

## **NAMA PRESS STATEMENT – PROJECT EAGLE**

***Friday, 3 July 2015***

*This statement is issued by NAMA in response to a number of press queries received in relation to the sale in 2014 of the loans of Northern Ireland debtors (Project Eagle).*

In January 2014, 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 which had the necessary financial resources to participate and bid in the loan sale process. Cerberus Capital Management emerged as the highest and preferred bidder for the portfolio in April 2014. The sale completed on 20 June 2014.

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. Prior to confirming Cerberus as its preferred bidder, NAMA sought and received confirmation from Cerberus that no fee was payable by Cerberus to any person connected with NAMA in relation to any aspect of the Project Eagle sales process.

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

## **NAMA BRIEFING NOTE – PROJECT EAGLE**

**(Confidential not for release)**

### **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 suggesting PIMCO 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 had been proposed to PIMCO by third parties who had approached PIMCO about the potential purchase of the Project Eagle portfolio.
- The proposed 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

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mere existence of a fee payable by a bidder a 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. 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 no fee was payable to any person connected with NAMA in relation to any aspect of Project Eagle.

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**

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- 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.

## **MINISTER SPEAKING POINTS – PROJECT EAGLE**

- I understand that the very serious allegations Deputy Wallace made yesterday in the Dáil refer to the actions of a former partner of the legal firm, Tughans, based in Northern Ireland, among whose clients was a bidder in the sale of NAMA's Northern Ireland Loan Book.
- I understand Tughans has made a statement in which they confirmed that, and I quote, *"a former partner [of the firm] diverted to an account of which he was the sole beneficiary, professional fees due to the firm without the knowledge of the partners."* They further stated that the firm has, and I quote, *"since retrieved the money and the partner has left the practice."*
- Tughans have confirmed that they have reported the circumstances of the departure of the former partner to the Northern Ireland Law Society and I understand from statements by members of the Northern Ireland Assembly that consideration is being given to an investigation into this situation by the Northern Ireland authorities.
- NAMA has made a statement regarding the Northern Ireland sales process which demonstrates that NAMA takes all measures that it considers appropriate to safeguard the integrity of its sales processes.
- I believe Cerberus has also made a public statement on the matter.
- Questions regarding alleged misallocation of Tughans' funds are a matter for Tughans, the NI Law Society, and potentially law enforcement authorities in Northern Ireland.
- Both NAMA and this Government will cooperate fully with any criminal investigation should such cooperation be needed. However, there is no indication that there has been any involvement on the part of NAMA.
- It would be inappropriate for me to speculate or add anything further to these comments other than to state that I am confident that as NAMA has stated that the loan sale process delivered the best possible return that could have been achieved for Irish taxpayers.

## **ADDITIONAL BACKGROUND INFORMATION FOR MINISTER**

### **Does NAMA work with Tughans?**

NAMA did not instruct Tughans in respect of the sale of the Northern Ireland Loan portfolio.

Tughans is one of a number of firms on NAMA's UK legal panel which was set up through a tender process in 2010. This information is publicly available on NAMA's website. NAMA will confirm whether Tughans have done any work for NAMA as a member of this panel.

### **Did Tughans' advise Cerberus?**

NAMA are aware that the principal legal advisers to Cerberus on Project Eagle were Linklaters and A & L Goodbody. However, Cerberus also employed the US law firm Brown Rudnick, for whom Tughans acted as a subcontractor.

### **Is Cerberus involved in the alleged misallocation of funds by a former Tughans partner?**

Cerberus has stated publicly:

*"We are deeply troubled by Mr Wallace's allegations and we want to make it clear that no improper or illegal fees were paid by us or on our behalf and we take any allegation to the contrary extremely seriously."*

Cerberus has also provided the BBC with a detailed letter refuting the allegations made against them. We understand that Cerberus did engage Brown Rudnick (US Law Firm) for whom Tughan was a subcontractor. Both Brown Rudnick and Tughans would have signed commitments for the benefit of Cerberus in line with the Foreign Corrupt Practices Act.

Cerberus paid Brown Rudnick for their services in line with their contractual obligations.

Any payment by Brown Rudnick to Tughans is a matter between those parties and not a matter for Cerberus or NAMA. It appears that any alleged misallocation of funds within Tughans should be, in the first instance, a matter for Tughans.

In April 2014 NAMA secured the following statement from Cerberus, who in turn had secured such commitments from its advisors and service providers including Brown Rudnick and Tughans:

*"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."*

## **ADDITIONAL BACKGROUND INFORMATION FOR MINISTER**

### **Have PIMCO made a statement?**

Not to our knowledge. However, NAMA is aware that PIMCO have responded to questions from BBC Spotlight over recent weeks. NAMA have been in touch with PIMCO to advise that NAMA may need to issue a statement concerning the involvement and subsequent withdrawal of PIMCO from the Project Eagle sales process.

## **ADDITIONAL BACKGROUND INFORMATION FOR MINISTER**

### **STATEMENTS & PRESS QUOTES**

#### **Cerberus – Press Statement**

*We are deeply troubled by Mr Wallace's allegations and we want to make it clear that no improper or illegal fees were paid by us or on our behalf and we take any allegation to the contrary extremely seriously.*

#### **Tughans – Statement**

*Tughans' duties of confidentiality to its clients are absolute and we do not comment on internal affairs.*

*In response to the comments made [on Thursday] in the Dáil we can confirm, however, 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.*

*We have since retrieved the money and he has left the practice.*

*The practice is not linked to any political party nor has it ever made party political donations.*

*Tughans reported the circumstances of the departure of the former partner to the Law Society.*

#### **Law Society of Northern Ireland (From Press)**

*The Law Society of Northern Ireland "does not comment on whether or not there is any investigation ongoing in relation to any particular matter or firm".*

#### **Mike Nesbit (Ulster Unionist Leader) – Website Statement**

*We have heard rumours of corruption before, but nothing approaching this quantum. If true, it represents abuse of power of a previously unimaginable scale.*

*For the record, I can state categorically I am not the intended recipient of this alleged £7m.*

#### **Jim McAllister (TUV Leader) – TUV Website Statement**

*"It is imperative that this matter is thoroughly investigated by all relevant authorities, including the PSNI. The PSNI needs to make its intentions clear."*

*"Tughans confirmation of the mysterious diversion of funds to a separate account, apparently in the Isle of Man, lends credence to at least that part of the Dail allegation, accentuating the need for the entirety of the allegations to be properly and independently investigated,"*



## **ADDITIONAL BACKGROUND INFORMATION FOR MINISTER**

*"Tomorrow [Friday] I intend to table the following Priority Written Question to the Joint a First Ministers: **'To ask OFMDFM in light of the disturbing allegations made in the Dail on 2 July 2015 concerning Cerberus, and in particular the suggestion of a corrupt link to a Northern Ireland politician, what steps do the First Minister and deputy First Minister propose so that these matters can be adequately investigated.'**"*

*"I have had concerns about aspects of the Cerberus operation for some time and hence over recent weeks have tabled numerous questions in the Assembly."*

### **Peter Robinson – via Twitter**

*Stories such as that from the Dail damage politics. — Peter Robinson (@DUPleader) July 3, 2015*

*Those with information should give it to the authorities to test its credibility in a thorough investigation. — Peter Robinson (@DUPleader) July 3, 2015*

### **Martin McGuinness – SF Website**

*"These claims are very serious and must be thoroughly investigated.*

*"That investigation needs to begin immediately and I would encourage Mick Wallace to speak to An Garda Síochána and the PSNI as a matter of urgency.*

*"It is absolutely clear that these serious allegations made on the floor of Leinster House need to be subjected to rigorous and full investigation."*

### **Daithí McKay - Sinn Féin - Chair of NI Assembly's Finance Committee**

He intends to call the NI Assembly Finance Committee together at the earliest opportunity to consider these very serious allegations in the interests of transparency and accountability.

He would expect Cerberus, NAMA officials, Mick Wallace and Tughans officials to appear before the committee.