

6 October 2015

Mr Daithí McKay
The Chairperson
The Committee for Finance and Personnel
The Northern Irish Assembly
Parliament Buildings
Belfast

Dear Mr McKay,

I acknowledge receipt of Mr McAteer's letter of 22 September 2015 and write in response to the questions raised by the Committee at its meeting on 16 September 2015.

As regards the Committee's first question, and as noted in paragraph 2.9 of Cerberus' written submission of 16 September 2015, Cerberus prepared a letter to be presented to the Northern Irish Executive prior to the submission of its bid to provide an indication of Cerberus' investment and operational considerations in the event that it was successful in acquiring the Project Eagle portfolio from NAMA. The letter was provided by Cerberus to Brown Rudnick on 24 March 2014 to be provided to the Office of the First Minister ahead of a meeting between representatives of Cerberus and the First Minister, his Special Adviser and the Finance Minister on 25 March 2014. Cerberus does not have a record of how the letter was actually transmitted by its legal advisers. As requested, I enclose a copy of the letter.

The Committee will be aware from Cerberus' written submission of 16 September 2015 that Cerberus has provided the information that it has been advised properly addresses the issues that are germane to the Committee. Cerberus is concerned that the Committee's second question in relation to Tughans' work may trespass upon the scope of the ongoing criminal investigation being conducted by the National Crime Agency. However, even if that is not the case, Cerberus respectfully notes that the question appears outside the scope of the Committee's Terms of Reference. Moreover the requested information relates to matters that are highly confidential and/or protected by legal professional privilege.

Yours sincerely,



Liam Strong
Chief Executive
Cerberus European Capital Advisors

STRICTLY PRIVATE & CONFIDENTIAL

Cerberus European Investments, LLC
875 Third Avenue
New York, New York 10022

25 March 2014

LETTER OF INVESTMENT AND OPERATIONAL INTENTIONS
REGARDING THE ACQUISITION OF THE NORTHERN IRELAND
BORROWER CONNECTIONS LOAN BOOK FROM NAMA

Dear Minister,

On behalf of Cerberus European Investments, LLC and its affiliated funds ("Cerberus"), we would like to submit this letter which sets forth Cerberus' long term investment and operational considerations in respect of the Northern Ireland Borrower Connections Loan Book owned by NAMA (the "Loan Book") in the event the Cerberus acquires 100% of the Loan Book from NAMA (the "Transaction").

The Minister will be made aware that formal discussions with respect to the acquisition of the Loan Book are currently ongoing between NAMA and Cerberus directly in connection with the process being run by Lazard. The purpose of submitting this letter is to inform the Minister of Cerberus' goals in acquiring the Loan Book.

This letter describes how Cerberus would intend to operate if the Transaction were to be consummated. It is not, however, a commitment or a binding offer to acquire the Loan Book nor any guarantee that the Transaction will close as this would, among other things, clearly require the consent of NAMA.

1. LONG TERM ASSET INVESTMENT STRATEGY

Cerberus has been a leading investor in loan portfolios for over twenty years in the Americas, Asia and Europe. We recognise that the collateral assets underlying loan portfolios often represent a very attractive long-term income stream. Accordingly, our investment strategy often focuses on enhancing our returns through investments in these assets whenever possible and reasonable. In addition, historically the vast majority of the loan portfolios we have acquired have been resolved consensually in partnership with cooperative and honest borrowers. We would see the investment and work-out strategy of the subject Loan Book to be no different.

By way of an example, over the past twenty-two years, Cerberus has acquired hundreds of portfolios of non and sub-performing loans (collectively, "NPLs") in Japan with unpaid principal balance in the tens of billions, in most cases backed by real estate with personal and/or corporate guarantees as part of the structure. We established a servicer in Japan, which grew to employ over 150 people, the overwhelming majority of whom were sourced locally. We were acutely aware of cultural norms and we believe that by acting in accordance with such norms as well as within the framework of applicable law, we were able to have positive relationships with borrowers. Accordingly, in the overwhelming majority of instances, we exited such portfolios through consensual agreements with the respective borrowers and rarely called any related guarantees.

Cerberus established an affiliated advisory company in Madrid that is fully dedicated to the Spanish market, in furtherance of its efforts to develop important relationships within the Spanish financial system. We believe that, to date, Cerberus has closed the largest volume of NPL transactions in the Spanish market since the financial crisis of 2008 began. Cerberus also recently acquired the Bankia Habitat platform (comprising a Gross Book Value of approximately €45 billion and over 100,000 assets, accompanied by a related ten year servicing contract with Bankia). We believe all such prior

STRICTLY PRIVATE & CONFIDENTIAL

experience and expertise would be invaluable if Cerberus were to consummate the Transaction.

With respect to the Transaction, the intended capital investment that Cerberus would provide could both help to halt any downward pressure on the value of the collateral asset ("Assets") of the Loan Book and as asset management strategies are implemented, hopefully start to re-build the quality of the Assets. As a result it is anticipated that over the long term this investment strategy is likely to be a substantial contributor to local and regional property markets within Northern Ireland.

Cerberus' investment policy does not include a predetermined required holding period for any loan or underlying collateral asset we acquire. Our focus includes the growth of income together with capital appreciation of the real estate collateral. Short-term price fluctuations are usually not taken into account in our model and the long term liquidity of the Assets in Northern Ireland is not a significant concern.

Despite the fact that we believe there will be further general improvement of the macro-economic environment in Northern Ireland, we appreciate that isolated areas of economic decline may remain. In our view it is critical that any Assets located in such areas, where it is financially appropriate and justifiable, receive capital investment to assist in upgrading the Assets and their micro environments, thereby aiding local recoveries. Investment in Northern Ireland provides a good foundation for urban regeneration, generating economic value through the creation of jobs, upgraded transport links and an overall improvement in living standards. Northern Ireland's economic interests and Cerberus' interests would be aligned with Cerberus seeing improved income and capital appreciation of the Assets through higher rents and greater investor demand.

2. UTILISATION OF NORTHERN IRELAND SUPPLY CHAINS

Cerberus will make a commitment to use qualified local advisors, consultants, contractors and suppliers to the extent available at a competitive market price. Where local construction companies can be used, there will be a multiplier effect on the local economy flowing from both direct and indirect effects. When feasible, such supply chains will also be used for any Assets situated in Great Britain provided such suppliers have the ability to provide such services at a competitive rate.

If appropriate, Cerberus is intending, subject to applicable laws and regulations, to open a branch of Cerberus European Servicing LLP, our affiliated asset management and loan servicing advisor, in Belfast and have it be lead and staffed by qualified property and loan professionals based in and originating from Northern Ireland.

Cerberus recognises and appreciates the direct effect flows from wage income and corporate profit generated in the construction sector. Indirect effect will come from the supply chain: the raw materials, manufactured components and the transportation of such materials and components. Investment in construction would see not only an increase in the levels of construction industry employment, but also the employment of professional services including architectural, planning and surveying services.

The supply chain continues past the construction phase. Notwithstanding the general increase in employment that we would expect to see following investment in the Assets, to the extent such resources are available Cerberus would engage local property managers and surveyors to manage the Assets.

3. RELEASE OF CORPORATE AND PERSONAL GUARANTEES

STRICTLY PRIVATE & CONFIDENTIAL

Many of the loans which form part of the Loan Book are secured by either corporate and/or personal guarantees given by certain shareholders or directors of the underlying Borrowers or an individual Borrower in their personal capacity. Most of the guarantors are based in Northern Ireland. The existence of such guarantees may be impeding the development of new business ventures and new investment in their current businesses as the guarantors may have difficulty raising capital or committing existing resources while such guarantees remain under threat of being called and enforced by NAMA.

Cerberus will release personal and corporate guarantees as a key part of consensual workout plans with cooperative borrowers.

Cerberus' underwriting of the Loan Book has not, to date, included the value of any assets other than the direct collateral assets securing the loans, and as mentioned above we would be willing to waive guarantees for cooperative borrowers who agree to execute a consensual workout plan. Assuming the applicable borrowers cooperate in good faith in connection with such a workout plan and their agreement regarding a consensual restructuring transaction, any and all contingent liabilities and/or personal guarantees from the Borrowers would then be released in accordance with the terms of the plan. Consequently, only the Assets which are the principal subject or collateral for the underlying debt would be retained as security. The existing guarantees would be released so they would no longer be an impediment to borrowers or grantors from undertaking new business ventures.

4. INCENTIVISATION OF INCUMBENT BORROWERS

Subject to normal competency requirements, there would be a presumption that cooperative incumbent Borrowers could continue with the day-to-day operation and/or development (if applicable) of the relevant Assets.

In order to ensure that the incumbent Borrowers are taking all the necessary steps to maximise the return on the Assets, Cerberus would implement appropriate incentives for Borrowers which could include asset management fees, leasing fees, development fees, disposition fees and if appropriate, profit share structures in the event that an Asset is sold at a good profit multiple and IRR for Cerberus.

5. DEBT FOR EQUITY

Immediately following the consummation of the Transaction, Cerberus intends to enter into discussions with each of the Borrowers with a view to negotiating a consensual resolution to the loan which could be a discounted pay-off, voluntary organised disposition plan over time, debt for equity swap or debt restructuring and release of any collateral guarantees as noted under sub-heading 3 above. These most likely would include debt forgiveness or write offs in exchange for the Borrowers' cooperation in the timely and fair resolution.

6. AVAILABILITY OF FURTHER DEBT FUNDING

Cerberus has access to capital immediately available not only to acquire 100% of the Loan Book but also to make further supplementary loans to the current Borrowers where it is desirable to do so, taking into account the risk adjusted return associated with such prospective new lending.

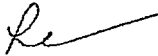
Cerberus could make available to the Borrowers further funding for new developments, renovations and major repairs and to maximise the value of the Assets in the mutual interest of the Borrowers and Cerberus. The provision of such further funding would be subject to reasonable evaluation of risk and capability to repay with a fair return on the new investment.

STRICTLY PRIVATE & CONFIDENTIAL

As noted under sub-heading 2 above, any investment in (or financing of) the Assets is likely to have a multiplier effect in promoting both micro and macro-economic improvement in the areas where they are located and create significant opportunities for the construction and services sectors in Northern Ireland.

We hope this letter is informative. We very much look forward to progressing in our discussions with NAVA with a view to consummating and implementing the Transaction in such a manner as is mutually beneficial for all parties.

Yours sincerely,

A handwritten signature in black ink, appearing to be a stylized 'L' or 'R' followed by a horizontal line.

Cerberus European Investments, LLC



**Northern Ireland
Assembly**

COMMITTEE FOR FINANCE AND PERSONNEL

Room 435
Parliament Buildings
BELFAST
BT4 3XX

Tel No: 028 9052 1843

E-mail: committee.financepersonnel@niassembly.gov.uk

22 September 2015

Mr Liam Strong
Chief Executive
Cerberus European Capital Advisors
84 Grosvenor Street
London
W1K 3JZ

Dear Mr Strong,

Review of the Sale of the National Asset Management Agency (NAMA) property loan portfolio in Northern Ireland

At its meeting on 16 September 2015 the Committee for Finance and Personnel considered your letter and written submission in relation to the above Review.

In providing the written submission, you stated that this was in lieu of representatives from Cerberus providing an oral briefing, as per the previously agreed arrangements. In noting this, the Committee agreed, in the first instance, to seek further information in writing from Cerberus, given that members would not be able to explore such issues during the oral evidence session which had been scheduled for 23 September 2015.

As regards specific queries at this stage, I would refer you to paragraph 2.9 of your submission which explains that Cerberus prepared a letter to be presented to the Northern Ireland Executive prior to submitting its bid for the Project Eagle portfolio. In order to inform its deliberations, the Committee requests clarification on who this letter was issued to and also asks that it is provided with a copy of the said letter.

Also, paragraph 4.5 of the written submission states: *'The terms of Brown Rudnick's engagement by Cerberus included payment on a success fee only basis. Brown Rudnick agreed to share the success fee with Tughans.'* On this point, the Committee seeks clarification on what Tughans did to earn a share of the 'success fee' paid by Cerberus to Brown Rudnick.

The Committee further agreed to formulate specific questions for Cerberus which it will consider and agree in the near future. Once agreed, these questions will be forwarded to you for a written response.

In the meantime, I would request a response to the aforementioned queries by **noon on Tuesday 6 October 2015**.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Daithí McKay', written in a cursive style.

Daithí McKay MLA
Chairperson, Committee for Finance and Personnel