

PIMCO

Daihi McKay MLA
Northern Ireland Assembly
Committee for Finance and Personnel ("the Committee")
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13 October 2015

Dear Mr McKay

Thank you for your letter of 30 September 2015 with attached list of questions related to PIMCO's interaction with the Department of Finance and Personnel ("DFP"), and the knowledge of DFP in respect of our involvement in Project Eagle.

As noted in previous correspondence, PIMCO recognises the importance of the Committee's function, as well as its Terms of Reference, and desires to assist the Committee's inquiry in so far as it can. PIMCO continues to be mindful of the reported ongoing inquiries of the NCA and others and is concerned to ensure that any information we provide does not risk causing prejudice to any such inquiries, whether in Northern Ireland or further afield.

In responding to the Committee's questions, we have varied from the format of the questions received as many of the questions relate to the knowledge of DFP in respect of our involvement in Project Eagle, and this is not something of which PIMCO is aware or can comment on as we had very limited contact with DFP.

We hope that the following information is helpful:

1) PIMCO's operations and assets in Northern Ireland ("NI") have been limited. One of its alternative investment funds ("PIMCO BRAVO Fund II LP", referred to hereafter as "the BRAVO Fund") currently holds a 50% share in the Abbey Centre in Newtonabbey, which it purchased from RBS in August 2014 in a joint venture with NewRiver Retail, a regulated Real Estate Investment Trust operating throughout the UK.

The BRAVO Fund's real estate strategy, which is typically pursued with partners who operate the properties on a day to day basis, is to seek to acquire properties where our collective experience and expertise can create value for investors through improvement of the assets. In the case of the Abbey Centre, this approach has led to the investment of several million pounds, used to extend the centre in order to enhance the experience for customers to the centre and at the same time provide both short and long term employment opportunities in the locality.

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For the sake of completeness, please note that PIMCO may, of course, invest in securities (e.g. such as bonds, shares, or asset backed securities) for our clients' portfolios that give investment exposure to the UK (including NI). However, in such cases, the investment is in the relevant security, and would not typically give rise to any involvement with the underlying asset(s).

2) PIMCO notes that your questions relate to PIMCO's interaction with DFP and its knowledge of PIMCO's involvement in and withdrawal from Project Eagle. These questions can be answered simply, as we had little contact with DFP. However, we have sought to provide an overview of the involvement of the BRAVO Fund in the proposed Project Eagle transaction in order for the context of any contact with DFP to be understood.

PIMCO was initially approached on an unsolicited basis by a partner at the law firm, Brown Rudnick. Brown Rudnick introduced PIMCO to two other parties which it appeared to be working with to identify potential purchasers for the NAMA Northern Irish loan portfolio (which subsequently became Project Eagle). We believe that PIMCO was one of a number of firms which were approached by these parties in this respect. PIMCO saw the potential transaction as one that may be of interest to the BRAVO Fund, subject to the usual analysis and due diligence.

PIMCO was advised by these parties that the Northern Ireland Government was concerned to ensure that there would not be a "fire sale" of Northern Irish homes and business premises but rather a longer term approach to investment and development of the assets would be taken by any purchaser. It was explained to PIMCO that any sale of the NI loan portfolio was a sensitive political matter given the importance of the portfolio to the wider NI economy and that the NI government was concerned to ensure that any purchaser was reputable and would manage the assets in a responsible and sensitive way post completion. In this context, and PIMCO having expressed an interest, it was explained that the NI Executive wanted to meet with PIMCO (and other interested parties) as part of any potential process.

Accordingly, PIMCO attended a meeting at Stormont on 22 May 2013 which was also attended by First Minister Peter Robinson and the Minister for Finance and Personnel, Sammy Wilson, as well as Mr Frank Cushnahan of the Northern Ireland Advisory Committee of NAMA, Mr. Ian Coulter of Tughans, and Mr. Tuvi Keinan of Brown Rudnick. As noted, PIMCO understood that it had been asked to attend this meeting so that an assessment could be made as to PIMCO's credibility and suitability as a potential purchaser and manager of assets located in Northern Ireland. It was our understanding that PIMCO was not the only firm invited to meet with the representatives of the Northern Irish Executive at that time.

Subsequent to the above, Brown Rudnick sent a letter dated 24 June 2013 to Minister Wilson, in which Brown Rudnick outlined that it had two 'clients' interested in purchasing the portfolio from NAMA. As a result of the Committee's inquiry, we have now seen the responses to that letter from Ministers Wilson and Noonan.

PIMCO had no further contact with DFP and we are not aware of any information provided to DFP in respect of PIMCO's and/or the BRAVO Fund's interest in, and circumstances leading to the BRAVO Fund's subsequent withdrawal from, Project Eagle.

In relation to the BRAVO Fund's withdrawal from Project Eagle, we are pleased that it has started to be recognised that PIMCO deserves credit not only for identifying potential concerns in relation to the fees requested of PIMCO in respect of the potential Project Eagle transaction, but also for taking it upon itself to

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make full disclosure of the details of the requested fees and our concerns to NAMA. We are proud that PIMCO's controls and culture determined this course of action in isolation and without any knowledge of the numerous allegations and information that has subsequently come to light. Our decision for the BRAVO Fund to withdraw from the Project Eagle transaction demonstrates the emphasis we place on conduct of our business, the high standards we expect of counterparties and the importance we place on protecting our reputation.

PIMCO cannot provide any information about what occurred in respect of Project Eagle following the BRAVO Fund's withdrawal as we have no information.

Given our limited interaction with DFP and the information provided above, as well as our concern not to risk prejudicing any ongoing investigations, PIMCO respectfully declines the invitation of the Committee to attend before it. However, should the Committee have any further queries it would like to send in writing, we would be happy to consider providing written responses where we have knowledge and where we judge that responding will not risk damage to any ongoing investigation.

Yours sincerely

Tom Rice
Chief Legal Officer – EMEA
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