

BRIEFING NOTE – PROJECT EAGLE SALE

Sales process

The sales process for Project Eagle was launched in December 2013 following an earlier unsolicited approach in September 2013 which was made to NAMA's Asset Recovery division by Brown Rudnick, an adviser to US investment group, PIMCO, to purchase the portfolio of NAMA loans held by Northern Ireland debtors.

Following PIMCO's expression of interest, NAMA, in line with its general policy on asset and loan sales, launched a competitive market sales process. NAMA appointed Lazard, a major international investment bank, to advise on and oversee the sales process for Project Eagle, a portfolio which comprised loans with an aggregate par value of £4.5 billion and which was secured by assets in Northern Ireland, the Republic, Great Britain and other European locations.

Based on its assessment of the market, Lazard invited nine major global investment groups (including PIMCO) who, in Lazard's view, had the necessary financial resources to participate and bid in the loan sale process. Cerberus Capital Management emerged as the highest bidder for the portfolio in April 2014.

Involvement of PIMCO

- PIMCO was one of nine bidders invited by Lazard (acting on behalf of NAMA) to take part in the Project Eagle sales process.
- PIMCO brought to NAMA's attention on 10 March 2014 a previously undisclosed fee arrangement that PIMCO had with its advisors (Brown Rudnick and Tughans).
- PIMCO's arrangement included a success fee, part of which was to be paid to a former external member of NAMA's Northern Ireland Advisory Committee (NIAC) who had resigned from this Committee on 7 November 2013.

- The NAMA Board was informed of this disclosure and met to consider the disclosure and the most appropriate course of action on 11 March 2014. The Board viewed the facts as disclosed by PIMCO as a very serious development. .
- Although the former NIAC member had resigned prior to the initiation by NAMA of the sales process in January 2014 and never had access to any specific information about NAMA assets or NAMA debtors, the NAMA Board felt that the mere existence of this arrangement between PIMCO and the former NIAC member could damage the perceived integrity of the Project Eagle sales process.
- Following Board meetings (12 and 13 March 2014), NAMA communicated to PIMCO the NAMA Board's grave concerns about the matter disclosed and made it clear to PIMCO that, in light of the matter identified, NAMA would not permit PIMCO to remain as a bidder in the loan sale process.
- On 13 March 2014, PIMCO informed NAMA that it would withdraw as a bidder from the Project Eagle process and confirmed that formally on 14 March 2014.

Sale to Cerberus

NAMA is fully satisfied that, having taken advice from Lazard, the process delivered the best possible return that could have been achieved for Irish taxpayers.

The proposed sale to Cerberus was announced in April 2014 and completed on 20 June 2014.

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 it had not made certain arrangements in respect of fees.

As is open to any seller of assets or loans, NAMA may adopt any measure that it considers appropriate to safeguard the integrity of its sales processes. Each sales process is considered by reference to its own particular circumstances.

NAMA is satisfied with the integrity of the Project Eagle sales process by achieving a sales value that provided the best achievable return at that time.

The confirmation which Cerberus provided to NAMA on 3 April 2014 was 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.

Role of Northern Ireland Advisory Committee

- The NIAC was purely an advisory committee – its role was limited to advising NAMA on the impact of NAMA’s strategy on the NI economy.
- The NIAC had no role in relation to NAMA debtors or to 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.
- The NIAC had no decision-making powers.