Northern Ireland economy has grown by 20%. I do not know from where that figure came because I have not seen any indices that indicate this. In fact, in 2014 the commercial real estate market in Northern Ireland grew by 1.4%, not 20% or anything like it.

Deputy Sean Fleming:   Are we right in saying NAMA did not carry out an assessment of the Northern Ireland economy? I am trying to get Mr. Daly to say either it did or it did not.

Mr. Frank Daly: NAMA is not the ESRI. What we do in relation to a portfolio or an asset we are thinking of selling is carry out an assessment based on our view of the market for these assets. That is a much more productive exercise than taking broad economic forecasts which, as the Deputy knows as well as I do, are mostly way off the mark.



Deputy Sean Fleming:   A key element of the opening statement was that there was no political pressure. I looked at the information presented to the committee. A letter arrived from the Northern Ireland Finance Minister to the Minister for Finance and was sent on to NAMA and suddenly it was selling the whole thing as one job lot. Had that letter not arrived through the political process, would NAMA have moved at the time to sell the whole thing? Did this encourage NAMA? There was a political catalyst for the process and, as such, NAMA cannot really state there was no political involvement. It does not stack up. NAMA has showed us two letters.

On the actual sale, there was a memorandum between the Northern Ireland authority and potential purchasers on a memorandum of understanding of how it would work. If that was to happen here where NAMA was selling a portfolio and there was to be a memorandum between the Department of Finance and potential purchasers of a loan book, it would be called political interference in the process. Was NAMA happy that it was trying to make a sale to the only body offering more than the reserve price, while politicians in Northern Ireland wanted an agreement and understanding with the company? If that was to happen here, would it not be considered political interference? While NAMA did not involve itself, surely it should have told somebody it was not appropriate to meddle with those to whom NAMA was trying to sell assets.

Mr. Frank Daly: We gave it no credence whatsoever.

Deputy Sean Fleming:   Was NAMA happy that it was in place?



Mr. Frank Daly: Let me come to the Deputy's broad question on political involvement or pressure. The process did start with an indication to the Minister that there was someone interested in buying the Northern Ireland portfolio.

Deputy Sean Fleming:   Thanks.

Mr. Frank Daly: No, hold on. The Minister quite properly said, "This is a matter for NAMA." That was the substance of his reply to Minister Wilson. Subsequently, there was an approach from Brown Rudnick indicating an interest in our portfolio. We receive expressions of interest in particular portfolios from time to time. Let us be clear about what was running through the Brown Rudnick-PIMCO approach - "We want a closed sale. We do not want you to put it on the market." We took a very strong view from day one that it did not matter what PIMCO or anybody else wanted, this was going to be an open sale. We looked at the approach from PIMCO and, as we would with any other approach for a portfolio, asked if this was a possibility and an opportunity for a portfolio that we regarded as really challenging and troubled and that we figured we would still be struggling to dispose of in 2020. We received an approach and the price was something that interested us, but we were not sure whether it was the right one. We said we would look at it, engage with PIMCO to see what it might be offering, make our own analysis of the portfolio, decide our minimum reserve price and openly market the portfolio, which is what we did right through the process.

There was political interest. It would be naive of me to come here and say there was not. Of course, there was. There has always been a strong political interest in the North-South dimension here. There was political interest, but I can tell the Deputy that whatever the interest was, North or South, it never influenced us in the decision to put the portfolio on the market in the first place - that was based purely on our commercial assessment that this could represent a good outcome for the taxpayer - nor was there - I need to say this, notwithstanding the fact that the Deputy is not suggesting it - any interference, pressure or anything else in relation to the decision in the end to accept the highest and winning bid from Cerberus.

In relation to the confidential memorandum, I do not know what it is. NAMA would never in its wildest dreams have contemplated putting something like that in as a condition of sale of any asset or portfolio.

Deputy Sean Fleming:   Let me read a reply from the Minister for Finance to a parliamentary question this week on 7 July. I am sure Mr. Daly will be aware of it as my colleague Deputy Brendan Smith put a few of these questions specifically on the memorandum. The Minister said in the Dáil:

I understand that the purpose of establishing such letters of intent by the Northern Ireland Executive was to help protect and promote the recovery of the Northern Ireland property market and broader economy in the context of the potential concentrated ownership of property across that economy.



The Northern Ireland Executive was keen to have an understanding with the purchaser in relation to the broader economy. While NAMA was not involved, it is somebody trying to interfere with its purchaser. NAMA should have asked the Northern Ireland body to let it do its job. Would NAMA have liked if it was selling a portfolio, some of which happened to be IDA Ireland sites, and IDA Ireland was trying to have a memorandum of understanding with the potential purchaser, while NAMA was trying to negotiate on the open market? Can the witnesses see that it was not good to have this happening in the background? Did it not raise questions?

Mr. Frank Daly: What was going on in the background did not influence NAMA one way or the other. We received this memorandum and decided we would not engage with it but ignore



it. There are several conditions in it that would have been unacceptable to us and, in fact, were quite offensive in terms of the way we dealt with debtors and assets. Governments will always try to get the best deal. In the recent Aer Lingus sale the Government worked very hard to get the best possible deal for the Irish taxpayer from IAG. Is it surprising that-----

Deputy Sean Fleming:   The Government was the shareholder.



Mr. Frank Daly: Was it surprising that the Northern Ireland Executive would try to do something like that with PIMCO?

Deputy Sean Fleming:   It was a third party in the transaction. The Government was not a third party in Aer Lingus. I get Mr. Daly's point, but his comparison is not valid. The Northern Ireland Assembly was a third party.



Mr. Frank Daly: I am just making the point in relation to the way a government will legitimately, I think, try to work with somebody who owns or controls an asset or portfolio that is a very significant part of the economy, which is what our portfolio in Northern Ireland was.

Deputy Sean Fleming:   A lot of what has been said in the statements here has been to the effect that it was a messy bit of a portfolio, including lots of little properties around the place in Northern Ireland. It was suggested, "It will be a lot of trouble to manage them; let us get rid of them, even if we have to take a loss," to allow NAMA to concentrate on its core activity in dealing with the rest of its portfolio. That has come through from what has been said. The expressions "easier to manage" and "concentrate our resources" were used. It was kind of said it had nuisance value and was trouble and that NAMA wanted to try to get rid of it. That came through in both opening statements. However, only 50% of the property was in Northern Ireland. Did NAMA not consider splitting it between the properties in Northern Ireland and those in regional England? I note that 6% of it was elsewhere in the rest of the world and that there was a little bit of it in Dublin and some in commuter belts and urban centres. Of the portfolio, 3% was in the Republic of Ireland and 4% in London. I understand what Mr. Daly says about the Northern Ireland economy, but was any consideration given to splitting some of the portfolio on a geographical basis based on the underlying assets? The prospects for growth in London, Dublin and the rest of the Republic of Ireland might have been higher than in Northern Ireland. Was it the largest job lot sale to that point?



Mr. Frank Daly: So far.

Deputy Sean Fleming:   I know that it had a carrying value of €2.2 billion. What was the value of the previous largest job lot sale prior to this?



Mr. Frank Daly: Our biggest was a portfolio of €1.9 billion.

Deputy Sean Fleming:   Was that book value or carrying value?

Mr. Brendan McDonagh: Par value was €1.9 billion.

Deputy Sean Fleming:   What was the book value? This is €5.7 billion, nearly three times bigger than any portfolio NAMA sold before.

Mr. Brendan McDonagh: Yes.

Deputy Sean Fleming:   Does Mr. McDonagh understand the problem we have? NAMA was selling groups of assets, or groups of loans, at a particular value, and all of a sudden the Northern Ireland portfolio, a sale that is three times bigger in terms of book value, is put all in one. It is an enormous jump. People have difficulty - I have difficulty with how NAMA put the whole thing in one. It had not done anything like this, of this scale, in any other region.

Normally, when an organisation comes before the committee, figures are quoted by its representatives and by the Comptroller and Auditor General, and they tend to be fairly similar. I have never seen a conflict like that between the figures presented in Mr. McCarthy's opening statement and those the witnesses read out to us. If anything is to be achieved by this committee, we must resolve this conflict satisfactorily.

The Comptroller and Auditor General started off by saying that we all know the book value of these loans was €57 billion. NAMA took them in at €2.2 billion. Is that correct? It was a discount of over 60%. According to the Comptroller and Auditor General's figures, €2.2 billion was the carrying value when NAMA came in. In his opening statement, Mr. McCarthy said that the proceeds were about €1.4 billion and there was a loss in NAMA's handling this portfolio of approximately €800 million. He said €211 million of it was made up on the loss at the time of the sale and €572 million with previous provisions NAMA had made against this. The actual loss by NAMA on the discounted value it took in, according to the Comptroller and Auditor General - his figures are up on the screen - was €783 million. He started at the €5.7 billion, where I started. Without getting into a big debate, because my time is tight, am I not right? That is the figure he gave.

However, Mr. McDonagh then tells me - I am quoting from his opening statement - "In overall cash terms, taking into account disposal proceeds, non-disposal income, advances and the proceeds of the loan sale, the net cash loss to NAMA, in layman's terms, on the NI debtor portfolio was about €280 million." That was NAMA's loss at the point of sale. Mr. McDonagh will have to clarify that statement, and both of those figures are going to have to be reconciled. How can the Comptroller and Auditor General say that NAMA lost €783 million on this portfolio in its time, while Mr. McDonagh can come in and say that in layman's terms - whatever that means - it was €280 million? Whose figure is right? I know who is right.



Mr. Brendan McDonagh: Excuse me?

Deputy Sean Fleming:   I want Mr. McDonagh and Mr. McCarthy to tell me which of them is right.



Mr. Brendan McDonagh: Deputy, there is no difference between what----

Deputy Sean Fleming:   No difference between €280 million and----


Mr. Brendan McDonagh: The Deputy asked me a question. He might allow me to answer.

Deputy Sean Fleming:   No. Chairman, I have to stop here. We are not going to have an accountancy trick. The witnesses are talking to an accountant.



Mr. Frank Daly: Deputy Fleming knows those tricks.

Deputy Sean Fleming:   Yes, and Mr. McDonagh is not going to tell the people of Ireland there is no difference between a loss of €280 million and a loss of €783 million. There is a mass of difference. I know he is going to explain it based on previous provision. It is still a loss in NAMA's time which he did not put in his submission.



Mr. Brendan McDonagh: We did. In my statement, I said: "Cumulatively, the write-downs taken against Northern Ireland debtor connections totalled €800 million between 2010 and 2014." As the Deputy will appreciate - I remember we had a technical discussion about this during my first appearance in respect of NAMA accounts back in 2010 - international financial reporting standards, IFRS, force us to approve an effective interest rate, EIR, at the acquisition date of the portfolio. Effectively, that is a non-cash accrual, whether we are actually getting the cash or not. When I looked at the €280 million with my chief financial officer, we looked at it in terms of the cash we paid for the portfolio - the cash received to date. Nobody really understands IFRS except accountants. We examined the cash loss for NAMA, taking the ins and outs, and it was €280 million. Those figures will be made available to the Comptroller and Auditor General.

Deputy Sean Fleming:   Can the Comptroller and Auditor General comment on his chart, which says the actual loss was €783 million?

Mr. Seamus McCarthy: I suppose I am taking an economic perspective on this. This is a set of assets that were acquired. The par value is the estimate in respect of what the debtors owe. The carrying value before impairment - obviously, there is a lapse of time from the original acquisition - is, broadly speaking, the carrying value that was estimated. There had been impairment, which in my view was reflecting the deterioration in the asset in the intervening period, as Mr. McDonagh has said. Even then, when they marketed the thing, they found they did not get the price and had to incur a further loss. There were also costs incurred on the settlement, and those are reflected in the loss as well.



Deputy Sean Fleming:   The same problem is happening at the banking inquiry in terms of how the value of loans is estimated and all that. In simple English - layman's English - Mr. McCarthy is saying the carrying value when NAMA got this portfolio was €2.169 billion-----

Mr. Seamus McCarthy: Of the assets, as sold at that time.

Deputy Sean Fleming:   And that they were sold at €1.385 billion, and that is a difference of-----



Mr. Seamus McCarthy: The net proceeds were €1.385 billion, so costs would have been taken out as well. There were costs incurred by NAMA in respect of the sale.

Deputy Sean Fleming:   The difference is €0.783 billion.



Deputy John Deasy:   Chairman, we have been here for two and a quarter hours. We have only got until 1 p.m. Only two people have asked questions so far and there are probably four or five people waiting. There needs to be some kind of splitting of time.

Chairman:   Deputy Fleming is now finished. Deputies Deasy, Donovan, Costello, Perry



and then McDonald are next.

Deputy John Deasy:   If I may follow on, Mr. McDonagh came here in May of last year and said the net loss involved with this was €200 million. In his statement he has now upped that net loss to NAMA to €280 million. Can he explain that? What it just not clear to him a year ago?



Mr. Brendan McDonagh: At the time I was here to talk about the 2013 accounts, and I was asked about Project Eagle at the end of the meeting. Doing the calculations in my head, I estimated the figure at around €200 million. Now I am saying it is €280 million if we look at it in cash terms. I was doing the calculations in my head and that was the best I could do at the time.

Deputy John Deasy:   Some might say that was a pretty big gap. I accept Mr. McDonagh's answer. That is fine.

Mr. Brendan McDonagh: That was my bona fide answer at the time because I did not have the information in front of me. I was trying to work it out arithmetically in my head.

Deputy John Deasy:   I wish to pick up on a similar point to that which Deputy Fleming raised - namely, the divergence between materials from the Comptroller and Auditor General and the materials NAMA has given us. For example, the Comptroller and Auditor General talked about where the properties are geographically and said that 68% of the properties were located in Northern Ireland. In Mr. McDonagh's statement, however, and the asset analysis at the end of it, that figure had gone down to 50%.



Mr. Brendan McDonagh: Yes.

Deputy John Deasy:   Where is the---?

Mr. Brendan McDonagh: In terms of what the Comptroller and Auditor General might have been talking about, his figure might have been based on the number of properties, or was it 68% at inception? These are the figures we had to break out at disposal.

Mr. Seamus McCarthy: It was the number of properties.

Mr. Brendan McDonagh: Whereas I am actually talking about value.



Deputy John Deasy:   Mr. McDonagh is talking about value and Mr. McCarthy is talking about numbers. Okay.

I am more concerned about the €280 million that was lost, and ultimately the cost to the taxpayer, than I am about the process. I would like to dwell on that for a moment. Mr. Daly gave reasons as to why he felt it was probably the right thing to do when it came to the disposal of this loan book. Considering the resources in NAMA, it would make it easier to deal with other things and other properties as a result. Considering the amounts we are talking about here and the size of this loan book, I would question that. Surely the only major consideration should have been what we get for this and whether the timing was right to sell. That is the issue for me, not whether we can actually free up some of the resources in the organisation to deal with something else. This was the biggest portfolio that had ever been



sold by NAMA and surely that was the main or only consideration by the board. I know it debated it long and hard.

If we take a look at appreciation or depreciation in the commercial, retail and even residential markets throughout the geographical locations, Mr. Daly stated some of the comments on Northern Ireland in particular are outlandish. Somebody spoke about a 20% boost in the commercial sector in Northern Ireland. However, it did grow a small bit in 2014 and it stopped. Mr. Daly spoke about getting rid of this loan book in a lagging market. He felt NAMA would get the best price for this entire loan book at that time. Everything is very easy in hindsight and everyone is an expert when it comes to property values after the fact. Everyone is an expert in this country these days. One must ask the question, considering where the markets have gone in the UK, and even in Northern Ireland and the Republic, and the Comptroller and Auditor General quoted the figure of 18% that were numbers of properties-----

Mr. Seamus McCarthy: Numbers of properties in the Republic.

Deputy John Deasy:   Even if we take the residential market, in the year previous to April 2015 it grew by 15%. I know about commercial property, but even in Northern Ireland in the past year, going back to April 2014, the figure seems to be approximately 9%. It was 8.8%. It was the highest growing region in the United Kingdom, with England at 5% and Scotland at 2.2%.


Mr. Frank Daly: Residential?

Deputy John Deasy:   Yes, and less so in commercial but there was an upswing. The loan book was sold at the point the market turned. Somebody could analyse this based on figures and growth in the year beyond when the decision had been made by the board, and this is the key point for me.



We have spoken about this three or four times since 2012 when the two witnesses have come before the committee. We have spoken about NAMA's analysis when it came to the disposal of properties and whether we should sit on them. That is the key issue. When I look at this I must say I would second guess it to a certain extent. I understand it is always easy with the figures after the fact, but do the witnesses have any responses to this with regard to their timing after the fact? Somebody could take a good look at this and say NAMA probably should have sat on it for a bit longer. Who is advising NAMA on the markets? I know it was a board decision and the witnesses spoke about it being long and hard. I will not sit here and say if it were me I would have waited, but somebody must ask the question considering the amounts.

Mr. Brendan McDonagh: With regard to buy value in the Republic of Ireland, there was a huge recovery last year of which we were part, and we are benefitting from it, thankfully, but only 4% of the portfolio was in Ireland, with 1% in Dublin and 3% in the rest of Ireland. Any uplift will be marginal. A total of 50% buy value is in Northern Ireland. It is very location specific. Stuff around Belfast might do well but other stuff might not. The entire portfolio was heavily concentrated in retail. Almost 50% of the portfolio is related to retail in Northern Ireland and the north-eastern UK. When is the right time to sell and what is the best price we can get is a conundrum the whole time for the board. We look at this very closely. Part of the board's work is to do sectoral analysis by geography on each of the markets we are in, and



part of this consideration was a separate sectoral paper which took input from various sources and external research specifically on Northern Ireland. We have been operating in this market since 2010. It was not improving and, to be honest, it was getting worse. The portfolio was really granular and it was going to take us a very long time to realise the portfolio. We looked at the cashflows all the way out to 2020 and we conducted a net present value analysis of them-----

Deputy John Deasy:   Is Mr. McDonagh happy now that was the right decision?



Mr. Brendan McDonagh: Yes.

Deputy John Deasy:   It is a hypothetical question, but what would Mr. McDonagh sell it for now considering how the markets have actually-----



Mr. Brendan McDonagh: I do not believe we would sell it for much more than €1.3 billion today.

Deputy John Deasy:   Not much more.

Mr. Brendan McDonagh: No.



Deputy John Deasy:   Would NAMA get more for it than it would have got a year ago?

Mr. Brendan McDonagh: Given the type of portfolio it was, it would be very difficult to get more. That is my personal view.

Deputy John Deasy:   This is important. Mr. Daly dealt with the misinformation and disinformation in the media with regard to the €5.7 billion. It is important these errors are corrected. If this is clarified, we are back to the €1.6 billion paid for acquiring these loans in the first place and the €280 million that was ultimately lost. All I am saying at this point is the taxpayer will want to know whether this was the best deal at the time. I believe that is the priority for the taxpayers when they look at this entire saga. What will interest them is whether NAMA is making the correct decisions on the disposal of these properties, in this case a massive loan book.

Mr. Brendan McDonagh: That is very understandable.

Mr. Frank Daly: That is the core question. I still believe that at the time we sold the portfolio it was the best achievable price. If I were to be asked whether we would get slightly better if we put it on the market now, I do not know. We might or we might not. We have struggled sometimes, for example, with some of the other regional areas that are not recovering. Deputy Deasy spoke about residential growth in Northern Ireland, but residential was only 6% of this portfolio.



Deputy John Deasy:   I understand. I was using it as an example, but it did show an indicator with regard to the markets generally.

Mr. Frank Daly: It did, but as I said earlier we take account of market indicators. It is not just on our own analysis. One of the things we do, and what we did with Northern Ireland, was to get in experts from the property sector there and from the public sector to talk to us. We do



this all the time. We do not just rely on our own analysis. Sometimes we need to discount some of the stuff we get from these property experts-----

Deputy John Deasy:   That is fair enough.

Mr. Frank Daly: -----because it is self-serving. It is back to the conundrum for NAMA of when to sell and to hold in a general sense. If we had absolute certainty that we would get more for our portfolio this year, next year or the year after, we might make different decisions. All we can do at the moment is conduct an analysis, come up with a reserve price which is the minimum value we think any asset or portfolio is worth and never sell below that.



Deputy John Deasy:   I am trying to figure out whether NAMA's analysis has been good. That is fair enough. We are dealing with taxpayers' money and it is fair game to ask the witnesses about their analysis and whether it was correct at the time. I need to get a specific answer and the committee has only an hour left.

Mr. Frank Daly: We are quite happy. If the Controller and Auditor General does a section-----



Deputy John Deasy:   A large chunk of this - 33% - was in the UK. With regard to these types of properties and geographical locations, give me an idea as to how much the market there has gone down or up. It comprises a fair chunk of this. Can Mr. Daly answer that? Does NAMA analyse this after the fact? It should do so to see whether the analysis made in the first place was correct.

Mr. Frank Daly: Mr. McDonagh might answer that. To go back to Deputy Fleming, he asked why we did not bundle the London assets. There are very few London assets in the portfolio and London is a market that has done well. NAMA has done very well out of it.



Mr. Brendan McDonagh: We do a strategic sectoral review of each market in which we still have assets-----

Deputy John Deasy:   In which NAMA still has assets, but not in which it had assets.



Mr. Brendan McDonagh: Yes. We still have assets in Northern Ireland related to Republic of Ireland debtors.

Deputy John Deasy:   It would not be exactly the same-----



Mr. Brendan McDonagh: No, but we still do a strategy review as to how to sell these assets because we still-----

Deputy John Deasy:   I am not talking about a strategy review about how they will be sold. I am talking about an after-the-fact review as to whether NAMA got its analysis right in the first place.



Mr. Brendan McDonagh: I can see where the Deputy is going, but we must make a decision at a point in time based on the best information we have available to us-----

Deputy John Deasy:   Hang on-----

Mr. Brendan McDonagh: -----and stand over it.

Deputy John Deasy:   I am questioning NAMA's methodology and its collection of data and decision-making with regard to analysing the data when it comes to a portfolio of properties. That is what I am asking and it is a fair point.

Mr. Brendan McDonagh: It is a fair point.

Deputy John Deasy:   So once NAMA has sold at a net loss of €280 million, it does not take a look at where the market has gone since and whether its methodology is correct.



Mr. Brendan McDonagh: We are looking at portfolios and assets the whole time and we are trying to figure out the best price we can achieve for those assets. We sell the assets and we must live with that decision. There will always be people second guessing us. They have been second guessing us from day one.

Deputy John Deasy:   Fair enough.

Mr. Brendan McDonagh: We must stand over that. As Accounting Officer, and in respect of Mr. Daly on behalf of the board, we say it is a big decision and ask whether we are comfortable that we have all the information and that we are making the right decision knowing full well that in the future, someone will come back and say it was the worst decision we made. Nobody ever comes back to us and says it was the best decision we made.

Deputy John Deasy:   If I-----



Mr. Frank Daly: We know full well that if one looked back in a year or in five years' time, the core ingredient will be what the Irish property market did in the mean time. If the Deputy can identify somebody for me who can absolutely forecast that and the way it is going, not in hindsight-----

Deputy John Deasy:   By the time, NAMA made the decision and when it came to selling this loan book - I was having a pint in Dungarvan - it would be fairly well known-----

Mr. Frank Daly: It might be a better place to discuss this.



Deputy John Deasy:   Perhaps in Abbeyside.

Mr. Frank Daly: Exactly.


Deputy John Deasy:   At the time, there was a pretty firm realisation that the markets had turned - certainly in the Republic of Ireland and England. That did not just apply to residential property. Basically, people would know that. In respect of selling something like this, somebody might second guess NAMA and say that perhaps it should wait because everything had turned with regard to property prices, certainly when it came to residential property. Commercial values in Dublin at that time were going way up as well. That was the firm opinion back then when the board made the decision to dispose of this loan book. I suppose I am second guessing whether or not NAMA should have sat on this. I do not have

the values. One would need to take it property by property, find out how much somebody would pay for it today, add it up and then analyse whether or not one's methodology was correct.



Mr. Frank Daly: That is a very valid point because one would need to look at a very mixed portfolio like Northern Ireland where indices in the broad sense might not exist and if they did, they might not reflect the reality of some of the assets that were in that. We are in a continuum. If we go back to NAMA at the beginning and all of the objectives and the wish list people had for it, one was that we would stimulate the property market in Ireland. One certainly cannot do that by sitting on every asset one has and hoping that in ten years the market will have begun to move without any intervention from NAMA. NAMA's sales in the market are in themselves a stimulant. I believe that the entry of a huge fund like Cerberus into the Northern Ireland market has probably created a stimulus. It is very hard to take that into account when back in April 2014, NAMA made that decision. We can debate this wherever the Deputy likes but to say the market had turned might be a bit strong. If the Deputy said that the market was turning, I would not disagree with him but I do not want to be Jesuitical about it.

Deputy John Deasy:   I have a question for the Comptroller and Auditor General concerning what has been said and reported in the media over the past couple of weeks. I will not attempt to involve him in any kind of political opinion. I know he said three or four weeks ago that he is planning to do the review. He has prepared and planned for that and it was in his schedule. From what NAMA has said document-wise and what the Comptroller and Auditor General has seen so far within the committee, are there issues that are of concern to him? A Member of this House has intimated that the Office of the Comptroller and Auditor General does not have the capacity to deal with this as well as the gardaí and the Committee of Public Accounts. I do not know which higher investigative power should be doing it if these three bodies do not do it. Has the Comptroller and Auditor General any concerns about what he has seen and heard in written form?

Mr. Seamus McCarthy: Even from last year, the scale of the loss on those loans did cause me to think that this needs to be looked at further by us. I made that decision last year. It would have been in the course of the audit of the financial statements for 2014, again further confirmation that we need to look at this. It would be around the value that was achieved in the sale.



Deputy John Deasy:   That is what I am getting at.

Mr. Seamus McCarthy: There is further information that has come into the public domain. It includes matters in Northern Ireland and matters between private individuals that are not subject to audit by me. I cannot investigate them.



Deputy John Deasy:   We are separating that. NAMA has done that and that is fair enough.

Mr. Seamus McCarthy: A number of the questions that have been asked this morning reflect the kind of concerns we would look to address in the course of any examination of any disposal, be it this one or other disposals of loans or property. We have sought additional assistance regarding whether the questions we are asking are reasonable and the conclusions we would draw stand up. In effect, the property market and the development market are

peculiar. It is not like any other sale, procurement or tendering process. We are aware from auditing NAMA over the years that there are these kinds of peculiarities, practices and customs. The hope would be that a properly functioning market will generate good and reasonable value at a point in time. This must be tested.

Deputy Patrick O'Donovan:   Can I pick up from where Deputy Deasy left off? Has the Comptroller and Auditor General received any complaints from Members of the Oireachtas regarding the allegations made on the floor of the Dáil last week?

Mr. Seamus McCarthy: No.

Deputy Patrick O'Donovan:   Has he received any correspondence from any Members of the Oireachtas regarding this issue?

Mr. Seamus McCarthy: No.



Deputy Patrick O'Donovan:   What is Mr. Daly's reaction to what was said in the Dáil last week regarding NAMA's handling of this?

Mr. Frank Daly: I would be disturbed by what was said in the Dáil and subsequently about any conflation of NAMA's sale of Project Eagle with what has been put into the public domain in respect of the diversion of a substantial amount of money to an account in the Isle of Man, which a firm in Northern Ireland called Tughans has acknowledged was diverted and put into an account in the name of its former managing partner and which it has retrieved. All of that is outside NAMA. All of that related to the purchasing side of this and certainly not the selling side, so I have been disturbed by the way that has been conflated. As I said at the beginning of this meeting, wherever that £7 million came from, it did not come from NAMA and it did not come, in any way, from the proceeds of this sale that should have been due to NAMA. I am firmly of that view.

If a firm of solicitors in Northern Ireland suddenly finds that a fee - a very substantial fee in this case - has apparently been diverted to an account in the name of one individual from that firm and the fact that it managed to get it back seems to indicate that it was not right in the first place, it should be investigated by the Law Society of Northern Ireland in respect of the individual and presumably the firm of solicitors. The PSNI indicated yesterday that it will look at that. NAMA certainly welcomes that, but NAMA is very firmly of the view that this transaction did not relate to NAMA or certainly no source of funding or anything like that related to NAMA. In fact, we knew nothing about it until it appeared in the media some time ago. By the way, we have been engaging on this. We have not been hiding any of this because BBC Northern Ireland has been asking us questions about this, sometimes not specific questions but-----

Deputy Patrick O'Donovan:   Has the investigation into the law practice at the centre of this and has the Law Society of Northern Ireland approached NAMA?



Mr. Frank Daly: No. We have had no contact from anybody in Tughans or Northern Ireland on the matter.

Deputy Patrick O'Donovan:   Could I just ask about how the overall situation-----



Mr. Frank Daly: I am sorry. Could I just correct that? We did get a letter yesterday from the Northern Ireland finance committee asking us if we would appear up there to talk about all of this.

Deputy Patrick O'Donovan:   Will NAMA go?



Mr. Frank Daly: No.

Deputy Patrick O'Donovan:   Why not?

Mr. Frank Daly: Our view is that we are accountable to this committee. We will come in here and put everything on the table. I presume the transcript of anything here is available to the Northern Ireland finance committee and, in so far as we can help it in any other way, we will certainly do that.

Deputy Patrick O'Donovan:   The NIAC is now defunct and the sale had a potential impact on the economy of Northern Ireland. Does Mr. Daly understand where the committee is coming from in terms of trying to see why the committee members might want NAMA to go before them?



Mr. Frank Daly: I can understand that, but the reality is-----

Deputy Patrick O'Donovan:   Does Mr. Daly accept that it would be a reasonable request for the committee to ask NAMA to go before it?

Mr. Frank Daly: I think our accountability is in this jurisdiction. We are a State body down here and we account to this committee and to the Joint Committee on Finance, Public Expenditure and Reform and other committees of this House. That is the appropriate place to go. I do not think there is anything they would ask us that this committee presumably will not ask us. It is on the record and I am sure the committee can read the transcript the same as anybody else.

Deputy Patrick O'Donovan:   I will come back to that in a moment.



Mr. Frank Daly: If the committee wants us to talk about this so-called transaction into the Isle of Man, we have nothing to say because we know nothing about it.

Deputy Patrick O'Donovan:   I accept that. I will come back to this in a moment, but I wish to focus on how such a refusal would be perceived. I accept the statements of Mr. Daly and Mr. McDonagh, but as previous speakers indicated, in particular Deputy Deasy, I believe the loss of €280 million is something on which the taxpayer would expect us to drill down. I wish to focus on how the matter has been handled, in particular in the fall-out in the past week. Does NAMA accept that there could be a better way of dealing with the issue in terms of the public perception of how it is carrying out its work? The allegation that has been made is that NAMA is almost akin to a secret society with a secret handshake and that nobody knows what is going on inside it. I accept the Comptroller and Auditor General has permanent staff in NAMA. I also accept that NAMA's work has almost come to a conclusion. Has NAMA learned anything from its experience in Northern Ireland? Will NAMA change anything in its approach to the disposal of the remainder of its assets because of the way the

issue under discussion has been handled?

Mr. Frank Daly: I see Deputy O'Donovan's point, but I will not rehearse for the committee answers I have given several times before about the formal accountability of NAMA to this House and to this committee, and through our annual reports, quarterly reports and to the Comptroller and Auditor General. That is all on the record.



NAMA has been controversial since the beginning and once the name "NAMA" appears anywhere in connection with a story, it gets the headlines. One of the most effective ways of dealing with very controversial issues for us in the past has been with this committee. Coming in is not always comfortable but that is what we are doing today. I can understand the public might be exercised about NAMA's sales process and whether it got value for money. We have explained the process in absolute detail. We have said why we think we got value for money and that we got the right price. The Comptroller and Auditor General is now going to look at that aspect of it in his triennial review. It goes without saying that every document and piece of analysis will be made available to him. That is all we can do. The conflation in recent days and weeks about this payment in Northern Ireland from a company based in Northern Ireland to an individual in Northern Ireland is not something of which NAMA has any knowledge and with which it has any involvement. There is nothing we can do except keep explaining that. One of the points I made in my earlier statement is that I think that point is not getting across.

Deputy Patrick O'Donovan:   I accept that, but to return to the Northern Ireland finance committee's request and the Brown Rudnick letter to the then Minister of Finance and Personnel in Northern Ireland, on the bottom of page 2 the partner who signed off on the letter said: "On a personal note and by way of further background, I personally had responsibility and initiated the very first loan portfolio sale that NAMA completed (in 2012 to Morgan Stanley)". He wrote that letter to the then Northern Ireland Minister of Finance and Personnel, who on foot of it subsequently contacted the Department here. Does Mr. Daly accept that based on that intervention the Northern Ireland Assembly has questions to pose both to the former Minister of Finance and Personnel and to NAMA in this regard?



Mr. Frank Daly: That letter was not written to us for a start.

Deputy Patrick O'Donovan:   I know but it is part of the package.

Mr. Frank Daly: It is part of the narrative but the best placed person to answer that is really the-----



Deputy Patrick O'Donovan:   Does Mr. Daly accept that the Northern Ireland finance committee has a role in relation to this overall package?

Mr. Frank Daly: It has an interest in the loan sale process, and all of that, including, if one likes, the preliminaries of these letters and this engagement, but I think-----



Deputy Patrick O'Donovan:   Would it not be in the interests of the process for Mr. Daly to engage with the committee?

Mr. Frank Daly: I am quite happy to do that, and we have engaged today with the Committee of Public Accounts on the letters but in terms of the jurisdiction and our accountability, which



is to this committee, this is the appropriate place to do it.

Deputy Patrick O'Donovan:   Could I ask Mr. Reid a question? He referred earlier to the correspondence. I am not sure whether that was before or after the phone call to which he referred.



Mr. Declan Reid: What I was referring to earlier was the passing on of the letter of the intent which followed a conversation between the Minister for Finance and the First Minister of Northern Ireland.

Deputy Patrick O'Donovan:   Was that the only piece of correspondence that had been received from the First Minister of Northern on the matter?



Mr. Declan Reid: No. I suppose Deputies are aware there is a running engagement between our Minister and the Northern Ireland Executive on a vast variety of cross-Border issues, in particular financial issues. As our banking system was recovering, issues such as the Irish banks' commitment to the North, the closure of IBRC's offices in the North and other issues including NAMA's management of its Northern Ireland portfolio would have featured in those conversations. This communication, which was received from the Minister, Mr. Wilson, would have originated from one of those type of conversations.

Deputy Patrick O'Donovan:   Were any preferences expressed in terms of how the portfolio should be dealt with?



Mr. Declan Reid: In the conversations in which I have been involved in connection with the Northern Ireland Executive, the Minister for Finance has always stressed that any process undertaken by NAMA would be a matter for the NAMA board-----

Deputy Patrick O'Donovan:   No, was any preference expressed by the then Northern Ireland Minister of Finance and Personnel as to how the matter should be dealt with or as to who should be preferred, for instance?



Mr. Declan Reid: In terms of a potential bidder, no. The only preferences that were expressed were with respect to the items the committee has seen in the letter of intent around the impact of the management of the portfolio by NAMA or a potential purchaser on the economy of Northern Ireland.

Deputy Patrick O'Donovan:   I accept that, because in the third paragraph of the letter that was received by the Department of Finance from the then Northern Ireland Minister of Finance and Personnel, Mr. Wilson, he said "Subsequent to those discussions, I have received the enclosed letter from Brown Rudnick, who will be known to NAMA. They were instrumental in introducing me to two potential investors in the NAMA loan book." Do we know who they were?



Mr. Declan Reid: I do not know.

Deputy Patrick O'Donovan:   Is that the only correspondence that was received by the Department of Finance here from Mr. Wilson in relation to this matter, or were there follow-up conversations from him?



Mr. Declan Reid: I suppose the last correspondence regarding this introduction would have been the letter back to Mr. Wilson from the Minister, Deputy Noonan, essentially indicating that it had been passed across to NAMA and that Brown Rudnick should be encouraged to engage with NAMA.

Deputy Patrick O'Donovan:   Could I ask Mr. Daly whether NAMA received any correspondence or representations from the Northern Ireland Department of Finance and Personnel on the matter?

Mr. Frank Daly: Does Deputy O'Donovan mean in relation to the whole sale?

Deputy Patrick O'Donovan:   In relation to what Mr. Reid said where the letter dated 24 June 2013 was subsequently replied to on 25 July 2013 where this jurisdiction's Minister for Finance referred it on to NAMA. Did NAMA receive any further correspondence from the Department of Finance and Personnel in Northern Ireland?



Mr. Frank Daly: No, not that I am aware of. There would have been meetings. I do not want to mislead the Deputy. The Northern Ireland advisory committee sometimes met in Dublin and sometimes in Belfast.

Deputy Patrick O'Donovan:   It did not discuss specific debtors.

Mr. Frank Daly: No, but sometimes on the periphery of those meetings I would meet the Minister for Finance and Personnel in Northern Ireland. There was never any expression of preference for any purchaser in regard to that issue. The thrust of much of the conversation would have been, to use a colloquialism, to not put a "for sale" sign on Northern Ireland.



Deputy Patrick O'Donovan:   I accept that.

Mr. Frank Daly: The impression was not to be that it was being auctioned off. There would have been a preference for a closed sale, something that would not have put a "for sale" flag on Northern Ireland through an agency in Dublin.



Deputy Patrick O'Donovan:   So there was no specific correspondence from him.

Mr. Frank Daly: No, and there is no record of any correspondence. I would have met the Minister for Finance and Personnel.



Mr. Declan Reid: The Minister would have continued his regular engagements with Ministers in the Northern Ireland Executive as part of a broader process and Project Eagle updates would have been discussed.

Deputy Patrick O'Donovan:   We do not know, with regard to his letter in respect of the two potential investors, if either was the successful party at the end of the day.

Mr. Brendan McDonagh: We understand that one of those parties was definitely PIMCO. We do not know the other.

Deputy Patrick O'Donovan:   One of the parties was PIMCO.



Mr. Brendan McDonagh: We do not know the second party.

Deputy Patrick O'Donovan:   Was it ever attempted to find out the other party?



Mr. Brendan McDonagh: No.

Deputy Patrick O'Donovan:   Why not?



Mr. Brendan McDonagh: We only became aware of this letter between the Ministers yesterday. We had no reason to be aware of it.

Deputy Patrick O'Donovan:   Does the witness accept now that it would be in everybody's interest to find out the other party?



Mr. Brendan McDonagh: Yes, although we only became aware of this letter yesterday.

Deputy Patrick O'Donovan:   Does the witness accept now that it would be in everybody's interest to find it out?

Mr. Brendan McDonagh: We could ask Brown Rudnick but the company may or may not tell us. We never had a relationship with Brown Rudnick.

Deputy Patrick O'Donovan:   I know that. We also know a letter was received. The company was instrumental in introducing NAMA to two potential investors interested in the NAMA loan book.



Mr. Brendan McDonagh: Yes, but NAMA was not aware of the letter until yesterday.

Deputy Patrick O'Donovan:   I am not suggesting that it was. I want to find out if there were further representations made by the Department of Finance and Personnel and the former Minister, Mr. Sammy Wilson, about these two parties and whether they were successful.



Mr. Frank Daly: Not to us.

Mr. Brendan McDonagh: Not that we are aware of.



Mr. Seamus McCarthy: I will speak to a point made by Deputy Patrick O'Donovan about having staff permanently in NAMA. I do not have staff permanently in NAMA. The staff are there for large parts of the year to carry out financial audit work. Typically, they would be there between approximately September and May and they would not be there over the summer months. As I said, they would be engaged in financial audit work directed towards giving an opinion as to whether the financial statements give a true and fair view. We only get information for the purposes of the audit. In case anybody is under a misapprehension, we do not walk around NAMA and just look into whatever files we want; this is specific information requested for particular audit purposes. We are not involved in any way in the decision-making process-----

Deputy Patrick O'Donovan:   I know that.

Mr. Seamus McCarthy: -----and we do not give prior approval or have any engagement like that when decisions are being made. Decisions are made by NAMA and we look at them in retrospect.

Deputy Patrick O'Donovan:   If the Comptroller and Auditor General received a complaint from a Member of the Oireachtas, is he satisfied that he has the necessary resources and expertise to investigate it?

Mr. Seamus McCarthy: Yes, absolutely. As well as our own staff, who have considerable experience in NAMA, we have a budget to hire people if we need specific technical assistance with a particular project.



Deputy Joe Costello:   I welcome Mr. Daly and his team and Mr. Reid from the Department of Finance. Who came up with the name, Project Eagle? Where did it come from?

Mr. Frank Daly: I am not sure but all our portfolio sales-----



Deputy Joe Costello:   Surely the board at some stage-----

Mr. Frank Daly: I remember asking at one stage who comes up with these bright ideas. There is a process of discussion, I gather.



Mr. Brendan McDonagh: Effectively, the executive comes up with the name of a portfolio. Our biggest issue is there are so many portfolios on the market by different finance institutions and we have to try to get a name that captures the attention of the market.

Deputy Joe Costello:   What was this capturing? Was it connecting American bidders with the eagle?



Mr. Brendan McDonagh: No.

Deputy Joe Costello:   Was it that this was such a soaring portfolio of €5.7 billion in Northern Ireland?

Mr. Brendan McDonagh: There was no big discussion about it. It was proposed by one of the members of the team and there was no objection from the board. There is no big thought in the name but much thought goes into the process of getting the data together and preparing the portfolio. It is just a matter of trying to get a name that is not used in the market.



Deputy Joe Costello:   One would think that somebody would remember the genius who thought of the name.

Mr. Brendan McDonagh: To be honest, it was probably the former head of asset recovery who came up with the name, as far as I recall. It means nothing in terms of our operations.



Deputy Joe Costello:   If there is a smoking gun in this matter, it has to be in the gestation of how this came about in the first instance. The two letters are very interesting. The first came to the Minister for Finance, Deputy Michael Noonan, from Mr. Sammy Wilson, the Northern Ireland finance Minister. The statement, as stated by Deputy O'Donovan, read,

"Subsequent to those discussions, I have received the enclosed letter from Brown Rudnick, who will be known to NAMA. They were instrumental in introducing me to two potential investors in the NAMA loan book." I thought Mr. McDonagh said that NAMA had no relationship with Brown Rudnick.



Mr. Brendan McDonagh: No.

Deputy Joe Costello:   How would they be known to NAMA?

Mr. Brendan McDonagh: The only person known to NAMA was this individual who signed the letter on behalf of Brown Rudnick called Mr. Tuvi Keinan. He worked for Morgan Stanley and what he said in his letter is true in that he dealt with us with one of our first loan sales back in 2012 with Morgan Stanley. It is not unusual for people passing through different professional organisations to make out that they are more involved with NAMA than they are. We get this the whole time, as they are trying to sell a product or service.

Deputy Joe Costello:   So what he stated in the letter is not quite true.



Mr. Brendan McDonagh: No, I would not regard it as true.

Deputy Joe Costello:   He was trying to impress. The letter to Mr. Wilson is quite comprehensive and much work was done at the time. In the first three paragraphs he is very clear that he seems to understand exactly what is going on in NAMA. He indicates "We understand and respect that a transaction with Northern Irish real estate concentration would have a fundamental impact" and refers to "loans with a concentration of property located in Northern Ireland". He also points out that it is understood there are other loans relating to the United Kingdom and references a significant majority of the total value of the loan. Much background work seems to have been done but how could all of that have been done if there had been no contact with NAMA?

Mr. Brendan McDonagh: I can only speculate. Tughans would have acted as solicitors for many of the Northern Ireland NAMA debtors.



Deputy Joe Costello:   They were dealing with Tughans at the time.

Mr. Brendan McDonagh: I presume so. I can only speculate.



Deputy Joe Costello:   He further states "Two of our clients have each confirmed they would independently be committed to a process" and he opts very quickly for one of those clients. The rest of the presentation is really about getting an exclusive deal for one of the clients. I presume this is PIMCO. He has two clients but he is not really representing one client. He is seeking to get a preferred status for the other client. Is there not something strange about that?

Mr. Brendan McDonagh: It is not strange for people to try to hawk their services around, to try to get themselves into a position that they can be a middleman in terms of trying to buy and sell assets, or buy and sell loans. It is quite common, in the market, that people try to get what is called a promote fee for finding a transaction. Whether he had a second client or not, we will never know. As I said, I only became aware of this letter yesterday. Again, given what he said in the rest of the letter, he might be trying to put it out there that he had a bigger



portfolio of clients than he actually had. I do not know, Deputy.

Deputy Joe Costello:   He also goes on to say: "We believe that one in particular is highly committed and will be well known to NAMA as a highly competent and financially credible asset manager." NAMA already knew about PIMCO and knew who they were. I want to know in what capacity.

Mr. Brendan McDonagh: Absolutely, Deputy. PIMCO is one of the biggest global fund managers in the world. I think it has about \$200 billion worth of assets under management. We would have met PIMCO, a few times, at the start of NAMA and then they seemed to disappear but they seemed to re-emerge as part of this, subsequently.

Deputy Joe Costello:   Did NAMA suspect anything at that point in time, perhaps when he went on say that "the integrity of the transaction is our main concern"? That is an interesting comment to make by someone who is trying to sell to one particular partner. He says there are two but then he concentrates on one and then he talks about the integrity of the transaction as being "our main concern." He continues: "Preceding with one party on a limited exclusivity will ensure a focused expedient process with guaranteed confidentiality which we would see as absolutely vital for such a process."

Mr. Brendan McDonagh: Yes.

Deputy Joe Costello:   This man, who represents two clients, is giving the two fingers to a second client and saying, we want an exclusive deal with our preferred client and this is it.



Mr. Brendan McDonagh: That is what they tried, Deputy, and that is what NAMA did not agree to. We did not agree to it. We said that we had to openly market this portfolio.

Mr. Frank Daly: He is not just giving the two fingers to his other client. He is giving the two fingers to any concept of an open market process which-----

Deputy Joe Costello:   He wants do a sweetheart deal.



Mr. Frank Daly: Yes.

Mr. Brendan McDonagh: Yes.

Deputy Joe Costello:   That is really what his letter is about.

Mr. Frank Daly: He got nowhere.

Mr. Brendan McDonagh: He got nowhere with the letter.

Deputy Joe Costello:   I recognise that fact. The Minister for Finance, in his reply, said the way NAMA operates is very much to its credit. He said: "I am advised by NAMA that granting exclusive access to one potential purchaser is not an approach they favour as it militates against achieving optimal value for the assets concerned."



Clearly, it seems that this is the man or company who generated the entire process - the Brown Rudnick company - and that they did this in a somewhat underhand fashion without

necessarily anybody else being interested in it, at the time, and not having a second client. Clearly, this was the base they were operating on. At that point in time, Cerberus was not on the horizon and NAMA has no-----

Mr. Brendan McDonagh: Not back at the end of 2013.

Deputy Joe Costello:   They came into it when NAMA announced the process.

Mr. Brendan McDonagh: When we appointed Lazard, then Lazard approached the nine biggest funds in the world - the guys who would have fire power and capital to be able to buy a portfolio like this.

Deputy Joe Costello:   Can NAMA give us a breakdown of who they were? Were they all American?



Mr. Brendan McDonagh: Yes, they were generally all American. Please give me a moment and I shall get the names of the people, if I can find the correspondence. They were: Blackstone, Starwood, Apollo, PIMCO, Oaktree, Cerberus, Lone Star, Goldman Sachs and Fortress.

Deputy Joe Costello:   They are all major global players.

Mr. Brendan McDonagh: They are household names in the international capital world.

Deputy Joe Costello:   Six pulled out without making it formal.

Mr. Brendan McDonagh: Yes, they looked at it. Some of them pulled out straightaway and said it was not for them. Some of them had a look at the dataroom and said we understand the concentration of assets, and the granular nature of assets, and said we are not going to spend any money on due diligence and this just is not for us because they have funds that they are investing to get a return. Three remained in the final month of the bid process. There was a three-month bid process from January to the end of March. Up until 10 March there were three bidders actively looking at the portfolio - Cerberus, PIMCO and Fortress.

Deputy Joe Costello:   Is it not strange that it was at that point in time that PIMCO decided, pretty much at the 11th hour - this was 10 March and the deal was done eventually on 1 April - to tell NAMA that there was an irregularity in regard to the association with Mr. Cushman?

Mr. Brendan McDonagh: We understand, again just based on what PIMCO told us, that this transaction was being run by its front office team, in terms of trying to buy the portfolio. I presume that, as part of their credit approval for making a bid, they have to go through an internal process involving their compliance department. PIMCO's own compliance team or the compliance department discovered, probably through their checks and balances, that there was going to be a fee payable to third parties. Fees payable to third party by private equity funds are not unusual at all.



Deputy Joe Costello:   Why should it come from a standard audit?

Mr. Brendan McDonagh: No. It is part of most investment committee or credit committee



approvals. They look for sign off from various departments and their function. There is sign off by the people promoting the deal, who are the front office people. Then they look for sign off probably from their legal department. These funds probably look for a sign off from their compliance department. We understand that it went to a compliance department, then the compliance department raised - because they do their research - a flag that one of the parties involved, one of the parties getting the fees, could have potential issues for them because they recognise-----

Deputy Joe Costello:   Because of the conflict.



Mr. Brendan McDonagh: Because they recognised that Frank Cushnahan was associated with NAMA.

Deputy Joe Costello:   It was not because of the fund.


Mr. Brendan McDonagh: No.

Deputy Joe Costello:   It was not because of the money.

Mr. Brendan McDonagh: No.

Deputy Joe Costello:   It had nothing got to do with that.

Mr. Brendan McDonagh: I suspect, Deputy, that if there was no mention of Mr. Cushnahan it would have got by and the compliance department would not have had any issue with it.

Deputy Joe Costello:   It would have been fine. Immediately-----



Mr. Brendan McDonagh: They rang NAMA. They contacted NAMA and said we are paying a success fee to Brown Rudnick but we have subcontracted to Tughans and also involved in that is Mr. Cushnahan. First of all, they said we presume you are aware of it which we were not.

Deputy Joe Costello:   They knew the role that Mr. Cushnahan had.

Mr. Brendan McDonagh: Yes.

Deputy Joe Costello:   They knew that he was on the-----

Mr. Brendan McDonagh: Yes, they had done their research. In fairness, that is how the compliance department should have functioned. They had done their research properly and they acted properly. Let us be clear about that.

Deputy Joe Costello:   No, I mean they knew the role Mr. Cushnahan-----



Mr. Brendan McDonagh: Yes, they had researched it.



Deputy Joe Costello:   -----and his conflict.

Mr. Brendan McDonagh: Yes.

Deputy Joe Costello:   It was not that NAMA had pointed it out at the time.

Mr. Brendan McDonagh: No, they knew that of Mr. Cushnahan, clearly. When they do their research into people they all, as American funds, are caught under the Foreign Corrupt Practices Act. They have to do certain internal checks and sign off on that. They obviously twigged that Mr. Cushnahan was part of the process. They suggested that to us and we said we did not know about it. They asked what is NAMA's view on this and we said we need to take it away. We called a board meeting and the board, as I said, took a very dim view of this.



Chairman:   I remind the Deputy that he is almost out of time.

Deputy Joe Costello:   Why, at that point in time, did NAMA not approach the other two bidders and clarify the situation? Why did NAMA wait until the deal was done with Cerberus before NAMA asked them for a statement?



Mr. Brendan McDonagh: The deal was not done with Cerberus. The bids were received on 1 April, Deputy. When the bids were received, before they would be considered by the board, whether to accept or reject, we started asking, on the basis that we had a recommendation from Lazard that the best all-round bid, in commercial terms, was Cerberus. We decided that we needed to get confirmation from Cerberus on whether there were any fees payable to third parties and whether they were acting within all appropriate laws.

Mr. Frank Daly: If it had been Fortress we would have done exactly the same.



Mr. Brendan McDonagh: Yes.

Deputy Joe Costello:   Was it done before NAMA signed up?

Mr. Brendan McDonagh: Yes. The board would not make a decision without having this confirmation.

Deputy Joe Costello:   I have one last question about the timing of the sale, the losses on the sale and whether a specific benchmark should have been adhered to. Was this not NAMA's biggest loss out of all its transactions to date?


Mr. Brendan McDonagh: It was our biggest loss on loan sales.

Deputy Joe Costello:   NAMA has made substantial profits overall but this deal kicked against the tide. NAMA was established in 2010 and when this sale was made in 2014, the market was still weak in Northern Ireland but NAMA was receiving rental income of between €50 million and €60 per annum. Why did it not maintain that rental income stream given that the market was at bargain basement levels?

Mr. Brendan McDonagh: Rental income was heading towards an expiry date because leases expire over time and the question arises of whether they can be renewed at the same rents. Almost 20% of the portfolio comprised lands from which we had no income. We had a challenged portfolio with small value assets requiring considerable work. We had also engaged with debtors over four years in an attempt to maximise the recovery on the portfolio


but the situation was not improving.

Mr. Frank Daly: There is also an overarching issue that is wider than Northern Ireland. We get rental income in other portfolios but our objective is to repay our debts. The only way we can possibly do that is by selling assets. Simply sitting on assets and taking the rental income would never reduce our debt or allow us to fund the construction 4,500 homes by the end of next year and provide almost 2,000 houses for social housing purposes. We would not have been able to invest in the docklands if we had not generated income from asset disposals. Rental income would never be sufficient.


Deputy John Perry:  Deputy Costello referred to Project Eagle. In the US, when a big pay day arrives they say that the eagle has landed. From the point of view of Cerberus, the eagle certainly landed.

I ask Mr. McDonagh to outline the due diligence carried out in advance of the sale. It appears that Lazards was appointed at a late stage. The letter to the Northern Ireland Minister, Mr. Wilson, from Brown Rudnick states that the firm took comfort from the fact that NAMA had completed the necessary due diligence in respect of all loan transactions and could guarantee the validity and enforceability of the security and that over the previous years it had undertaken a significant investment in tidying up the security package. Given the scale of the deal, it is surprising that the letter also states that the firm planned to commence a four week long due diligence process. Who carried out the first due diligence for NAMA?

Mr. Brendan McDonagh: When we acquired the portfolio, we got business plans from all the debtors, as is well documented from our previous appearances before the committee. Over the preceding four years, if gaps of security or a lack of cross-collatorisation emerged during our engagement with debtors, we would have remedied the issue. That is part of the normal operations of NAMA as part of our efforts to maximise cost recovery. We were not aware that Tughans was involved with Brown Rudnick at that stage but Tughans would have been aware that we were engaged in remediation of securities in respect of Northern Ireland debtors and the portfolio of assets. I am sure every legal firm in Ireland or Northern Ireland would be fully aware that we are actively involved in managing portfolios.

Deputy John Perry:  There were more than 850 different properties in the portfolio and 50% of the land banks are in Northern Ireland. Is the due diligence documentation in the public domain?



Mr. Brendan McDonagh: When we began operating, we put all of the security and documentation into a controlled data room, including all of the title and security documents and loan documentation. That data room is covered by sections 202 and 99 of the National Asset Management Agency Act as it pertains to contractual documentation.

Deputy John Perry:  How was the firm aware of this information?



Mr. Brendan McDonagh: As I explained to the Deputy, it used Tughans as a subcontractor. Any major law firm would be aware that it held that documentation.

Mr. Frank Daly: I think the point it was making was not so much that it was aware of the details of the due diligence as it was aware of NAMA's rigorous approach to due diligence and that what would be presented if it engaged in a purchase would be high quality and



reliable.

Deputy John Perry:   I am not referring to integrity or quality. The letter stated that the firm took great comfort that NAMA has ensured the necessary due diligence in respect of all loans and assets. Lazards was appointed in January and the sale concluded in March.



Mr. Brendan McDonagh: It is on record that when we acquired the loans from the banks, they had to provide detailed due diligence, including security and title reports. Everybody in the market is aware of that. This was a sales man putting forward his best foot by claiming to have an intimate knowledge of the portfolio. I assure the Deputy that he did not get that knowledge from NAMA.

Deputy John Perry:   If one purchases a job lot of properties, it can be more convenient than dealing with each individual title or security. The original loan value was £4.5 billion. What was the initial reason for acquiring the assets cheaply in the first place? How many due diligence exercises were carried out on them?



Mr. Brendan McDonagh: There was due diligence at the time of acquisition between NAMA and the banks from which we acquired the loans. Subsequently, as part of our engagement with debtors over the subsequent four years, we sought to remedy any gaps in security or title that we might have inherited. All of that documentation is in NAMA's possession and stored in our data room, with controlled access overseen by Lazards. People can only access the data room after signing confidentiality agreements.

Deputy John Perry:   How many of the nine bidders viewed this documentation?



Mr. Brendan McDonagh: The data room is managed in a way that would have permitted them to view a certain amount of documentation depending on how long they remain in the process. If they signed a non-disclosure agreement, they would be allowed to view data we put into the data room.

Deputy John Perry:   Did the two final bidders see the entire documentation?



Mr. Brendan McDonagh: Three final bidders would have seen all the documents in the data room, namely, PIMCO, Cerberus and Fortis.

Deputy John Perry:   Did Mr. Cushnahan see the documentation?

Mr. Brendan McDonagh: No.



Deputy John Perry:   He was involved with Tughans.

Mr. Brendan McDonagh: If he was in the background working with Tughans, he might have seen the documentation but that was between Tughans and Brown Rudnick. We were unaware of the matter.



Deputy John Perry:   I ask Mr. McDonagh to clarify the €50 million agreed in fees. What was the split?

Mr. Brendan McDonagh: PIMCO advised us that it was going to pay a success fee of €15



million to Brown Rudnick. Brown Rudnick was going to share that success fee with Tughans and with Mr. Cushnahan. There was £15 million and we understood there was £5 million each.

Deputy John Perry:   What is the story on that at the moment?



Mr. Brendan Mc Donagh: PIMCO withdrew and did not pay Brown Rudnick. We understand that the company engaged Brown Rudnick and paid a fee. I understand the company has made a statement to the effect that Brown Rudnick shared that fee with Tughans. It is speculated that the fee given to Tughans was up to £7 million and that this was the money that was diverted.

Deputy John Perry:   Was it not surprising, then, that NAMA was notified about Mr. Cushnahan's involvement from one of the builders? Being a vulture capitalist group, they would be well aware of the risk involved. Was it not a case of taking themselves out of the sale?



Mr. Brendan Mc Donagh: We were very concerned about Mr. Cushnahan being in any way involved in the sale after we found out.

Deputy John Perry:   Would Mr. McDonagh not agree that the potential purchaser would be aware of that as well?



Mr. Frank Daly: I do not think there is any indication that the involvement of those in PIMCO indicated that they were trying to pull themselves out of the sale. In fact, the whole tenor of their approach on this issue around Frank Cushnahan was to stay involved.

Deputy John Perry:   Is Mr. Daly not surprised at the nature of the sale? What was the advantage to them in telling NAMA that?

Mr. Frank Daly: As my colleague explained, there is quite a lot of due diligence, compliance and legal activity in any of these big funds. We believe that when that was happening, whether it was in PIMCO's legal department or the compliance department, someone there spotted the involvement of Mr. Cushnahan. Someone raised a red flag, decided that it could be an issue for NAMA and decided to ask NAMA about it. The whole tenor of the approach and the reaction was that PIMCO did not want to exit the sale. The firm very much wanted to stay involved.



Deputy John Perry:   In the case of these venture capitalist companies, is there not a great deal of what I will not call insider dealing but I will call co-operation? They know exactly what is going on.

Mr. Frank Daly: I think there is far more competition than there is co-operation in that whole area.


Deputy John Perry:   Let us consider the portfolio of properties, the types of loan and the likes of securities. Let us consider the Northern Ireland market *vis-à-vis* the market in Ireland, the level of foreign direct investment and the potential for retail. Much of it is retail-based here and in Northern Ireland. There are hotels as well. In 2014 there was an uptake in that market and in leisure activity, as well as in urban renewal and house regeneration. The United



Kingdom market was rather buoyant because the country was coming into an election period as well.

Mr. Frank Daly: There was very little hotel and leisure in that portfolio; the figure was approximate 7%. In fact, the hotel sector in Northern Ireland, even around the time of Project Eagle, was rather challenged. One of the biggest or most public enforcement actions by NAMA related to a very prominent business there.

Deputy John Perry:   Is there a profile of the properties involved? Mr. Daly has referred to due diligence. It seems to be a caveat term that covers everything when it is in storage. Is there a view of the type of property at issue? Are they hotels or properties? Where are these properties? It is something of a myth if we are talking about a portfolio of properties. Are they in Belfast or Enniskillen? What are we talking about? Whereabouts in London are they? Is there a list of them?



Mr. Brendan Mc Donagh: They were spread across Northern Ireland. Obviously we have to reset this. Anyway, I imagine that as part of the information we can supply to the committee or to the Comptroller and Auditor General we can break it out geographically and we would not be breaching anyone's confidentiality.

Chairman:   We will accept a list when it arrives.



Deputy Mary Lou McDonald:   I gather that 48% of the properties were in Belfast, if I am not mistaken. Does that ring a bell?

Mr. Frank Daly: Yes.



Mr. Brendan Mc Donagh: There was a high concentration towards east Ulster.

Deputy Mary Lou McDonald:   We have limited time so we will have to keep questions and answers rather focused and sharp. Can Mr. Cushnahan clarify for me at what stage he became aware - Mr. Daly, I should say-----

Mr. Frank Daly: Please, Deputy. There is enough conflation with them as it is.



Deputy Mary Lou McDonald:   That is a step too far. I will grant Mr. Daly that much. When did Mr. Daly become aware that Mr. Cushnahan had a self-contained office in Tughans Solicitors?

Mr. Frank Daly: I do not know whether it was a self-contained office, but I know he had access to-----



Deputy Mary Lou McDonald:   I need the date from Mr. Daly. When did he become aware of it?

Mr. Frank Daly: I think I became aware of it at some stage. In the beginning, when we went to Northern Ireland, Brian Rowntree was the head of the Northern Ireland executive. He provided an office for us to meet in the Northern Ireland executive office. He resigned from that role, but I am unsure of that date. We went to Belfast for a subsequent meeting, which was held in a hotel. Then Mr. Cushnahan said to us that he could get us a meeting room in

Tughans next time around for our meeting, if that suited us. I will say up front that if we had known then what we know now-----

Deputy Mary Lou McDonald:   I am not inviting Mr. Daly to do that, not least because our time is so limited.



Mr. Frank Daly: In September 2013 he said that for our next meeting there was a room in Tughans if we wanted it. We had two meetings in a conference room.

Deputy Mary Lou McDonald:   Is Mr. Daly saying to the committee and putting it on the record that he had no clue Mr. Cushnahan had this relationship or shared accommodation with Tughans Solicitors until September 2013, and that it came to his attention only at that point?

Mr. Frank Daly: No. I do not think I said I knew nothing about Mr. Cushnahan having some relationship with Tughans. I am saying-----

Deputy Mary Lou McDonald:   When did Mr. Daly know that?



Mr. Frank Daly: I became aware that he had an office in Tughans in September 2013.

Deputy Mary Lou McDonald:   When did Mr. Daly become aware of the relationship between Mr. Cushnahan and Tughans?



Mr. Frank Daly: Is Deputy McDonald referring to the general relationship?

Deputy Mary Lou McDonald:   Yes.



Mr. Frank Daly: I do not even know that I was aware of a relationship. It would have been generally known at the time, perhaps, that Mr. Cushnahan had a relationship with Tughans, in that, as Tughans has recently said publicly, he was a referrer of business. I could not say when I became aware of that.

Deputy Mary Lou McDonald:   Mr. Daly and NAMA had a general knowledge that there was a relationship between Mr. Cushnahan and Tughans. Is that correct?

Mr. Frank Daly: He probably mentioned it, or someone mentioned it, or something like that.



Deputy Mary Lou McDonald:   That is a little vague, but we can take it as read.

Mr. Frank Daly: I am sorry. I do not intend to be vague, but it is beyond my recollection.

Deputy Mary Lou McDonald:   We have the extraordinary situation then that Mr. Cushnahan, one of the NAMA people on the board in the North - Mr. Daly is the chairman and he is in charge - has this relationship and shared accommodation with Tughans Solicitors, which, in turn, has a relationship with Brown Rudnick. In case Mr. Daly does not know it, let me break it to him that there is a belief that Mr. Cushnahan was providing advice, direction and information, perhaps, in respect of matters pertaining to NAMA, and that he may have been doing so from that premises. I am sure Mr. Daly has seen or heard that much at this

stage.



Mr. Frank Daly: No. I have no information on that. To whom? Whom was he providing it to?

Deputy Mary Lou McDonald:   To a number of parties, one presumes. We have the extraordinary situation - Mr. Daly has confirmed it today - that Tughans had this relationship with Mr. Cushnahan and, in turn, with Brown Rudnick, which was acting on behalf of potential bidders and purchasers. Mr. Daly said in his evidence earlier that Tughans also acted on behalf of a number of debtors. Is that not quite some web?



Mr. Frank Daly: It is a small economy or system.

Deputy Mary Lou McDonald:   I know that. Is that not quite some web?



Mr. Frank Daly: Tughans is the third largest commercial law firm in Northern Ireland. It was on the NAMA panel, having openly tendered for it in 2010. I cannot remember how many were involved in the panel. It would have been quite surprising if they had not been engaged by NAMA on some cases. I was never aware of Mr. Cushnahan's close connection to Tughans until this matter emerged in March 2014 when PIMCO told us about the sharing of the fee.

Deputy Mary Lou McDonald:   Nonetheless, Mr. Daly has told me he became aware of the shared accommodation in September 2013, having had a generalised sense of a relationship between Frank Cushnahan and Tughans. He remains on the board of NAMA until November 2013. He exits stage left, and the following month NAMA is approached by Brown Rudnick. It is all very tightly sequenced, is it not?



Mr. Frank Daly: Yes.

Deputy Mary Lou McDonald:   The issue of Brown Rudnick and the two clients has been explored, one being PIMCO - we do not know who the second is. That is not known to Mr. Daly. Can Mr. Reid say is it known to the Department?



Mr. Declan Reid: We would not have known the first either until it was confirmed later in the process.

Deputy Mary Lou McDonald:   It becomes known to NAMA fairly snappily who the first client is because the direct approach is made. In a remarkable sequence, this letter demonstrates that in June 2013 it is the view of Brown Rudnick and its clients that it should be a job lot, or single sale, and the board of NAMA signs off on that approach by January 2014.



Mr. Frank Daly: We never signed off on a single or closed sale approach. Never.

Deputy Mary Lou McDonald:   I am talking about a job lot - a single lot - not a closed sale. The bundling up of these-----

Mr. Frank Daly: We began to explore the possibility of an open market sale of the full Northern Ireland portfolio, once we became aware that at least one fund was interested in it.



Deputy Mary Lou McDonald:   NAMA finally lands on that approach and that decision, if I heard Mr. Daly correctly, in January 2014. Is that correct?

Mr. Frank Daly: Yes.

Deputy Mary Lou McDonald:   Then the issue of the problematic or irregular payment emerges. We now know that was £15 million and that there was to be a three-way cut on it.

In this document, Mr. Daly states that on 10 March he received a telephone call. Will Mr. Daly confirm that I am getting this right?



Mr. Frank Daly: That is correct.

Deputy Mary Lou McDonald:   In fact, it is on 12 March that Mr. Daly gets the detail of the payment. Was that by way of another phone call or was it in a meeting?



Mr. Frank Daly: It was a phone call.

Deputy Mary Lou McDonald:   Who from PIMCO told him this?

Ms Aideen O'Reilly: There were two in-house counsel on the call and their external counsel.

Deputy Mary Lou McDonald:   At this stage did Mr. Daly inform the Minister for Finance, Deputy Noonan, of this turn of events?



Mr. Frank Daly: I informed him.

Deputy Mary Lou McDonald:   The Minister was aware on 12 March that it was-----



Mr. Frank Daly: It was on 13 March that I would have informed the Minister.

Deputy Mary Lou McDonald:   Thank you.

Mr. Frank Daly: I would have informed him of the background and that PIMCO had withdrawn, and that if it had not withdrawn we were going to exit it.

Deputy Mary Lou McDonald:   He was informed of the nature of the payment and its scale - that it was £15 million to be divided in these proportions.

Mr. Frank Daly: Yes.



Deputy Mary Lou McDonald:   Presumably the Minister was alarmed at that turn of events.

Mr. Frank Daly: He was very concerned and agreed with our approach and decision to exit PIMCO.



Deputy Mary Lou McDonald:   At no stage did he have a conversation with Mr. Daly

about suspending the entire sales process, given this irregularity.

Mr. Frank Daly: No.

Deputy Mary Lou McDonald:   So we then move on and a new situation emerges. The extraordinary thing here is that the only change of actor in the final leg of this process is the purchaser. It moves from PIMCO to Cerberus, but our friends in Brown Rudnick and Tughans Solicitors are still involved.



Mr. Frank Daly: There is another actor who has exited the stage at this point, Frank Cushnahan, who was the one of real concern to us.

Deputy Mary Lou McDonald:   We might come to that in a moment. Mr. Daly said earlier that he had informal meetings on the fringes of his board meetings in the North. Was he aware on 25 March 2014 of a meeting between Peter Robinson, Dan Quayle from Cerberus, Ian Coulter, a managing partner of Tughans Solicitors, and Simon Hamilton, who was the finance Minister subsequent to Sammy Wilson?



Mr. Frank Daly: No. I was not aware of the meeting itself and did not become aware of it until now. I was aware that Cerberus had stated at some stage that when it was moving into new territories, as it were, it always engaged with the political system. I am not surprised about the meeting, but I certainly was not aware of it.

Deputy Mary Lou McDonald:   Mr. Daly was not aware of that meeting.



Mr. Frank Daly: No.

Deputy Mary Lou McDonald:   Did he meet with any persons from Cerberus or with Mr. Quayle at any stage outside that?

Mr. Frank Daly: No. I never met with Mr. Quayle, but I met with John Snow, who is the chairman of Cerberus, at the end of this process, after Cerberus had been accepted as the preferred bidder.

Deputy Mary Lou McDonald:   In the sequence of events, that meeting happens on 25 March. It was a private meeting and there are no official papers in the Northern system to account for it. A short number of days later, on 1 April, NAMA settles on Cerberus as the successful purchaser.

Mr. Frank Daly: Yes. I think it was on 3 April that we had a board decision in respect of Cerberus. For the avoidance of doubt, that board decision was made in the absence of any knowledge of the meeting the Deputy referred to.

Deputy Mary Lou McDonald:   On 4 April, the decision goes public. At this juncture, Peter Robinson says he spoke the previous night to the chairman of NAMA, Frank Daly, so Mr. Daly did speak to him then, and the former US Vice President, Dan Quayle, of Cerberus Capital, and on the basis of these conversations he said he believed this deal was excellent news for the Northern economy. Lots of people would take issue with that, but that was his view. Is Mr. Daly concerned, given what I have outlined to him, that a meeting such as the one I described had happened between Cerberus and senior political figures just days in

advance of the final NAMA decision?

Mr. Frank Daly: To be clear and to correct myself slightly, I am reminded that we did have a courtesy call with John Snow in March 2014.

Deputy Mary Lou McDonald:   On what date?

Mr. Frank Daly: I do not know the date.

Deputy Mary Lou McDonald:   The date might be important.

Mr. Frank Daly: We can certainly get the date.



Deputy Mary Lou McDonald:   Please do.

Mr. Frank Daly: It was a courtesy call, which quite often happens. That is not unusual for the chairs of big funds such as this one.



To answer the Deputy's other question, on the night of 3 April, after the board had made the decision to sell the Northern Ireland portfolio to Cerberus, I rang the finance Minister in Northern Ireland, Simon Hamilton, to tell him, out of courtesy. He asked me to ring the First Minister, Peter Robinson, out of courtesy, which I did that night. I informed him that the board had approved the sale to Cerberus. It was just a courtesy call, which I thought was appropriate, given the-----

Deputy Mary Lou McDonald:   Mr. Daly said he checked with Cerberus between the board making the decision and the decision going public, that all proper procedures had been followed and that there was no glitch or suggestion of additional payments to anybody connected with NAMA.

Mr. Frank Daly: Yes. The text of the written response we received from Cerberus is in my opening statement.



Deputy Mary Lou McDonald:   Mr. Daly has read it into the record, and I thank him. Did it not raise concerns with Mr. Daly that he was dealing with the same parties, as I have set out?

Mr. Frank Daly: No, our main concern throughout it was the Frank Cushnahan element. He was a former member of the Northern Ireland advisory committee. That was the issue for NAMA, for reasons we both discussed earlier.



Deputy Mary Lou McDonald:   While it was the trigger issue, is there not a deeper issue and a more ongoing difficulty with the NAMA processes and, perhaps, Mr. Daly's oversight of it? Aside from the particulars of this payment, there was an ongoing relationship between Mr. Cushnahan and Tughans solicitors, which, in turn, had a relationship with Brown Rudnick, which, according to its documentation, had previous relationships with NAMA. Tughans, which was dealing with debtors, also had a relationship with counsel for purchases and bidders. It is disingenuous of Mr. Daly to reduce it down in the way he is attempting.

Mr. Frank Daly: Our relationship was with Brown Rudnick, which subcontracted work to



Tughans. That was Brown Rudnick's business. Our major concern, right to the end, was to ensure there was no taint regarding the involvement of Mr. Cushnahan. We sought this assurance from Cerberus, which it gave, as it confirms, having also consulted with Brown Rudnick, which consulted with Tughans. They were two commercial firms. Again, I reiterate that our concern was Mr. Cushnahan. Firms such as Cerberus, Brown Rudnick or even Tughans do not lightly give undertakings such as they gave to us.

Deputy Mary Lou McDonald:   Perhaps I have mentioned that Ian Coulter, the managing partner of Tughans, attended the private meeting of 25 March.



Mr. Frank Daly: I have no idea. I did not know about the meeting.

Deputy Mary Lou McDonald:   Mr. Daly knows about it now. I am bringing it to his attention in order to illustrate how incestuous all of it was and the web that has been created between the same players in a small system with a tiny professional population. The net result and the concern for people trying to make sense of it and the taxpayer is that in the first scenario, there was an attempt at payola, NAMA got wind of it and was concerned, not concerned enough to suspend the thing but enough to show PIMCO the road.



Mr. Frank Daly: I was concerned enough to stop the payola, as the Deputy calls it.

Deputy Mary Lou McDonald:   Absolutely, given that it appears it was the intention. In the second scenario, although Mr. Daly had removed the purchaser and the identity had changed, the same case of characters was involved in the final decision, including legal counsel, and the whole thing stinks to high heaven.

Mr. Frank Daly: It was the decision of Cerberus to engage Brown Rudnick. We had no relationship with Brown Rudnick or Tughans but with Cerberus. Our concern, and the concern that people should and do have, is whether we got the best value for the Northern Ireland portfolio at the time, and I honestly believe we did. I will not go into it; we have rehearsed it here extensively. The bid from Cerberus was the highest bid. It met our reserve price. We took every step we could to ensure there was no involvement of anybody from NAMA in the background with any sort of fee or payment. We have it in writing.



Deputy Mary Lou McDonald:   This ignores the fact, which is subject to investigation, that at the end of the second scenario, £7 million is resting in an account for which we are not in a position to account.

Mr. Frank Daly: NAMA knows nothing about it.



Deputy Mary Lou McDonald:   I do not accept Mr. Daly's assertion that it is of no concern to NAMA. It revolves around the sale of a portfolio for which Mr. Daly was responsible. While he cannot control the actions of third parties, he has a duty of care, given that it is on his watch, to know exactly what is happening and ensure nothing improper occurs, in so far as he can.

Mr. Frank Daly: We took every step we could to ensure that there was nothing improper on the NAMA side. Deputy McDonald said I was not concerned that there was the payment the second time around. Of course I am concerned about it. However, it did not emanate from NAMA and has nothing directly to do with NAMA's process in selling Project Eagle. Would



I love to see it-----

Deputy Mary Lou McDonald:   It has everything to do with the conduct and interactions of transactions such as this. Perhaps this is the nub of the problem more generally. It has everything to do with the networks of persons, professional, political and otherwise, in and around the transactions. If it demonstrates anything, it is how problematic the very closed nature of NAMA is. How are we to know? We know about this instance. We know this turn of events, perhaps because of the scale of it. If Mr. Daly regards that there is nothing to see here, the end justifies the means and NAMA has nothing to answer for, and if this is standard practice for NAMA, it is very shocking.

Mr. Frank Daly: This is very unfair. There are no other cases that we are aware of. We have come in here and been as open as we possibly could about this. We have explained in detail what we did and how we tried to fireproof the sale, and we stand over it. If the Deputy is talking about the recently reported issue of a payment being made into an Isle of Man account, I would love it to be investigated and I am delighted that the PSNI is investigating it. I am very confident-----

Deputy Mary Lou McDonald:   Excuse me. Mr. Daly knew about the £15 million, which PIMCO informed him about. Given that PIMCO knew about it, we can be sure Brown Rudnick also knew about it. Presumably the parties who were party to the £15 million knew about it. Mr. Daly dealt with the situation, to his own way of thinking, adequately. However, in the name of God, when round two came around and the same firms and personalities were on the scene, who presumably knew about the £15 million, it did not sound an alarm bell in Mr. Daly's head. If he was not prepared to suspend the sale the first time around, and if he did not call a halt the second time around with the same cast of personalities, I do not know what kind of fireproofing or good practice it is.

Mr. Frank Daly: I cannot presume what anybody except NAMA knew in the case. Let us not mix the two up. The PIMCO bid was got rid of. No payment, that we are aware of, was ever made in the case. On the issue of what Cerberus, Brown Rudnick or Tughans did regarding the second one, they are third parties and I cannot control what they did, nor could I be expected to. I can only talk about the NAMA process and our being concerned and asking Cerberus for undertakings, which it gave and which I do not believe it would have given lightly.



Deputy Mary Lou McDonald:   Except that they were the same third parties who had been involved in round one and it was the same law firm, Tughans, that Mr. Daly knew in a general and a specific sense, given that a member of the NAMA board in the North had a very direct and close relationship with it. That is the difficulty for Mr. Daly whose attempts to push it away from himself and NAMA fall down on that simple reality.

Mr. Frank Daly: Because they were third parties, we had no contractual relationship ever with Brown Rudnick or Tughans in relation to Project Eagle. Our contractual relationship was with Cerberus and we were sufficiently concerned to ask it to confirm the fee payment.



Deputy Mary Lou McDonald:   Okay.

Mr. Frank Daly: At the end of the day it was back to the value for the sale. Did we get value?



I believe we did.



Deputy Mary Lou McDonald:   I do not accept the ends justify the means line of thinking of Mr. Daly. The processes in how all of this was done are absolutely essential in terms of people having confidence and demonstrably protecting the public interest. In this scenario Mr. Daly failed to do that.



Mr. Frank Daly: No.

Deputy Mary Lou McDonald:   I believe Mr. Daly was mistaken, in the first instance, not to suspend the sales process and very wrong in the second not to have alarm bells, just like Big Ben, ringing in his head to say, "Hold on a second - this is a huge transaction; these are huge write-downs of public moneys and so on." Not to have pulled back from it amounted to very bad judgment on his part.



Mr. Frank Daly: I absolutely believe the real public interest test for us in the sale of the portfolio was whether we got value for money and the best achievable price at the time. I absolutely believe we did.

Deputy Mary Lou McDonald:   As I am conscious of the time, I want to raise two questions.



Chairman:   The witnesses have to attend another meeting.

Deputy Mary Lou McDonald:   Mr. Reid has explained in some detail the memorandum of understanding. I appreciate that there was a conversation between the Minister for Finance and the First Minister and, presumably, the Northern Finance Minister.



Mr. Declan Reid: We advised that it would be appropriate for it to be forwarded to Ronnie Hanna in NAMA, not the Minister.

Deputy Mary Lou McDonald:   I thank Mr. Reid. Mr. Daly described it as a protection for debtors, like a debtor's charter, a kind of opt out clause for all. So that the committee knows, it was not a document of the executive. In fact, at a Westminster committee hearing, when Cerberus was questioned, there was reference to the absence of a memorandum of understanding. It was a discussion point. It is intriguing that something that had no official status wound up with NAMA, solicited or unsolicited, as the case may be-----



Mr. Frank Daly: Absolutely unsolicited.

Deputy Mary Lou McDonald:   I thank Mr. Daly for the clarification. It seems it was on the back of conversations between Ministers, North and South. That is something we should want to get to the bottom of. On Project Jewel, is that what NAMA is calling the sale of Joe O'Reilly's portfolio which includes the national monument sites on Moore Street?



Mr. Brendan McDonagh: Project Jewel includes Chartered Land loans.

Deputy Mary Lou McDonald:   Who is the lead bidder?

Mr. Brendan McDonagh: There is no lead bidder; it has just been launched on the market.

Deputy Mary Lou McDonald:   Is there truth in the word that Cerberus is expressing an interest in it?



Mr. Brendan McDonagh: I am not aware that it has expressed an interest.

Deputy Mary Lou McDonald:   Project Jewel is a very substantial portfolio with which NAMA is dealing. Am I correct in saying this?

Mr. Brendan McDonagh: It is a large portfolio.

Deputy Mary Lou McDonald:   To the tune of what figure?



Mr. Brendan McDonagh: About €2.4 billion.

Deputy Mary Lou McDonald:   It includes very sensitive, historic and important national sites which are valuable.



Mr. Brendan McDonagh: The site on Moore Street is being bought by the OPW on behalf of the Government.

Deputy Mary Lou McDonald:   Yes, a limited portion of what is-----



Mr. Brendan McDonagh: It is a Government decision.



Deputy Mary Lou McDonald:   I appreciate that. Can Mr. McDonagh tell me how anybody who has watched these proceedings could have any confidence whatsoever that there has been fair, appropriate and proper dealing on the particular portfolio? Can he understand how people are extremely anxious given what happened with Project Eagle and the prospects for Project Jewel?

Mr. Brendan McDonagh: I do not agree with the Deputy's proposition. We run a very fair, straightforward and transparent loan sale process with a data room and full access for all parties who sign up to non-disclosure agreements. There are likely to be multiple bidders for the particular portfolio. There is nothing that I would take from the Deputy's suggestion that it is in any way tainted.

Deputy Mary Lou McDonald:   I have to say, respectfully, that that beggars belief and that there is not much-----

Mr. Brendan Mc Donagh: I respect the Deputy's view, but-----

Deputy Mary Lou McDonald:   I respect Mr. McDonagh's, but there are much deeper issues that, unfortunately, we do not have the time or the scope today to investigate.



Chairman:   We are pressed for time and I will not delay the witnesses beyond a couple of minutes.

In relation to Cerberus confirming to Mr. McDonagh that no fee commission was paid, who

certified this?



Mr. Brendan McDonagh: On behalf of Cerberus, it was its senior managing director, I think.

Ms Aideen O'Reilly: It was confirmed by its general counsel.



Chairman:   It was confirmed by whom?

Ms Aideen O'Reilly: By its general counsel.



Mr. Brendan McDonagh: Its legal counsel.

Chairman:   But who confirmed it for it?



Mr. Brendan McDonagh: It advised us under the Foreign Corrupt Practices Act and had sought confirmation from Brown Rudnick and Tughans.

Chairman:   Who signed off in the case of Tughans?



Mr. Brendan McDonagh: I do not know because that is a matter between Cerberus and Tughans.

Chairman:   Okay; we do not know that.

Mr. Brendan McDonagh: I do not know.

Chairman:   I have to ask these questions in relation to public comment, the first of which is to the Comptroller and Auditor General. Reference was made to the fact that the Comptroller and Auditor General did not have the wherewithal, as it was described, to deal with NAMA and this issue. Can he confirm for the committee that that is the case? I think he has done so already.



Mr. Seamus McCarthy: I am satisfied that I do have the resources and the powers to examine NAMA's role, apart from examining any other aspect of the matter about which the committee has a concern.

Chairman:   Second, mention was made of about 13 cases being investigated by the Garda in relation to NAMA. Is that correct?

Mr. Brendan McDonagh: That was the figure provided by the Minister for Justice and Equality in reply to a parliamentary question. We are not aware of these 13 cases, but if the Minister for Justice and Equality says the Garda has told her that complaints have been made, complaints have been made.

Chairman:   Mr. McDonagh is not aware of them.

Mr. Brendan McDonagh: No.

Chairman:   They are complaints rather than-----



Mr. Brendan McDonagh: As we understand it, 13 complaints have been lodged with the Garda. Perhaps, Ms Aiideen O'Reilly, since she liaises with the Garda-----

Ms Aideen O'Reilly: I do not know how many complaints the Garda may be investigating. All I can say is that whenever we are asked to provide information, we do so.



Chairman:   Does Ms O'Reilly know whether the investigations are at an advanced stage?

Ms Aideen O'Reilly: No.



Mr. Brendan McDonagh: The Garda will not tell us.

Chairman:   It will not tell NAMA. Has Mr. McDonagh disciplined many staff within his organisation in relation to, as is classified, insider dealing or leaking of information or accepting-----



Mr. Brendan McDonagh: There are two cases on which we have gone public and which we have referred to the Garda.

Chairman:   Do they relate to information being given? Do they relate to any other issue for staff in terms of receiving presents in recognition of their work?

Mr. Brendan McDonagh: In our view, they relate to confidentiality breaches under the NAMA Act. That is why we have referred them to the Garda.



Chairman:   Therefore, they are referred to the Garda.



Mr. Brendan McDonagh: Yes, two former employees.

Chairman:   I return to what Deputy Mary Lou McDonald said. Having listened to what has been said here, I firmly believe the process should have been abandoned. There is no doubt in my mind about this, although one may say it is with the benefit of hindsight. Bearing in mind what has been said in relation to the small economy, the small number of players, the information being shared, the memorandum of understanding and the political system, it does stink a bit. I am deeply concerned about it. I know the Comptroller and Auditor General is about to undertake, or is in the process of undertaking, an investigation or an analysis of some of the sales within NAMA, and the sooner this comes into the public domain, the better. It was ill-judged not to have abandoned the process. Some way has to be found to co-operate with the investigation in Northern Ireland and to link what happened in the South with what seems to be the construction of a web and the same players, as outlined by Deputy McDonald. It has to happen.



We had an example of this when the Committee of Public Accounts met its counterparts in Northern Ireland. It would serve NAMA and it would serve the system well if there were collaboration and co-operation all round and to have a full-scale investigation with all parties concerned brought to the table. There is no other way out of this because out of this hearing today, we have to decide what we do with the information. It is inconclusive because the other players are not here with us, and it is disturbing because of the knowledge that was held

by individuals, in particular the PIMCO revelation about the £15 million.

Deputy John Deasy:   Is the Chairman asking for an investigation on top of what the Comptroller and Auditor General is going to look at?

Chairman:   No, the Comptroller and Auditor General will look at the analysis within NAMA. Beyond that, and because there are other players outside of this jurisdiction, it is difficult to deal with it. A mechanism should be found to deal with it in an all island way, where agencies on both sides of the Border co-operate to present to the public a fuller picture of what happened.

Deputy John Deasy:   How will that work?

Chairman:   I do not know, Deputy Deasy, but I believe that NAMA should be concerned about clearing its name and about the discussions at this committee this morning. If there was wrongdoing, it should be identified, uncovered and explained. When one has the Isle of Man and the numbers of companies involved, and when it is explained as it was explained to this committee, the story worsens. The plot thickens and we have not come to the end of it. PIMCO disclosed the £15 million to NAMA and one has to ask how a firm the size of PIMCO cannot miss the £7 million. It is not answered and it cannot be answered here. We owe it to the political system and the administration to get to the end of this. It is disturbing for the memorandum of understanding to appear and for it not to have official backing in terms of its origins. It is disturbing also that it was suggested that there would be a nil balance for the 55 debtors. Who did this benefit and what was it about? Where is the £7 million and where is it going to go now? These are the questions that must be answered.

I know the Comptroller and Auditor General will do an investigation into this and it might shine more light on the processes and procedures within NAMA itself. It may benefit NAMA and our understanding of what went on. This is an unfinished piece of work that can only be concluded by some agency straddling both jurisdictions to bring it to a head. I understand the difficulties for NAMA personnel appearing before the committee in Northern Ireland, and the witnesses present said that they would not appear. The PSNI might expedite a thorough investigation which, depending on the outcome, could be dealt with more appropriately at a committee and the information could be put out there. It is striking, Mr. Reid, that the committee got the release of these letters and the memorandum of understanding this morning. Alarm bells should have been ringing loud and clear a long time ago once you had sight of the letters and the correspondence. That is my view.

We will conclude our business for today but it is very much an unfinished piece of work. I thank the witnesses who I understand are attending elsewhere. I appreciate their attendance here.

The witnesses withdrew.

Sitting suspended at 1.35 p.m. and resumed at 2.30 p.m.

Appendix 4

- A copy of the minutes of meetings of NAMA's Northern Ireland Advisory Committee.

**MINUTES OF THE FIRST MEETING OF
THE NORTHERN IRELAND ADVISORY COMMITTEE (NIAC)
OF
THE NATIONAL ASSET MANAGEMENT AGENCY (NAMA)**

Held at Ballymascanlon Hotel, Dundalk, Co. Louth on Wednesday 12 May 2010 at 10:00am

PRESENT:	Peter Stewart	Chairman
	Eilish Finan	Board Member
	Ronnie Hanna	Executive
	Brian Rowntree	External Member
	Frank Cushnahan	External Member
IN ATTENDANCE:	David Proctor	Secretary
	Frank Daly	Chair of the NAMA Board
APOLOGIES:	Brian McEnery	Board Member

1. Introduction to the Northern Ireland Advisory Committee

The Chairman welcomed all to the inaugural meeting of the Northern Ireland Advisory Committee (NIAC) and all members briefly introduced themselves.

The external members confirmed that they had read and understood the briefing note on the National Asset Management Agency (NAMA) provided to them in advance of the meeting.

The Chairman suggested that it might be of interest to the external members to read the transcript of the CEO's attendance at the Joint Committee on Finance and the Public Service and the Secretary was requested to circulate this transcript to the two external members.

2. Conflicts and lobbying

The Committee was briefed on section 30 of the National Asset Management Agency Act 2009 (the Act) and it was noted that this applied to all members of the Committee as set out in section 33(7) of the Act.

The Chairman drew the attention of the Committee members to Section 221 of the Act which deals with lobbying of the Agency.

It was noted that the National Treasury Management Agency Compliance Officer is available to the external members for them to consult, should they have any issues in relation to their compliance with the Act and/or should they require briefing on any fiduciary and other obligations under the Act.

The Secretary was requested to forward copies of the relevant sections of the Act to the members of the Committee.

3. Confidential Information

It was noted that section 202 of the Act deals with confidential information and that this section does not appear to apply to Advisory Committees. It was agreed however that the Committee would be voluntarily bound by section 202 and the Secretary was asked to forward a copy of the relevant sections of the Act to the Committee members.

It was noted that any and all information relating to the Committee was confidential.

The Committee noted that the Freedom of Information Act 1997 & Freedom of Information (Amendment) Act 2003 did not apply to the Agency. It was agreed that the Secretary would discuss with the Agency's Head of Legal and Tax whether there might be any consequences arising from the fact that meetings could be held outside the jurisdiction.

It was confirmed that all email communication with the two external members of the Committee were now conducted within the NTMA secure transfer system.

It was noted that in relation to Board Members it had been agreed that there be no public engagements or interviews where they might be viewed as representing the Agency without the consent of the Chairman of the Board. It was agreed that the same arrangements would apply to the members of this Committee.

4. Terms of Reference

The Terms of Reference of the Committee were noted and approved.

It was noted that item 9.1 of the Terms of Reference of the Committee provided that adequate resources would be made available to the Committee for it to conduct its activities. It was agreed that in the first instance the Committee would expect the Agency to provide such services as required.

5. Work Programme and Methodology

The Chairman expressed his view that the general strategy of a disposal of properties on a phased and orderly fashion and assisting in an efficiently functioning market should converge with the requirements of the Northern Ireland economy. This view was generally supported by the Committee.

Whilst Brian Rowntree and Frank Cushnahan had given a general briefing on the Northern Ireland market it was agreed that a considerable level of information would be required in order to consider the formulation of a detailed strategy. With a view to getting this underway it was requested that Ronnie Hanna set out in general terms some details on the market information that would be required and Brian Rowntree and Frank Cushnahan would then consider and advise in relation to sourcing this

information. It was noted that University of Ulster were currently engaged upon a GPRS study that could be helpful in this regard.

It was noted that the Planning Advisory Committee of the Agency had written to various interested parties in relation to making submissions to that Committee and it was agreed that it would be considered whether this would be appropriate for this Committee.

It was agreed that at the next meeting of the Committee a communications strategy specifically in relation to Northern Ireland would be considered.

The significant involvement of the state sector within Northern Ireland was discussed and it was noted that the Northern Ireland Executive might seek to engage with the Committee. This would have to be considered in some detail.

6. Key Issues

Following advice from Brian Rowntree and Frank Cushnahan, and a general discussion, certain key Northern Ireland specific issues were identified:

- The huge influence of the public sector
- The likelihood of a reduction in block grant from the UK government
- That no significant economic rebound is expected in the medium term
- No general overhang of vacant residential property; however there is a significant residential landbank over supply
- The possibility that the Northern Ireland Executive may engage in the disposal of surplus properties

The Chairman noted that this was a preliminary listing and thanked the external members for their briefing.

7. Schedule of Meetings

It was agreed that meetings would be held as and when required and the Secretary would organise the next meeting in approximately six weeks time.

8. Any Other Business

It was agreed that a press release on the establishment of the Committee would be prepared and circulated.

The Chairman advised that he had been in communication with Price Waterhouse Coopers in relation to a "Consultation on Potential Social Housing Leasing Model". It was agreed that he would pass on the details of this Model to Brian Rowntree who would consider and advise.

9. Close

There being no further business the meeting concluded



Chairman

**NORTHERN IRELAND ADVISORY COMMITTEE OF THE NATIONAL
ASSET MANAGEMENT AGENCY**

**Second meeting: 10.00 a.m., 2nd July 2010, Ballymascanlon Hotel, Dundalk,
Co. Louth**

Attendance:

Committee members:

Peter Stewart	(Chairman and Board Member)
Eilish Finan	(Board Member)
Ronnie Hanna	(Executive)
Brian Rowntree	(External)
Frank Cushnahan	(External)

Invitees:

Avril O'Reilly-Healy (Secretary)

Apologies:

Brian McEnery (Board Member)

Issues considered

1. Agenda

It was proposed by the Chairman and agreed that the agenda be slightly amended such that the NAMA Strategy Update be dealt with ahead of Work Programme and Methodology.

2. Minutes of Previous meeting

The Committee agreed the minutes of the previous meeting as a correct record of the proceedings.

3. Matters Arising

3.1 Section 202 of the NAMA Act (Confidential Information)

It was noted that it had been clarified that section 202 of the NAMA Act applies to any person who obtains confidential information while (*inter alia*) performing duties on behalf of NAMA, irrespective of the domicile of the person or the location at which the person obtained the confidential information. It was stated that section 202 therefore applies to all members of the Committee including external members.

3.2 Meeting with Compliance Officer

It was noted that the NTMA Compliance Officer had requested a meeting with the external members to discuss the application of the NAMA Act and the Ethics in Public Office Act, 1995. It was suggested that the external members would meet the Compliance Officer, subject to availability, to coincide with the next meeting of the Committee on 15th September 2010 in Dublin, and that a meeting with the NTMA Head of Control (in relation to procurement procedures) and with members of the NAMA Board who were available would also be arranged for the same day.

3.3 Engagement with Northern Ireland Executive

It was suggested that the Committee engage directly with the Northern Ireland Minister of Finance and Personnel. It was suggested that a first meeting with the Northern Ireland Minister of Finance and Personnel should take place in early September. It was agreed to accept the advice of the external members in this regard. It was agreed that the Minister for Finance would be kept informed of such proposals. It was agreed that the Committee would present this proposal to the NAMA Board at its next meeting on 8th July, 2010.

4. Declaration of Interest or Conflict of Interest

It was confirmed that there were no declarations to be made.

5. NAMA Strategy Update

The Committee was informed that the NAMA Business Plan had been sent to the Minister for Finance and would be published shortly. The Committee was given an overview of the key Strategy and Policy contents of the Business

Plan which included: NAMA will not adopt a specific policy to deal with any specific geographical area; strategy on asset disposal will be shaped by a neutral view as to future market movements on a portfolio basis; there are aggressive realisation targets included in the business plan; a robust approach to debtors would be adopted; the approval of new loans will depend wholly upon commercial considerations.

6. Work Programme and Methodology

A summary containing general market information requirements for Northern Ireland was circulated to the Committee prior to the meeting. The document was discussed in brief by the Committee together with the Northern Ireland Housing Market Review & Perspectives 2010-2013. It was noted that the Chairman would address the 15th Annual Northern Ireland Economic Conference 2010 on 29th September in Belfast and would discuss the general objectives of NAMA and additionally the implications for Northern Ireland of NAMA. It was suggested that this would require detailed information in relation to both the Northern Ireland based security to be taken over by NAMA and also in relation to the property market supply and demand considerations and it was agreed by management to provide same.

The availability of information in relation to demand and supply in the Northern Ireland market was raised and in this regard it was noted that the University of Ulster and the International Centre for Local and Regional Development (“ICLRD”) have compiled a considerable amount of data. It was agreed that introductions would be made with a view to the NAMA Executives engaging with the appropriate person in ICLRd and they should consider whether it would then be appropriate to engage the University of Ulster to arrange for the collation and consolidation of all the available data.

7. Communications Strategy

The NTMA Communications Officer had prepared a draft proposal in relation to communications strategy for Northern Ireland which was presented to the meeting. Amendments were discussed and it was agreed that an updated proposal would be put to the Committee at its next meeting.

The members agreed that they would not accept any invitations to speak about NAMA at public or private events and would not reply to formal and /or informal requests for information of any kind in relation to NAMA save as may be authorised in accordance with Board policy.

8. Any Other Business

8.1 Service Providers

It was agreed that Committee members would not agree to any meetings with potential service providers and that there would be full adherence to the public procurement process.

8.2 PWC Report


It was noted that the PWC report on "Consultation on Potential Social Housing Leasing Model" would be finalised shortly and that the Committee would be advised in this regard.

8.3 Letters of Appointment

It was noted that the external members had only received informal notice of appointment by email and that this matter would be followed up by the Secretary.

8.4 Next Committee Meeting

It was agreed that the next Committee meeting would be scheduled for 10.30 a.m. on the 15th September, 2010 in Dublin to coincide with proposed meetings between the external members and the NTMA Head of Control, the NTMA Compliance Officer and NAMA Board Members.

A handwritten signature in black ink, appearing to read 'Peter Stewart', is written over a horizontal line.

Peter Stewart, Chairman

15th September 2010

**NORTHERN IRELAND ADVISORY COMMITTEE OF THE NATIONAL
ASSET MANAGEMENT AGENCY**

Third meeting: 10.45 a.m., 15th September 2010, Treasury Building

Attendance:

Committee members:

Peter Stewart	(Chairman and Board Member)
Eilish Finan	(Board Member)
Ronnie Hanna	(Executive)
Brian Rowntree	(External)
Frank Cushnahan	(External)

Invitees:

Avril O'Reilly Healy (Secretary)

Apologies:

Brian McEnery (Board Member)

On opening the meeting the Chairman welcomed the Committee members to the third meeting and the agenda was noted. It was noted that the meeting had been duly convened and that a quorum was present.

Issues considered

1. Minutes of the previous meeting

The Committee agreed the minutes of the previous meeting.

2. Matters Arising

2.1 Action List

It was agreed that an Action List would be prepared by the Secretary and would be circulated with the Committee papers for future meetings.

2.2 Section 202 of the NAMA Act – Confidential Information

It was requested that clarification from an external adviser be sought in relation to the application of section 202 of the NAMA Act outside of the jurisdiction and it was agreed that this matter would be raised with NAMA Head of Legal & Tax.

2.3 PWC Report

It was noted that the PWC report on “Consultation on Potential Social Housing Leasing Model” would be finalised in the next couple of weeks. It was stated that it had been confirmed that there would be no copyright issues preventing the circulation of the document and that it would be available for distribution to NAMA when finalised.

2.4 Meeting with NIHE

It was agreed to meet with the Northern Ireland Housing Executive on 23rd September, 2010 to discuss possible solutions on land bank in Northern Ireland and that approval be sought from the NAMA Chairman.

2.5 Meeting with Northern Ireland Department of Finance and Personnel

It was suggested that a meeting with the Northern Ireland Department of Finance and Personnel be held in early November in order to ensure continued dialogue between the department and NAMA and it was agreed to organise such meeting subject to approval from the NAMA Chairman.

4. Declaration of Interest or Conflict of Interest

It was confirmed that there were no declarations to be made.

5. Property market update / breakdown of Northern Ireland assets by category

A document entitled Agenda item 4a containing Northern Ireland economic and property information together with the July issue of the CB Richard Ellis BI Monthly Report was circulated to the Committee prior to the meeting and was discussed.

A query was raised in relation to the valuation process applied to value loans being transferred to NAMA. The valuation process was noted to include in the first instance a valuation by an external independent professional real estate valuer appointed by the bank, to be prepared in accordance with the Guidance Notes and Standards issued by NAMA, which would in each case incorporate legal issues identified in the legal due diligence review which may impact the value of the property; and in the second instance, a valuation by an external independent professional real estate valuer appointed by NAMA to review the valuation report and information received from the Bank's valuer in order to confirm that the NAMA Guidelines have been adhered to and to confirm if the valuation of the bank's valuer is appropriate. It was stated that in the event of disagreement by the NAMA valuer with the valuation of the bank valuer and where appropriate, a different external independent professional real estate valuer is appointed by NAMA to complete a new property valuation on behalf of NAMA. It was noted that the final valuation is then subject to final sign off by Head of Portfolio Management. It was stated that the valuation process is robust, independent and has been approved after vigorous review by the European Commission. It was noted that the process could be discussed in further detail with Head of Portfolio Management who could brief the Committee in this regard if requested.

It was noted that a joint meeting had been held on 3rd September, 2010 between NAMA executives, representatives of the International Centre for Local and Regional Development ("ICLRD"), representatives of the Northern Ireland Housing Executive, representatives of the University of Ulster and representatives of NUI Maynooth in order to outline the facilitation by ICLR

of finding a solution to collate data in relation to the supply and demand of real estate and development land both in the Republic of Ireland and the North of Ireland. It was noted that the process was still at an exploratory stage but it was estimated that the project would be completed in respect of Northern Ireland data within the next 8 months.

It was noted that an ICLRD conference was being held on *The Changing Business, Community and Spatial Planning Landscape: Doing More with Less* with tentative dates of 20th and 21st January 2011 suggested, and that an invitation to NAMA for representatives to attend workshops and to speak at the event had been received. It was suggested that the matter be discussed with the NAMA Chairman to determine whether this would be appropriate and if so who those representatives would be.

It was noted that a report was due to be published by the Confederation of British Industry (“CBI”) shortly outlining a proposed economic strategy in anticipation of the Northern Ireland budget and possible cuts to be made in public spending. It was agreed that it might be useful to meet with representatives of CBI to discuss their recommendations, subject to approval by the NAMA Chairman.

6. Communication Strategy

It was noted that the Chairman had advised the NTMA Head of Communications of the recommendations of the Committee with regard to the application of the NAMA Communication Strategy to Northern Ireland and it was noted that these comments had been considered in the draft NAMA Communication Strategy which was presented to the Board at its meeting on 29th July 2010.

7. Borrower issues

The Committee discussed general issues arising in relation to two borrowers with Northern Ireland connections.

8. Any Other Business

8.1 Northern Ireland Economic Conference

It was noted that the Chairman would address the 15th Annual Northern Ireland Economic Conference 2010 on 29th September in Belfast and the proposed content of his speech and attendees from the Committee at the conference were discussed.

8.2 Matters arising

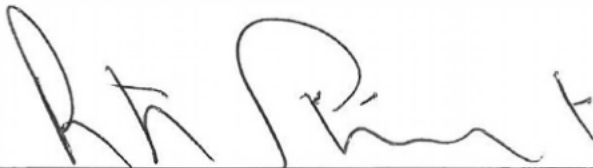
Press clippings recounting the recent successful meeting with the Northern Ireland Minister of Finance and Personnel, Sammy Wilson, were circulated prior to the meeting and were discussed. A press clipping of a potential legal challenge by Northern Ireland developers was circulated prior to the meeting and was discussed.

8.3 Travel Expenses

Reimbursement of travel expenses was queried and it was agreed by the Secretary to revert on the matter.

8.4 Next Committee Meeting

It was agreed that the next Committee meeting be arranged for some time in late October. There being no other business the meeting concluded.



Peter Stewart, Chairman

4th November 2010

**NORTHERN IRELAND ADVISORY COMMITTEE OF THE NATIONAL
ASSET MANAGEMENT AGENCY**

Fourth meeting: 10.30 a.m., 4th November 2010, Treasury Building

Attendance:

Committee members:

Peter Stewart	(Chairman and Board Member)
Brian McEnery	(Board Member)
Eilish Finan	(Board Member)
Ronnie Hanna	(Executive)
Brian Rowntree	(External Member)
Frank Cushnahan	(External Member)

Invitees:

Avril O'Reilly-Healy (Secretary)

On opening the meeting the Chairman welcomed the Committee members to the fourth meeting and the agenda was noted. It was noted that the meeting had been duly convened and that a quorum was present.

Issues considered

1. Minutes of the previous meeting

The Committee agreed the minutes of the previous meeting.

2. Matters Arising

There were no matters arising.

3. Declaration of Interest or Conflict of Interest

It was confirmed that there were no declarations to be made.

4. Section 202 of NAMA Act Confidential Information

It was noted that the Committee had requested at a previous meeting that external advice be sought as to the application of section 202 of the NAMA Act to the Committee members. It was noted that Arthur Cox had reviewed this matter and their letter of advice was circulated and discussed.

5. Asset Acquisition Update

An update was given in relation to the accelerated transfer of loans from the participating institutions to NAMA and in relation to certain objections raised to the transfers taking place. It was noted that the Minister for Finance had issued a Direction that the previous threshold of €5m for AIB and BOI loans be raised to €20m. It was noted that the business plans for the Northern Ireland based borrowers had not yet come before the Board but that there would be further information coming through on these borrowers in Q1 of 2011.

6. Summary Credit Decisions Northern Ireland

An update was given in relation to a number of credit decisions made regarding connections based in Northern Ireland. Additionally, the Committee discussed the question of personal guarantees and how these were being dealt with by certain of the participating institutions. It was noted that a Direction had been issued by NAMA to the participating institutions on this matter.

7. Northern Ireland Government and Economy Update

The Committee was updated in relation to dealings with the Northern Ireland Government and in relation to the Northern Ireland Economy. It was noted that NAMA is seen as a positive for Northern Ireland developers. The Committee agreed that it would like to consider creative solutions in respect of realisation of Northern Ireland secured assets and it was agreed that management would provide any suitable data available to it at the next meeting for this purpose.

8. Communications Update

It was noted that there was no further update on Communications. It was noted that it had been agreed that a member of the Executive Team may attend at the International Centre for Local and Regional Development conference on *The Changing Business, Community and Spatial Planning Landscape: Doing More with Less* in January 2011. The Committee considered whether a member of the Executive Team might also talk at one of the workshops, and agreed to consider the matter further.

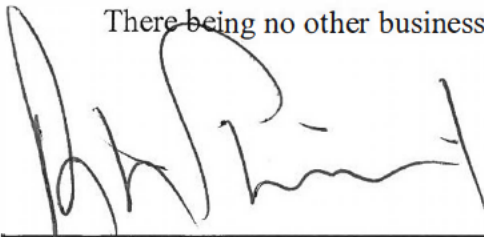
9. Northern Ireland Housing Executive Meeting

The Committee was updated on a recent meeting between the Northern Ireland Housing Executive with a member of the Committee. It was noted that the meeting focussed on where the need and opportunities for development in Northern Ireland are.

The Committee also noted that the PWC report on "Consultation on Potential Social Housing Leasing Model" was near completion and agreed to set up a meeting with PWC to discuss same on 10th December at 10.00 am.

10. AOB

There being no other business the meeting concluded.



Peter Stewart, Chairman
28th February 2011

**NORTHERN IRELAND ADVISORY COMMITTEE OF THE NATIONAL
ASSET MANAGEMENT AGENCY**

1st Meeting of 2011: 28th February 2011, 10.30am

NI Housing Executive Head Office,

2 Adelaide Street, Belfast

Attendance:

Committee members:

Peter Stewart	(Chairman and Board Member)
Brian McEnery	(Board Member)
Eilish Finan	(Board Member)
Ronnie Hanna	(Executive)
Brian Rowntree	(External Member)
Frank Cushnahan	(External Member)

Invitees:

Jonathan Milligan	(Acting Secretary)
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On opening the meeting the Chairman welcomed the Committee members to the first meeting of 2011 and the agenda was noted. It was noted that the meeting had been duly convened and that a quorum was present.

Issues considered

1. Minutes of the previous meeting

The Committee agreed the minutes of the previous meeting.

It was agreed that in future draft minutes would be issued within 1 week of the meeting.

2. Matters Arising

The Chairman noted that discussion of suitable data to support consideration of creative solutions in respect of realisation of Northern Ireland secured assets would be dealt with under Agenda item 6.

3. Declaration of Interest or Conflict of Interest

It was confirmed that there were no declarations to be made.

4. Revised Terms of Reference

The Committee discussed specifically Section 11, Confidentiality of the revised Terms of Reference. To maximise the input of all committee members in reaching strategic decisions it was proposed to amend the last paragraph regarding the disclosure of non-public information to members not also members of the Board to facilitate disclosure beyond imminent Enforcement actions.

The Committee also suggested that the Terms of Reference should be published on the NAMA website to support transparency and good governance.

The Chairman agreed to raise the two proposals at the next NAMA Board meeting on 10 March 2011.

5. New Member of Committee

The Chairman advised that it was proposed that Mr Willie Soffe, Board Member and Chairman of the NAMA Planning Advisory Committee would join the Committee and this was welcomed by all Members.

6. Analysis of Property Assets

The Committee discussed the information presented by Ronnie Hanna at the NI Housing Conference on 23 February 2011 noting the particular geographic concentrations. A template of proposed parameters for data capture was discussed and a number of refinements tabled, noting that the underlying data would only become available as due diligence is completed on the remaining tranches of loans acquired. It was agreed that management would revise and update the template and circulate to the Members.

To support consideration by the Committee of creative solutions in respect of realisation of Northern Ireland secured assets, it was agreed that an analysis of the cases subject to enforcement to date would be prepared within the amended template for consideration at the next meeting.

7. Insolvency Actions Overview

A general update was given in relation to a number of enforcement actions regarding connections based in Northern Ireland. Additionally, the Committee discussed media coverage of a number of cases subject to NAMA approval and a number managed by Non-Participating Institutions.

8. Communications Update Northern Ireland Government Issues

The Committee was updated in relation to dealings with the Northern Ireland Government and in relation to the Northern Ireland Economy. It was noted that NAMA is due to meet with the First and Deputy First Minister of the Northern Ireland Executive on Monday 7 March 2011. The Committee expressed the view that the issues surrounding the draft Northern Ireland Budget 2012-15, principally but not exclusively employment, were likely to be raised. The Committee agreed that preparation for the meeting should include the criteria for not acquiring loans from Participating Institutions and the NAMA Business Plan as it related to Northern Ireland over the period covered by the Budget 2012-2015.

An update on a presentation given to the ACCA Northern Ireland on 17 February 2011 was provided. On foot of this an invitation from the Strategic Investment Board Limited for Northern Ireland was received. After discussion it was agreed not to progress this as it would represent duplication with other work underway within NAMA.

An update and subsequent media coverage of a presentation given to the NI Housing Conference on 23 February 2011 was also discussed. The purpose of both presentations was to provide information and communication to the NI business community.

The Chairman advised that a follow-on invitation from the NI Chamber of Commerce for 2011 had been received and after discussion it was agreed that this should be accepted.

9. Acquisition of Assets

The Committee was updated on a progress of the acquisition of loans from the Participating Institutions. It was highlighted that a number of cases which include NI debtors remain under review by the Expert Reviewer.

The Committee was also updated that discussions regarding the draft legislation for the Sub €20m portfolios in respect of Allied Irish Bank (First Trust) and Bank of Ireland was underway with the Department of Finance, Republic of Ireland

10. Update on Initiatives

An update was provided on a number of initiatives between NAMA, Northern Ireland Housing Executive and the University of Ulster School of the Built Environment. These included revision and publication of an Affordability Index to inform the residential property market in Northern Ireland; Mapping supply and demand from stakeholders under the University's Real Estate Initiative; Engagement with the Department of Environment and Local Government Services in the Republic of Ireland to explore opportunities to map supply and demand on an all-island basis.

An update was also provided on a Social Housing Model and it was agreed to meet with the consultants during Q2 2011.

11. Headline Report

The report was tabled by the Chairman for approval. This was duly agreed and the Committee complimented Ms O'Reilly-Healy for the thoroughness of the report.

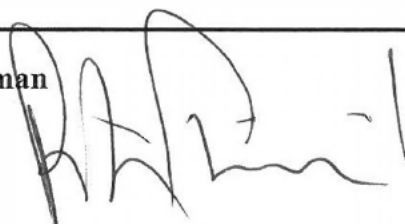
12. AOB

The Chairman proposed that the next meeting of the Committee should take place in about 6 weeks time.

There being no other business the meeting concluded.

Peter Stewart, Chairman

18th April 2011



**NORTHERN IRELAND ADVISORY COMMITTEE OF THE NATIONAL
ASSET MANAGEMENT AGENCY**

Second meeting of 2011: 10.30 a.m., 18th April 2011, Treasury Building

Attendance:

Committee members:

Peter Stewart	(Chairman and Board Member)
Brian McEnery	(Board Member)
Brian Rowntree	(External)
Eilish Finan	(Board Member)
Frank Cushnahan	(External)
Ronnie Hanna	(Executive)
Willie Soffe	(Board Member)

Invitees:

Avril O'Reilly-Healy	(Outgoing Secretary)
Jonathan Milligan	(Incoming Secretary)

Apologies:

None

On opening the meeting the Chairman welcomed the Committee members to the second meeting of 2011 and the agenda was noted. It was noted that the meeting had been duly convened and that a quorum was present. The Chairman welcomed Willie Soffe as newly appointed member of the Committee by the Board of NAMA. The Chairman also welcomed Jonathan Milligan as incoming Secretary and thanked Avril O'Reilly-Healy for her work to date as Secretary.

Issues considered

1. Declaration of Interest

A general declaration of interest was made by Frank Cushnahan.

2. Minutes of the previous meeting

The Committee agreed the minutes of the meeting of 28 February 2011.

3. Matters Arising

3.1 Acquisition of Sub €20m loans

The Chairman briefed the Committee on the confirmation by the Minister for Finance that approval had been received from the IMF/EC/ECB permitting NAMA not to acquire AIB and Bank of Ireland loans where the total exposure of a debtor is below a €20m threshold.

3.2 Insolvency Northern Ireland

It was agreed that a briefing on insolvency provisions in Northern Ireland would be useful for the Committee, and that this would be arranged with external advisers.

4. Northern Ireland Government Meeting

The Committee was briefed on the meeting held in Stormont on 7th March 2011 between the Northern Ireland First Minister, Deputy First Minister, Minister of Finance and Personnel and their officials, the Chairman of the NAMA Board, the NAMA CEO, the Chairman of the Committee, External members and the Head of Credit & Risk, . It was noted that the meeting was a positive one and that there was a sentiment of general support for NAMA from the Northern Ireland ministers. It was noted that queries on NAMA's asset sales strategies arose. It was also noted that Northern Ireland ministers perceived there to be some room for improvement concerning communications and it was agreed to recommend that the NAMA Board consider same. The issue of communication of confidential information had also been discussed and remained open for further discussion.

5. Terms of Reference

The revised Terms of Reference approved by the NAMA Board on 10th February 2011 was circulated prior to the meeting and was presented to the Committee. It was agreed that management would consider the issue of confidentiality with a view to consideration of a redrafting of the final paragraph of the proposed terms of reference

6. Analysis of Property Assets

An analysis of property assets was given to the Committee based on 9 NAMA connections. It was noted that this analysis would change as more connections are transferred to NAMA. It was noted that an automated analysis is intended to become available once the MIS is implemented, although this was not expected to happen until late 2011. It was noted that the NAMA Board would consider strategy in relation to vendor supported finance initiatives and it was agreed to recommend to the board that such initiatives should also be considered in respect of Northern Ireland assets.

7. Insolvency actions update

The Committee was updated on 2 cases where NAMA had commenced Enforcement proceedings since the last committee meeting.

8. Meeting with NIHE and UUJ

The Committee considered the minutes of the meeting of this group held on 18 March 2011. An update on the participation of the Northern Ireland Banks in the UUJ Land Development model was provided and initial outputs are anticipated in Q3 2011. The Committee noted that the next meeting of the group will take place on 3rd June 2011 in Dundalk and representatives of the DOE GIS Technical Group will be in attendance to explore options for North-South collaboration. Given the overlap with the work of the NAMA Planning Committee an invitation was extended to the Chairman of that Committee. It was also highlighted that the NI Housing Executive Housing Trends Report had been published and it was agreed to circulate this to the Members.

9. Communications

Following on from the NAMA Board Strategy Day and discussions with the NI Executive Ministers the need for a specific communications strategy for Northern Ireland was discussed. The Committee noted that such a strategy could be developed on a rolling basis during 2011 as the Business Plan process is completed for all NI Debtors. It was noted that the Head of Credit & Risk had been invited to address the London Chapter of Lambda Alpha International an influential association of real estate professionals. This invitation was made through the University of Ulster and it was agreed to accept the offer as part of the wider communication strategy. An External

Member also highlighted an opportunity to address the Conference of the Isles at Croke Park on 10/11 June and it was agreed that management would consider this opportunity.

10. **Headline Report**

The report was tabled by the Chairman for approval. This was duly agreed by the Committee.

11. **Any Other Business**

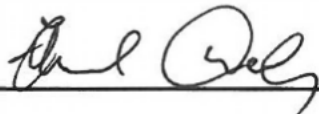
PWC Housing Association/Institutional Model

An update on this initiative was provided by an External Member and it was agreed to invite the Project Manager to present at the next committee meeting.

NAMA 2010 Annual Report

The Chairman advised that a section had been submitted on the 2010 work of the Northern Ireland Committee for inclusion in the Agency's Annual Report.

There being no other business the meeting concluded.



Frank Daly, Chairman*

4 November 2011

* Due to the resignation of Peter Stewart as Committee Chairman with effect from 10th October 2011, his successor as Chairman, Frank Daly, signed the minutes of the 18th April 2011 meeting following the review and approval of the minutes by the Committee at its meeting on 27th June 2011.

**NORTHERN IRELAND ADVISORY COMMITTEE OF THE NATIONAL ASSET
MANAGEMENT AGENCY**

Third Meeting of 2011: 1. 00 p.m, 27 June 2011,

NI Housing Executive Head Office,

2 Adelaide Street, Belfast

Attendance:

Committee members:

Peter Stewart	(Chairman and Board Member)
Brian McEnery	(Board Member)
Brian Rowntree	(External) – Item 6 onwards
Eilish Finan	(Board Member)
Frank Cushnahan	(External)
Ronnie Hanna	(Executive)
Willie Soffe	(Board Member)

Invitees:

Jonathan Milligan	(Secretary)
Avril McCammon	(John H McKee's Solicitors Item 9)
Tom Keenan	(Keenan Corporate Finance Item 9)
Iain Lees	(PWC Item 11)

Apologies:

It was noted that Brian Rowntree would join the meeting at 1.45pm due to an existing commitment.

On opening the meeting the Chairman welcomed the Committee members to the third meeting of 2011 and the agenda was noted. It was noted that the meeting had been duly convened and that a quorum was present.

The Chairman expressed the Committee's appreciation to the Northern Ireland Housing Executive for hosting the meeting.

Issues considered

1. Declaration of Interest

A general declaration of interest was made by Frank Cushnahan in relation to

[REDACTED]

[REDACTED]

[REDACTED]

2. Minutes of the previous meeting

The Committee agreed the minutes of the meeting of 18 April 2011

3. Matters Arising

3.1 Northern Ireland Executive Engagement

The Chairman advised that he was due to meet that evening with Sammy Wilson, Minister for Finance & Personnel. Frank Cushnahan would be attending along with the Committee Secretary and an update provided at the next meeting.

3.2 Initiatives

The Chairman confirmed that the NAMA Board had considered the Committee's recommendation that vendor supported finance initiatives should should also be considered in respect of Northern Ireland assets. This was agreed by the Board.

4. Revised Terms of Reference

The revised Terms of Reference for the Northern Ireland Advisory Committee as approved by the NAMA Board on 10 February 2011 was presented previously to the Committee on 18 April 2011.

At that meeting the Committee requested that management consider the issue of confidentiality further with a view to consideration of a redrafting of the final paragraph of the proposed terms of reference.

In addition 2 minor changes relating to the change in Secretary and Key Recommendations Action List (Headline Report) were considered necessary. A draft revised Terms of Reference incorporating 3 proposed changes was presented to the Committee.

The Committee agreed the proposed changes and **recommended** that the revised Terms of Reference for the Northern Ireland Advisory Committee dated be approved by the NAMA Board on 7 July 2011.

5. Insolvency Actions Update

The Committee was updated on 2 new cases where NAMA had commenced Enforcement proceedings since the last committee meeting bring the total number of enforced NI cases to 11. Ronnie Hanna also provided an overview of the Business Plan Process for Debtors subject to Enforcement.

6. Analysis of Property Assets

An analysis of property assets was given to the Committee based on 11 NAMA connections. It was noted that this analysis would change as more connections are transferred to NAMA.

The Committee discussed the implementation timescales for the Portfolio Management System and it was noted that the NAMA Managed Portfolio

would be the initial priority for data take on. It was noted that a complete analysis of associated assets would be available once the entire NAMA portfolio had been migrated to the Portfolio Management System. The Chairman requested that a summary of Debtor Business Plans approved for NI

Debtors would be presented at the next Committee meeting by the Secretary. The Chairman also requested that progress for the remaining legal due diligence and Portfolio Management System implementations be monitored and reported to the Committee. An External Member highlighted the importance of considering the extent of cross-collateralisation between Debtors when considering any proposals for Strategy and the risk of dezoning of land assets, in areas of unsupportable concentration.

7. Communications

A paper entitled NI Communications Strategy was presented to the Committee representing the planned review of NAMA Communications Strategy for Northern Ireland. The key approaches going forward were endorsed by the Committee and it was noted that NI media would be invited to the launch of the 2010 Annual Report and Accounts for NAMA. It was suggested that the Director of Information Services for the NI Executive should also be invited. It was noted that the Conference of the Isles at Croke Park on 10/11 June was cancelled.

8. Headline Report

The report was tabled by the Chairman for approval. This was duly agreed by the Committee.

9. Overview of Insolvency Actions in NI

Presentations were made by Avril McCammon and Tom Keenan to the Committee followed by a Questions and Answers session. The Chairman thanked both presenters and it was agreed that the Committee would consider the content and raise any feedback at the next meeting.

10. UUJ Real Estate Initiative

The Committee considered the note of the meeting of this group held on 3 June 2011. It was highlighted that this was an internal file note of the meeting.

The Committee noted that a Report Press Launch to stakeholders on the Affordability Index was scheduled by the NI Housing Executive in Belfast on Friday 1 July 2011 and that Management would be in attendance.

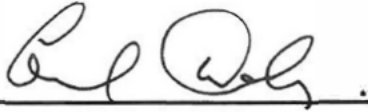
It was also noted by the Committee that the UUJ Land Development Model should be producing initial outputs in Q4 and that one lending institution in NI has yet to confirm participation in the initiative.

11. Social Housing Model Update

A presentation was made by Iain Lees, PWC. It was agreed by the Committee members that a follow on discussion would be held in Dublin prior to Christmas.

12. **AOB**

There being no other business the meeting concluded.

A handwritten signature in black ink, appearing to read 'Frank Daly', is written above a horizontal line.

Frank Daly, Chairman*

4 November 2011

* Due to the resignation of Peter Stewart as Committee Chairman with effect from 10th October 2011, his successor as Chairman, Frank Daly, signed the minutes of the 27th June 2011 meeting following the review and approval of the minutes by the Committee at its meeting on 18th October 2011.

**NORTHERN IRELAND ADVISORY COMMITTEE OF THE NATIONAL
ASSET MANAGEMENT AGENCY**

Fourth Meeting of 2011: 9:30 a.m -12 noon, 18 October 2011,

Ballymascanlon House Hotel, Dundalk

Attendance:

Committee members:

Frank Daly	(Chairman, NAMA Board Chairman)
Frank Cushnahan	(External Member)
Eilish Finan	(Board Member)
Ronnie Hanna	(Executive)
Brian Rowntree	(External Member)
Willie Soffe	(Board Member)

Invitees:

Jonathan Milligan	(Secretary)
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Apologies:

Brian McEnery	(Board Member)
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The Chairman welcomed the Committee members to the fourth meeting of 2011. It was noted that the meeting had been duly convened and that a quorum was present. The agenda was also noted.

Resignation of Peter Stewart

The Committee noted the resignation of Peter Stewart as Chairman and member of the Northern Ireland Advisory Committee, as well as member of the Board of NAMA and member of the Audit and Credit Committees with effect from Monday, 10th October 2011.

The Committee expressed its unanimous appreciation to Mr. Stewart who had served as Committee Chairman from its inception in May 2010.

The Committee noted the Board's decision of 13th October to appoint, on an interim basis, the Chairman of the Board, Frank Daly, as Chairman of the Northern Ireland Advisory Committee.

Issues considered

1. Disclosures of Interests

A general disclosure of interest was made by Frank Cushnahan in relation to [REDACTED]
[REDACTED]

2. Minutes of the Previous Meeting Matter for Approval

The Committee **agreed** the minutes of the meeting of 27 June 2011.

3. Matters Arising

The Secretary provided the following updates requested at the last meeting:

3.1 Portfolio Acquisition

Due diligence on Tranche 5 is due to complete by 28 October 2011 with the remaining Tranches 6, 7 and 8 to be completed in parallel by 31 December 2011.

3.2 Portfolio Management System (PMS)

Phase 1 of the system roll out commences with limited functionality by mid-November with Phase 2 scheduled for completion by end-January 2012.

The combination of the completion of loan acquisition and implementation of PMS was noted as providing the basis to undertake an analysis of the NI Portfolio.

4. Insolvency Actions Update Matter for Information

The Committee was updated by Ronnie Hanna on one new case, [REDACTED]
[REDACTED] case had been published in the media and it was noted that the debtor had initiated voluntary liquidation following petition by the Inland Revenue. The associated assets are predominantly [REDACTED]
[REDACTED]

The Committee was also updated on a Republic of Ireland debtor connection, [REDACTED]
[REDACTED]. This again had been published in the media and the Committee agreed that the distinction of NAMA as controller of the underlying properties and not the trading businesses was important, if not widely understood.

The overview of the NI Minister for Finance & Personnel in enforcement activity by all institutions across Northern Ireland was highlighted by an External Member.

5. NI Portfolio Update

Matter for Information

An update of the Business Plan Process in respect of NI Debtors was provided by Ronnie Hanna, noting that twelve plans have been processed in the NAMA managed portfolio. The Board decision not to acquire three eligible NI debtors was also noted by the Committee, particularly where trading businesses featured.

Sales of approximately €45m have been approved on 77 NI assets and approximately €20m of New Lending has also been approved. It was noted by the Committee that the concentration of undeveloped land in the NI Portfolio requires less new lending in general as assets are mothballed and also that new lending is impacted by the timing of Business Plan reviews.

The Chairman, noting earlier comments regarding the completion of loan acquisition and implementation of PMS, raised the NAMA Asset Strategy Programme which produces specific strategies for groups of common assets.

Recognising the overall equitable treatment of assets it was **agreed** by the Committee that the planned sectoral policies would proceed and the requirement or otherwise for a NI Asset Strategy Report would be considered in light of the policies produced.

6. Communications Strategy

Matter for Information

6.1 Completed Events

NAMA participation in the three events in line with the agreed NI Communications Strategy was discussed by the Committee. An External Member present at the NI Assembly & Business Trust and NI Chamber of Commerce events provided feedback that the presentations were well received and that NAMA representatives speaking directly to the business and elected communities was breaking down the misconceptions surrounding the Agency.

Ronnie Hanna updated the Committee regarding the presentation to Lambda Alpha International and the feedback from London attendees.

6.2 Media Coverage

A summary of the NI media coverage regarding NAMA was presented. The Committee noted the contents and the External Members commented positively on the email circulation of coverage on the following day.

Referring to the meeting with NI Executive Information Services, the Committee discussed selected media briefings and other associated engagements and a programme of meetings was **agreed**.

6.3 Stakeholder Engagement

The Committee noted the meetings with the NI Minister of Finance & Personnel on 29 June and with NI Executive Information Services on 13 September 2011. It was **agreed** that further meetings with both parties would be arranged prior to the year-end.

6.4 Planned Events

A general update was provided by the External members in conjunction with the suggested media briefings and other engagements. An External Member suggested that a meeting with the NI Minister of Environment would be useful and the Chairman **agreed** to consider this within the protocols of NI Executive engagement.

7. **Headline Report**

Matter for Approval

The report was tabled by the Chairman for approval. This was duly **agreed** by the Committee and the Secretary undertook to schedule an update by Iain Lees, PWC regarding the Social Housing Model at the next meeting. An External member felt this would be a timely opportunity for an update.

8. **University of Ulster Land Development Model Update**

Matter for Information

A paper was presented for information purposes. The Committee noted the positive progress across the Research Initiative including the work undertaken directly by NAMA. The first report delivery was noted as December 2011 with likely discussion at the first committee meeting of 2012. A final report is scheduled for June 2012 and the Committee expressed the view that an Interim Report at end Q1 2012 would be beneficial. The Secretary undertook to communicate this to the UUJ team and also check if Santander NI were a participant.

The Chairman commended the research as another tool to support strategic decision making regarding the NAMA NI Portfolio. Ronnie Hanna stated that a request for financial support was likely from his discussions with UUJ and the Committee recommended that this should be looked at positively by the NAMA Board.

9. NIHE Report

Matter for Information

The report was introduced by an External member for the Committee's information which was noted to be at mature conversation stage within the NI Assembly. In particular the Committee noted the housing market update contained within the report and the potential impact for NAMA as a stakeholder should a Strategic Housing Authority be established. An External Member also highlighted that cross-border public sector opportunities may be pursued and the backlog on social housing need in NI.

The Chairman recorded the Committee's appreciation for the report presentation.

10. AOB

10.1 Geoghegan Review

Matter for Information

The Chairman provided a general overview of the process following submission of the Geoghegan Review. He informed the Committee that there were no specific recommendations relating to Northern Ireland.

10.2 Next Committee Meeting

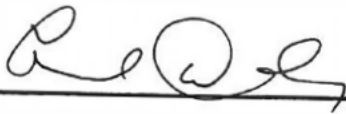
Matter for Approval It was **proposed and agreed** that the Committee would meet in Belfast on the morning of Friday 16 December 2011. This will be preceded by a meeting with the Minister of Finance & Personnel if possible. A number of selected media briefings may also be scheduled around the committee meeting.

10.3 Committee Meetings 2012

Matter for Information

In relation to Committee Meetings for 2012, the Secretary advised that a review of reporting to Board by sub-committees was nearing conclusion. Once this is adopted proposed dates would be brought forward to the next meeting which will align to this reporting schedule.

There being no other business the meeting concluded at 12 noon.

A handwritten signature in black ink, appearing to read 'Frank Daly', is written above a horizontal line.

Frank Daly, Chairman

/s/ [2] 2011

**NORTHERN IRELAND ADVISORY COMMITTEE OF THE NATIONAL
ASSET MANAGEMENT AGENCY**

Fifth Meeting of 2011:10:30 am -12:15 pm 16 December 2011,

NI Housing Executive Head Office,

2 Adelaide Street, Belfast

Attendance:

Committee members:

Frank Daly	(Chairman, NAMA Board Chairman)
Frank Cushnahan	(External Member)
Eilish Finan	(Board Member)
Ronnie Hanna	(Executive)
Brian Rowntree	(External Member)
Willie Soffe	(Board Member)

Invitees:

Jonathan Milligan	(Secretary)
Iain Lees, PWC	(Item 10 only)

Apologies:

Brian McEnery	(Board Member)
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The Chairman welcomed the Committee members to the fifth and final meeting of 2011. It was noted that the meeting had been duly convened and that a quorum was present. The agenda was also noted.

Issues considered

1. Disclosures of Interests

No disclosures were made.

**2. Minutes of the Previous Meeting
Matter for Approval**

The Committee **agreed** the minutes of the meeting of 18 October 2011.

3. **Matters Arising**

It was noted by the Chairman that all matters arising would be dealt with through the meeting agenda.

Mr Rowntree joined the meeting at this point. Mr. Rowntree confirmed he had no disclosure of interest to make.

4. **NI Portfolio Update Matter for Information**

An update of the Business Plan Process was provided by Ronnie Hanna, noting that in excess of 90% of the overall NAMA portfolio, by PAR value, has been assessed. In respect of the NI portfolio this equates to 47 Plans from a total of 60 debtors, representing the majority of PAR debt. The remaining plans are either being processed by the Participating Institutions, subject to due diligence by IBRC Anglo in January, or the business plans are being prepared by residual debtors due to deferred acquisition.

To date, NAMA has approved sales of approximately €35m related to assets in NI and approximately €20m of New Lending. An overview of units completed or under development was also provided and Housing Associations were suggested as a potential buyer by an External Member.

The Chairman acknowledged the progress made to date and stated that upon completion of all business plans, definitive figures will be available and provide a better sense of the portfolio. The Committee noted that the overall size of the Northern Ireland portfolio is likely to reduce slightly due to a number of factors: disposals to date; incorrect classification of assets in GB; and decisions not to acquire the assets of certain debtors.

An External Member raised the potential impact of uncertainty within the euro zone on NAMA and it was noted that NAMA had appropriate Hedging strategies.

5. **Insolvency Actions Update Matter for Information**

The Committee was updated by Ronnie Hanna on two new cases, [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

6. Communications Strategy Matter for Information

6.1 Completed Events

The Committee noted the screening of the BBC Spotlight Programme and feedback was noted as being neutral. The Chairman advised that he understood that further pieces from his interview recorded for Spotlight may be used in the coming months.

Ronnie Hanna provided feedback from a presentation to the NI Housing Executive Board Strategy Away Day and an External Member confirmed that this engagement had been well received.

6.2 Media Coverage

A summary of the NI media coverage regarding NAMA was presented. The Committee noted the contents and the External Members commented positively on the coverage of NAMA that morning in respect of the Deferred Consideration Initiative.

Referring to the Media Briefing meeting which took place the morning of the Committee meeting, the Committee **agreed** to review coverage at its next meeting, noting a positive change in tone from the media concerning NAMA and the Committee's desire to focus on delivering solutions in the next phase of the Agency.

6.3 Stakeholder Engagement

The Committee considered the internal briefing note with respect to the meeting with Stakeholder Communications which Tom Kelly was unable to attend. It was noted that a follow-up meeting with Tom Kelly would take place in early January 2012.

The Committee noted the Chairman's planned meeting with the NI Minister of Finance & Personnel at 1.00pm that day after which an update would be provided.

6.4 Planned Events

Regarding the proposed meeting with the Minister for Environment, the Committee **agreed** to consider this request further after the meeting with Tom Kelly had taken place.

**7. University of Ulster Land Development Model Update
Matter for Decision**

A verbal update was provided by the Secretary. The Committee noted the presentation provided to NAMA Executives and a Board Member on 9 December 2011. The recommendation from the attendees to the NI Advisory Committee was that this research should be financially supported in line with Board approval to a value of £20,000. The Committee **agreed with** this recommendation.

It was noted that the first report is scheduled for delivery at the end Q1 2012 which should support strategic decision making regarding the NAMA NI Portfolio.

Ronnie Hanna advised the Committee of a potential UU PhD student placement with NAMA subject to confidentiality provisions. The Committee discussed this opportunity and **agreed** to decline the offer.

**8. Committee Work Plan 2012
Matter For Approval**

The Committee **agreed** the proposed Work Plan noting its evolving nature and presentation for review at each committee meeting. The Secretary undertook to circulate proposed dates for the four 2012 meetings within the Plan.

**9. Headline Report
Matter for Approval**

The report was tabled by the Chairman for approval. This was duly **agreed** by the Committee noting two live actions regarding a NI Asset Strategy report and a meeting with Minister for Environment.

**10. Social Housing Model Update
Matter For Information**

A confidential paper entitled Affordable Institutional Model prepared by Iain Lees was noted by the Committee. Following discussion and in private session the Committee **agreed** that an investment appraisal of the Model proposed would be undertaken by NAMA staff. In parallel the Committee also agreed to seek parameters for a potential asset PWC would envisage underpinning the model.

11. AOB

The Chairman thanked Brian Rowntree and the NIHE Chairman's Office staff for the hosting of three committee meetings in Belfast in 2011 as well as other associated meetings.

There being no other business the meeting concluded at 12.15pm.

A handwritten signature in black ink, appearing to read 'Frank Daly', is written over a horizontal line.

Frank Daly, Chairman

12th March 2012

NORTHERN IRELAND ADVISORY COMMITTEE

First Meeting of 2012: 12th March 2012, 10:45 am - 12:30 pm

Treasury Building, Grand Canal Street, Dublin 2

Attendance:

Committee members:

Frank Daly	Chairman, NAMA Board Chairman
Frank Cushnahan	External Member
Eilish Finan	Board Member
Ronnie Hanna	Executive
Brian McEnery	Board Member
Brian Rowntree	External Member
Willie Soffe	Board Member

Invitees:

Tom Ward	Secretary
Alan Bridle	UK Economist, Bank of Ireland Group item 4 only.
Jonathan Milligan	Senior Divisional Manager, NAMA
David Service	NAMA Unit, Bank of Ireland Group item 4 only.

The Chairman welcomed the Committee members to the first meeting of 2012. It was noted that the meeting had been duly convened and that a quorum was present. The agenda was also noted.

Items Considered: (Note: item sequencing reflects the order of consideration)

1. Disclosure of Interests

Brian Rowntree disclosed a potential conflict of interest with respect to an issue to be considered under item 7 and declared that he would take no part in the discussion related to same.

2. Minutes of the Previous Meeting

Matter for Approval

The Committee **agreed** the minutes of the meeting of 16th December 2011.

3. Matters Arising

3a. Review of Coverage Following 16th December 2011 Media Briefing

This matter was dealt with under item 7b.

3b. Meeting with Minister Wilson, 16th December 2011

The update on the meeting was dealt with under item 7e.

3c. Meeting with Tom Kelly, 13th January 2011

The update on the meeting was dealt with under item 7g.

3d. Meeting with Minister for Environment

This matter was dealt with under item 7g.

3e. Meeting Dates 2012

The Committee noted that its meeting dates for 2012 had been set and agreed.

3f. Investment Appraisal of Social Housing Model

This item was dealt with under item 11c.

5. NI Portfolio Update

Matter for Information

Ronnie Hanna provided the Committee with an update on progress with respect to debtor business plans. 714 of 790 business plans across the entire NAMA portfolio had been reviewed with 49 of the 59 relating to Northern Ireland (NI) having been completed. Some NI business plans had been unavoidably delayed due to late acquisition of loans, with review to take place in late March.

The Committee noted that the final NI portfolio size will be of the order of £1.26 billion by LAV - £3 billion by PAR value - representing less than 5% of the NAMA portfolio by LAV and PAR value of acquired loans. This is less than was originally envisaged, owing to a decision not to acquire in a number of instances and to a lesser extent through disposals and repayments.

The Committee noted that in PAR terms, 60% of the portfolio is secured by land not under development, 10% by land under development, with the remaining 29% secured by commercial investments and 1% residential investment respectively. Reflecting the unequal fall in asset values rather than the underlying loans, the figures by LAV value are quite different. Of the £1.26 billion LAV value, £786 million (62%) is secured by commercial investments, £133 million (11%) by residential investment, £61 million (5%) by land under development, while £279 million (22%) is secured by land not under development. In noting the LAV values the Committee noted that 27% of the portfolio by acquisition still relates to land which presents a considerable challenge as in the Republic of Ireland. The NI portfolio includes 4 hotels, a pub/hotel and a former hotel asset which is no longer trading.

The Committee noted that sales of €30m (Stg£25m) attributable to NI assets had been sanctioned by NAMA, equating to 1% of total disposals, and reflecting the fact that NAMA was not pursuing a fire sale approach to assets in NI. €35m (Stg£29m) had been advanced in new working and development capital for projects in NI and when advances to NI debtors for projects elsewhere - mainly Britain - were included, €90m (Stg£75m) of new money had been advanced by NAMA.

6. Insolvency Actions Update

Matter for Information

Ronnie Hanna informed the Committee that no new enforcement actions had been initiated by NAMA since October 2011. He further informed the Committee that of the 1,119 properties listed as enforced on the NAMA website, 803 are in the Republic of Ireland, 173 in Great Britain, and 143 in Northern Ireland. Of those in NI, 9 relate to agricultural land, 16 to development land, and 52 to development land, while there is also 1 hotel, 5 Pubs, 37 Residential sites, and 6 Retail sites with the remaining 16 relating to mixed use, office use and industrial.

Jonathan Milligan informed the Committee that NAMA had undertaken a desktop review of insolvency costs with respect to enforcement actions in NI, and of the 15 receiver appointments, only 1 to date had incurred costs of more

than €100,000, and the particular case was due to the complexity of the connection. These costs will evolve with the cases but will be kept under review.

The Committee also noted that NAMA had a specialist in-house insolvency team, which, as part of its role, meets receiver firms on a regular basis to discuss thematic issues including costs and performance against objectives. NAMA has also looked to use, where possible, fixed charge receivers as a more cost effective option.

An external member commended NAMA's multi-faceted approach to monitoring and controlling receiver costs.

7. Communications Strategy

Matter for Information

7a. Press Coverage – NAMA Northern Ireland (9th Dec '11 – 5th Mar 2012)

A document entitled '*Press Coverage NAMA Northern Ireland*' was circulated prior to the meeting and presented to the Committee, which noted the contents of same.

7b. Media Briefing, 16th December 2011

A document entitled '*Memo NAMA Belfast Media Briefing, 16 December*' was circulated prior to the meeting and presented to the Committee, which noted the contents of same.

The Committee noted that media coverage following the briefing had been positive and it was considered worthwhile to plan a similar initiative in future. The Chairman informed the Committee that NAMA was encouraging journalists to verify the accuracy of stories about NAMA prior to publication.

7c. Joint Oireachtas Committee on the Implementation of the Good Friday Agreement

The Chairman advised the Committee of his appearance, alongside Ronnie Hanna and Jonathan Milligan, before the Joint Oireachtas Committee. The engagement had been useful. An external member noted that the relevant Committee transcript extracts, as received by government offices in Northern Ireland had been positive.

7d. NI Chamber of Commerce: Business First Magazine Article

A document entitled '*NAMA Update – Business First Magazine Article*' was circulated prior to the meeting and presented to the Committee, which noted the contents of same.

The Committee noted that the article had just been published, and was a follow-up on the presentation given by the Chairman to the Chamber's meeting at Hillsborough Castle on 6th October 2011.

7e. Meeting with the Minister for Finance & Personnel, 16th December 2011

A document entitled '*Internal File Note: Meeting with Department of Finance & Personnel*' was circulated prior to the meeting and presented to the Committee, which noted the contents of same.

7f. Communications from Political Representatives

A document charting the enquiries from political representatives in NI was circulated prior to the meeting and presented to the Committee, which noted the contents of same.

The Committee noted that three queries had been sent to NAMA via the dedicated email address, each of which involved an enforced property (in one case potential flooding to the property). The Chairman advised that there had been limited usage of the email address despite efforts to raise awareness.

7g. Meeting with Tom Kelly, 13th January 2012

A document entitled '*Internal Briefing Note: Meeting with Stakeholder Communications, Belfast*' was circulated prior to the meeting and presented to the Committee, which noted the contents of same.

The Committee discussed the contents of the note and particularly its points in relation to engagement with elected representatives in the Northern Ireland Assembly and in the Executive, and Mr. Kelly's strong view that NAMA communications in Dublin and Belfast needed to be co-ordinated closely.

Among his recommendations, Mr. Kelly advised NAMA to meet with the UUP and SDLP party leaders and respective Ministers and any other attendees they wished to include. The Committee **agreed** to this approach.

An external member suggested that NAMA engage with interested local authority representatives in NI which he felt would be important due to a

disconnect between local representatives and the NI Assembly. He also suggested that NAMA meet with some key Chief Executives of NI local authorities and that engagement with political advisors and party researchers was critical insofar as these individuals have close proximity to, and influence over, the respective Ministers.

The Chairman proposed that, where possible, NAMA engagements should be independent in nature and not reliant on third parties.

The Committee **agreed** that any engagement plan would have to fit with the approach and level of engagement adopted in the Republic and that the Committee should consider a draft plan at its next meeting on 11th June 2012, at which time it could meet with the respective party leaders.

7h. Proposal to NAMA for Affordable & Sustainable Housing

A document entitled *'Notes from Meeting re Proposal to NAMA for Affordable & Sustainable Housing'* was circulated prior to the meeting and presented to the Committee, which noted the contents of same.

The Committee noted that the Centre for Competitiveness had since reverted with some locations but that NAMA required further, more detailed information. The Committee discussed the matter and some concern was expressed about NAMA's involvement beyond selling land to facilitate the project; these concerns were expressed in light of the mixed success of timber frame housing to date and associated risks of supporting such a project, particularly as an early adopter.

In accordance with his earlier disclosure, Brian Rowntree absented himself from the meeting for this item and took no part in the discussion relating to same.

4. Economy and Property Market Update

A document entitled *'An Overview of the Regional Economy at a time of Balance Sheet Recession & Austerity'* was circulated to members at the meeting.

Alan Bridle delivered a detailed presentation to the Committee with respect to the NI economy and property market, which formed the basis for considerable discussion by the Committee in relation to the impact of the recession in NI, indicators in the residential and commercial property sectors, and medium and

long term prospects. There was also a discussion with Mr. Service in the context of his role as senior manager in the NAMA Unit with BOI.

The Chairman thanked Mr. Bridle and Mr. Service for their contribution to the meeting and noted that the presentation was valuable in the context of NAMA's formulation of a strategy; particularly that the analysis was re-assuring in terms of the assumptions and fundamentals which underpinned the draft strategy.

8. University of Ulster Land Development Model Update

Matter for Information

Ronnie Hanna advised the Committee that the University of Ulster was now in possession of all relevant datasets from the PIs and non-PIs and that its first analysis report would be produced in April 2012 with the final report due to be completed in June 2012.

Mr. Hanna advised the Committee that NAMA is working on a formal contract arrangement with UUJ following the Board's approval of financial support to the project to the value of £20,000.

Finally, Mr. Hanna advised that the University of Ulster School of the Built Environment would soon pay a study visit to Dublin which NAMA had, to an extent, facilitated, with the team due to meet with officials from the Central Bank, alongside planned presentations from NCB Stockbrokers, Grant Thornton, and KBC Bank. However, due to its meeting with [REDACTED] NAMA had stepped back from a meeting with the school on this occasion but plans to do so at a future date in Belfast.

9. Headline Report

Matter for Approval

A document entitled '*Northern Ireland Advisory Committee – Key Recommendations/Action List*' (or *Headline Report*) was circulated prior to the meeting and presented to the Committee, which noted the contents of same.

Jonathan Milligan updated the Committee on the Headline Report as presented and the Committee **agreed** that each of the five open items could be considered closed.