

BELL & COMPANY

Accountants

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BRIEFING PAPER FOR COMMITTEE OF ENTERPRISE, TRADE & INVESTMENT/ COMMITTEE FOR FINANCE AND PERSONNEL

BELL & CO. ATTENDANCE 12 JANUARY 2016

A. INTRODUCTION TO BELL & CO.

1. Bell & Co. has been in operation in Northern Ireland for approximately 5 years during which time a noteworthy amount of support & guidance has been given to individuals & Businesses struggling as a result of various, significant financial pressures.

Various services are provided by Bell & Co. to include:

- ***Negotiations on behalf of personal borrowers with mortgage institutions in respect of properties in negative equity as a result of the economic crash***
- ***Negotiations on behalf of Businesses, of all trading entities, with all primary Banking & Lending institutions/private lenders in respect of Company/Business associated debt***
- ***Negotiations in respect of Personal Guarantees***
- ***Representation/settlement negotiations in respect of European, property orientated Debt***
- ***Finance via our Sister Company, Adelaide Commercial Finance Ltd.***
- ***Essentially, any debt issues that any entity may be experiencing***

2. The Witnesses in attendance before you today are representatives from the Corporate Department of the business, namely Miss Helen McCarragher, Miss Claire McCarragher & Mr Paul Fitzgerald, who specialise in representing local businesses (of all trading entities) who are suffering greatly as a result of over-indebtedness in terms of loan facilities.

Accompanying them is Mr Terry Bell, Principal and founder of the Company.

3. In many cases, the Businesses we represent have a fantastic, core trading business however they are being suffocated by an overwhelming & unmanageable level of property associated debt which cannot be facilitated. This is primarily as a result of the economic downturn/crash which took place in 2007/08.

Whilst property prices are rising slightly at this point in time, they are not, nor will they be for a significant period in our view, anywhere near what they were some 8/9 years previous to now.

- 4.** We hold great pride in highlighting that, here at Bell & Co., we have assisted a significant number of local businesses and individuals in reaching settlement with their surrounding Creditors which results ultimately in a much more manageable level of debt & a greater level of cash flow thus allowing the business/individual room breath and move forward. This often involves re-finance with a third party lending institution/always requires third party support.

This undoubtedly assists both Borrower and Lender in that it allows both parties to avoid the cost, time & pain that acrimonious Litigation/Bankruptcy/Administration brings with it for all. Furthermore, reaching mutual agreement undoubtedly yields a greater return for the lender than that which would be achieved in any of the alternative eventualities.

- 5.** In many instances a significant number of jobs have been salvaged also as a result of reaching mutual agreement. In some cases up to c100 individuals & families would have suffered significantly as a result of unemployment that would have been experienced in the event that the Company was to be put into Administration.

- 6.** The primary concept that we feel Banking institutions/Lenders, and in this specific case Cerberus, very often fail to identify with is the fact that there are people, employees, families, trade history etc. at the forefront of the cases with which they are dealing and instead treat their connections as case numbers and files.

Many of our Clients have spent in excess of 25+ years establishing not only respectable working relationships however also close and personal relationships with their Customers/Clients/Residents.

Furthermore, it must be highlighted that the suffocating effect being had on the Northern Ireland Economy is astronomical in that good business people cannot move on and create further business opportunities/jobs for local people.

- 7.** At Bell & Co., we have investigated and educated ourselves on the Psychology of Debt so as to ensure that we have a profound insight and understanding of the ramifications/implications of financial pressures upon those who are being pursued for monies owing.

Shockingly, a recent survey has shown that 100% of a cross-section of Borrowers interviewed admitted to having experienced suicidal thoughts as a result of their financial pressures.

We see it as essential then that all parties work collectively & co-operate with a view to reaching a final conclusion where possible.

8. Every day we directly see the impact that debt has, not only upon Businesses but also upon the people behind them as well as their families. It has a significant and adverse effect on relationships and health, both mental and physical and this must be taken into account in every case.

Furthermore, it is undeniable that any negative action taken against a Business will have a direct and knock on effect on the staff, their families & indeed their ability to meet their own obligations, the Customers/Clients etc. of the business and the local economy which often depends on the trade.

We are determined, in every individual case, to avoid any such impact and strive to reach a positive conclusion for all parties involved.

(B) BRIEFING ON INDIVIDUALS IN ATTENDANCE

Mr Terry Bell



TERRY BELL
Principal & Company Director
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Terry Bell is the Principal & founder of Bell & Company. He is a Chartered Accountant by Trade and has in excess of 20 years' experience in debt negotiation.

Miss Helen McCarragher



HELEN MCCARRAGHER
Corporate Department Manager
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Helen McCarragher manages & oversees the Corporate Department of Bell & Co. which deals with business associated debt negotiations with all primary lending institutions.

Helen has both Legal and Insolvency experience and has worked most successfully with a significant number of local businesses, having achieved noteworthy results.

She oversees a hardworking, dedicated and most astute team in achieving great successes.

Miss Claire McCarragher



CLAIRE MCCARRAGHER
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Claire McCarragher is the primary Case Manager of the Corporate Department at Bell & Company.

Claire drives a significant number of cases from the point of initial instruction to the point of final completion.

She provides guidance, advice and direction to businesses on a daily basis and drives every case through to a point of final conclusion, yielding fantastic outcomes for both Borrower & Lender.

Mr Paul Fitzgerald



PAUL FITZGERALD

Corporate Department Assistant



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Paul Fitzgerald assists the Corporate Department in the day-to-day running of all cases.

He liaises pro-actively with all relevant parties associated with any case with a view to driving matters through to completion in a most timely & efficient manner.

(C) REASON FOR ATTENDANCE

1. The reason that we are before you is to bring to your attention to the way in which local people and Businesses are being treated and handled by the foreign investor, Cerberus Capital Management and their specialist Advisors, Capita Asset Services.

At present, it would appear that there is a very apparent unwillingness to negotiate, move forward/to meet to discuss things amicably and commercially.

We are often presented with over inflated valuations and an unrealistic concept of what can be achieved by individuals in terms of the provision of funds for settlement.

This is not our sole perception but rather a perception shared with other leading professional firms and business colleagues (IFAs, Accountants, Agents, Solicitors) who have attempted dealings with these bodies and who have experienced similar frustrations.

There have been many instances in which we have been told that the valuations, supposedly obtained by Cerberus, show that the value of the security of will cover the level of indebtedness in full.

This directly contradicts what our Clients have been told by the experts they have instructed, i.e. RICS Valuers, whose conclusion very often is that the security assigned equates to only a small percentage of what is owed, in many instances less than 50%. These however are being entirely disregarded by Cerberus and their instructed advisors.

- 2.** We wish to outline various examples for you of contact that we have had with Cerberus' specialist advisors which directly demonstrates an obstinate, obstructive and uncommercial attitude which shall prove nothing other than damaging for all and, indeed, **our economy generally.**

We are determined to establish clear, open and constructive lines of communication between all parties in order to ensure that there is progress & movement thus allowing all parties to draw final conclusions and preventing the development of a stagnant economy.

- 3.** We feel it imperative that we bring to your attention the hardships, difficulties and obstacles that Your Constituents are experiencing which can be avoided if all come round the table and discuss matters practically, realistically and professionally.

We believe that your assistance could prove more than productive in allowing matters to move forward once and for all.

(D) SPECIFIC EXAMPLES OF THE ISSUES THAT PEOPLE ARE FACING

- 1.** I refer to numerous cases that we have on-going with Promontoria (Aran) Ltd. (It would appear that this is a Sister Company of Cerberus however the Advisors do not make this point particularly clear) wherein which Cerberus European Servicing & Capita Assets Management are instructed as specialist advisors.

Please be advised that we are actively & persistently seeking to negotiate with Promontoria, via CES/Capita Asset Services, with a view to reaching a sense of final resolution in respect of all cases wherein which we are instructed.

- 2.** At all initial meetings we have attended/continue to attend with Cerberus & Capita representatives, it would initially appear that all parties appear to be working to the same target, i.e. to seek a relatively quick resolution (time frame of 4-5 months expressly given by Cerberus to resolve matters) whilst also yielding the best possible outcome.

Further to any initial meeting, a 28 day time frame is given for full proposals for settlement to be made.

In each instance, our Clients have been advised and assured that there shall most definitely be room for debt forgiveness and discount as Cerberus, ***"are not a bank"***.

- 3.** On each and every occasion on which a proposal is submitted however, after considerable time, we are receiving an identical, short and vague response, namely:

"Having reviewed the offer submitted through Bell & Co we can confirm that the proposal submitted does not sufficiently address the outstanding debt in its entirety.

As a result Cerberus European Servicing (“CES”) as adviser to Promontoria are not in a position to put forward your proposal for consideration.”

4. There is then a request for a further proposal to be submitted within an unreasonable deadline (Despite it having taken weeks for a response in advance of this).

No further feedback whatsoever is given on any case, despite requests, which does not assist anyone in moving forward.

The specific detail/facts underlined in submitted proposals, it would seem, are disregarded entirely.

There are very often information requests our end which are ignored in their entirety which we feel is indicative of the fact that the proposal is not in fact being fully read or given due consideration.

The decisions being made, or lack thereof, seem uncommercial and achieve nothing but an entirely avoidable delay for all involved.

5. It is inevitable that, as a result of the financial difficulty the majority of borrowers find themselves in, the ability to, *“address the outstanding debt in its entirety”*, shall not be there.

There is a serious sense of unwillingness to engage it would seem/lack of determination to move matters forward.

6. We would like to outline a couple of specific examples where the attitude/approach adopted by the specialist advisors is causing great confusion and is appearing nothing other than preventative in allowing matters to be driven forward:

Example one

We have a case whereby a Client has a portfolio of properties, valued at £700,000, secured to Cerberus. This is not the Client’s own assigned valuation but rather one obtained by a Fixed Charge Receiver who was engaged by Promontoria/Cerberus/Capita.

There is a 3rd party purchaser who is ready, willing and able to complete on the purchase of this portfolio. Same individual is willing to pay full market value and the sale would be an Arm’s length transaction.

The Agent has given a recommendation for acceptance of the offer however they have been instructed, by Cerberus/Capita, not to proceed with the sale.

The Fixed Charge Receiver in this instance has advised that, in the event that this sale is lost, it is almost guaranteed that an offer at this level will not be achieved again which means that our Client’s crystallised loss shall be increased and they shall become more exposed in a personal capacity.

The Fixed Charge Receiver in this instance has been advised only to accept an offer which covers the loan outstanding pertaining to the properties however this is entirely unachievable.

It is apparent that the professional Agent applied here has made it known to Cerberus that a sale at this level is not achievable however they have evidently chosen to ignore these advices for reasons unknown.

We cannot identify any logic in the approach adopted here, particularly where the Receivers appointed by Cerberus/Capita are specifically recommending that this sale proceeds.

The loss of this sale/later sale at a lesser amount will prove costly in terms of our Clients personal exposure and they will have to take advice in this regard.

Example two

We have a Client who has successfully attracted the interest of a third party to purchase a property, which is held as security, within their portfolio after persistent and continued efforts to maximise the return to Cerberus.

Again, the Agent instructed in this matter is highly reputable, has significant experience in both the valuing and marketing of properties and has stressed that a sale should most definitely proceed at the level of offer.

Our Client has been consensually working with Ulster Bank, over this past couple of years and prior to loan sale, to systematically and consensually dispose of properties with a view to maximising the yield for the lender and avoiding fire sale which would undoubtedly achieve c70% of market value.

Written recommendations have been provided here, again from the appointed Agent, who is confident that a lesser offer is all that shall be achieved in the event that the purchaser flees, particularly taking into account the fact that the subject property is being marketed in a saturated area.

The offer currently presented is, in fact, c£20,000-£30,000 more than what has very recently been achieved in the sale process of neighbouring, comparable properties hence the Agents strong opinion that sale should proceed.

We have received a response from Capita to advise that this sale cannot proceed as it is not believed to be market value by their estimation.

We have asked for a direct indication of what Cerberus/Capita view as being market value so that our Client can strive to achieve this and have received nothing other than the following response:

*“Our Client’s own valuations of the properties pledged as security are confidential and we would not be in a position to provide same.
For clarity, our client’s position is that in order for a proposal to be considered, no less than 100% of the market value of the pledged security should be offered”.*

Despite several on-going requests for an indication of what Cerberus believe to be market value so that our Clients can strive to achieve this, as well as a request for confirmation as to the source of valuation, we are met by a direct and apparent refusal to expand/discuss and have been advised that they will not discuss this.

I trust you will identify that this is most frustrating and appears more than obstructive not only for ourselves and for our Clients but also for the purchasers, appointed Agents & Solicitors involved in these transactions & who are working to progress.

The appointed Agents are having then to revert to the interested third parties and advise that their offers cannot be accepted however are unable to provide any logical reasoning for this.

We fail to see the benefit in adopting such an attitude/in refusing to liaise and communicate.

Example three

There was a specific case which was incorporated in the recent loan sale, much to our confusion & frustration taking into account the fact that **our Clients had already received contracts of settlement from Ulster Bank appointed Solicitors which simply required signing.**

This particular case is most sensitive as one of the young borrowers involved has suffered a stress induced stroke direct as a result of the financial pressure she is experiencing and, as a result, has been rendered entirely incapable of working indefinitely, according to medical professionals.

The lady in question was a nurse, who loved her job, with young children and she often requires assistance in caring for them now as a result of her stress invoked illness.

Furthermore, another of the attached Borrowers has significant & developing mental health issues, again medical professionals have provided written evidence to outline that this is undoubtedly stress induced, which are causing grave concern.

The on-going stresses that delays are having upon the health of both Borrowers is monumental and it is particularly concerning that our Clients were previously lead to believe settlement had been reached.

Written reports have been provided to Cerberus for their consideration outlining the sensitivity associated with this case however they have been disregarded in their entirety.

Our Clients have worked consistently through the consensual sales of properties to date and have now made an offer on the shortfall at the highest level available to them taking into account their circumstances.

They have no assets, suffer a monthly deficit in terms of income & are entirely dependent on third parties even to cover household expenses at times.

A most detailed proposal has been submitted, supported with all documentation clearly evidencing that this is undoubtedly the best possible offer here and a meeting requested however, again, there has been an outright rejection (wording identical to that outlined above, i.e. nothing other than full repayment) and no commitment to meeting to discuss, despite the serious issues surrounding this case.

We are most concerned that continued ignorance towards this case could provoke a most grave result thus same must be addressed forthwith.

Example 4

We have a Client who has various liabilities in the form of various facilities, one of which is associated with road bonds.

Same Client has successfully achieved the support of a third party lender in re-financing all of his debts, including road bonds, which would otherwise prove most costly to Cerberus.

The amount offered by way of settlement is not far short of the overall monies owing.

We have clearly outlined that the Council are on the verge of appointing contractors and that they would be holding Cerberus directly liable then for the bonds in question.

Again, we have received an outright rejection advising that “*...the proposal submitted does not sufficiently address the outstanding debt in its entirety...*”

It does not appear that the concept of road bonds and the implications thereof is fully understood in this instance.

Example 5

We are instructed in a case whereby UB had already appointed FCR over properties in advance of loan sale.

Various third parties are expressing an interest in a property included and are bidding for the purchase of same.

When offers are presented to the Fixed Charge Receiver however, we are receiving responses/purchasers are being told that the Receiver in question has no instruction to consider any offers on the properties for now and thus cannot sell at present.

This is most confusing as, again, we fail to see how matters can move forward here if all offers are being turned away/agents are being advised not to consider any approach.

Surely this is going to lead to a greater loss ultimately?

We cannot see how anyone is meant to move forward when even Bank appointed professionals are being told essentially to stop in their tracks.

It would appear that there is perhaps an ulterior motive/route to be adopted overall by Cerberus which we are not being advised of.

Whatever the reasoning, it is impossible to work to reach any sense of resolution when communications are more than limited/ we are left in the dark re what exactly is being sought to be achieved.

All short & impersonal responses received simply state that, "full repayment", is required which, in a vast amount of cases, is never going to be realistic.

Example 6

We are dealing with a case wherein which the Borrowers are showing a continued and very apparent willingness to co-operate.

Just prior to our instruction the Borrowers involved received the threat that, unless they produced c€50,000 up-front within 24 hours, then Fixed Charge Receivers would be appointed over their business premises within same 24 hour period.

They were advised that neither Cerberus nor their specialist Advisors would meet with the Borrowers until funds had been exchanged & that they would withhold from appointing Receivers for a period.

We found this approach most alarming taking into account that, in every other case over which we have been instructed over, the Borrower has been afforded a meeting, not least to introduce the parties to whom the loans had been sold & to explain the roles of each.

Our Clients, out of sheer fear & intimidation, desperately sought the assistance of family members and friends to raise funds as quickly as they could as they believed that they would lose everything if they did not do so. The money was transferred promptly and they are now indebted same third parties.

Upon our instruction, we made repeated requests for confirmation as to how funds transferred have been allocated/set-off against the various facilities however no response has been given whatsoever in this regard.

Despite having transferred the funds demanded, our Clients were repeatedly refused meetings upon request and were advised that, unless they were able to pay their loans in full, there was nothing to discuss.

This caused great concern and frustration, particularly where a meeting & productive discussions were promised further to receipt of payment.

After great persistence, repeated requests and up-kept communications with Capita, we eventually secured a meeting and attended at their offices.

Upon this meeting, the individuals present directly admitted that they had not looked at nor did they have access to our Clients' file which was alarming.

Furthermore, they advised that they had no idea of what value had been assigned to the security held.

There are in excess of 40 members of staff who are employed at this establishment and great concern was expressed that these individuals' jobs were at risk at the cusp of Christmas.

In the area upon which this business is located, there have been significant job losses to date thus any further unemployment could prove detrimental.

When we brought this to the attention of the Specialist Advisors in this instance, the representatives present simply responded, ***"This is a legal issue and we cannot comment on that"***, and refused then discuss or acknowledge the matter any further.

The more than apparent disinterest in the specifics of this case/the effects that forceful action could have on the business, it's staff, their families etc. was most startling.

In this same case, one of the Borrowers' Fathers very tragically and unexpectedly passed away following an accident.

A proposal was due some 2 days following this however, bearing in mind the fact that our Client was grieving, we respectfully requested an extension of **7 days only** for full submissions to be made and it was made clear that a proposal and monies would be forthcoming.

The extension was refused point blank which we found both unreasonable, unprofessional and highly inconsiderate taking into account the circumstances.

It was only after an aggressive & on-going challenge to this unnecessarily harsh behaviour that a 7 day extension was eventually agreed to.

This has been yet another case wherein which the attitude and behaviour of Cerberus/Capita has proven obstinate, difficult and obstructive.

In this case, Capita have repeatedly suggested, once again, that the value of the security covers the level of indebtedness in full and thus they will accept nothing other than full repayment.

Once more, this directly flies in the face of the expert report that our Clients have obtained. The Chartered Surveyor instructed in this matter we know to be a Cerberus appointed Valuer thus we fail to identify the reasoning for the rejection of the value assigned.

We have requested a copy of valuation/indication of the value assigned to property however once again there has been refusal to communicate on this whatsoever.

Fixed Charge Receivers have recently been appointed in this case. We are hopeful that they shall be more pragmatic & commercial in their approach however we do not feel it appropriate to leave the actions/treatment of these Borrowers by Cerberus/Capita unaddressed.

Example 7 & 8

We are dealing with 2 separate cases which are somewhat complex and sensitive in nature in that the businesses involved are a care home & day care nurseries for children.

These cases involve vulnerable individuals and thus it is imperative that they are treated correctly and with care.

These businesses have been operating for in excess of 20 years and, no doubt, their successes to date has been as a result of the hands on, friendly approach of the Business operators, their direct involvement and the relationships that they have developed with their Residents/Children and their families.

In one of these cases in particular, a proposal had been demanded over the Christmas period.

An extension was requested in light of the fact that our Client, despite on-going & indeed successful efforts to raise funds to support any proposal submitted, would not have a definitive figure from the third party lending institution by the deadline implemented due to the Manager in charge being on leave.

This was a matter entirely out of our Client's control however it was made clear that funds would be forthcoming and the only matter to be confirmed was the finalised amount, followed then by provisional letter of offer.

Once more, there was a point blank refusal to agree to this .

Our Client then is trying to operate their day to day business with the incessant, looming threat of a Receiver being appointed and, more prominently, the fear that her staff, the children who attend every day and their families will be left in a position of high distress.

Many of the children here are the third and fourth children of families to attend the day nurseries. It is without doubt that we can comment that the persistent business and loyalty here continues and remains as a result of the long-term, personal and close relationship that Parents have with our Client who independently established the Company some 25 years ago and sees her work as a vocation rather than simply a business operation.

We would suggest that it would be detrimental to place a Receiver into a business of this nature, i.e. one which requires a personal knowledge of the children in attendance, a personalised and developed relationship with staff and a bond of trust with parents.

Should a Receiver be appointed in this instance, a knock on effect shall be had undoubtedly on the children within the day care centres, their families and indeed the c40 employees who work with the children on a daily basis.

This is another case wherein which we have been advised that Cerberus believe that their security is worth more than the loan with which it is associated. Once more, this directly flies in the face of the valuation that has been obtained both by our Client and the assisting third party lending institution which indicated that the security is worth c50% of the loan.

Once again, there is a direct refusal to discuss the valuation supposedly obtained, the source of same and why there is such a significant contrast in figures.

It concerns us greatly that, in this instance for example, the welfare of children is at stake as well as the jobs of a significant number of local people.

(E) CERBERUS' ACQUISITION OF ULSTER BANK & NAMA LOANS & HOW MUCH WAS PAID FOR PURCHASE

- 1.** Cerberus, purchased the Project Eagle portfolio of loans from National Asset Management Agency in and around April 2014. The portfolio consisted of loans owned by Northern Ireland-based debtors and secured by assets in Northern Ireland, the Republic, Great Britain and other European locations.

Cerberus paid €1.6bn for loans worth €5.7bn at face value, i.e. c28% of loan value.

- 2.** Cerberus purchased the Project Aran loan Book from Ulster Bank in mid- December 2014.

Royal Bank of Scotland, Ulster Bank's parent Company, soon after announced that Cerberus paid £1.1bn (€1.38bn) for the Project Aran, which had an unpaid loan balance of €5.6bn and gross liabilities of £4.8bn (€6bn), i.e. c22% of loan value taking into account the gross liabilities only.

- 3.** It is publically available knowledge that Cerberus purchased these loans for an average of c25% taking into account the above.

Bearing this in mind along with the written pledges they made (expanded upon below), many were lead to believe that Cerberus would work with people in resolving matters so long as they generated a profitable return as opposed to putting local businesses out of operation.

Their current approach however would appear to fly in the face of this entirely.

(F) CERBERUS' LETTER OF PLEDGE ISSUED TO THE FIRST MINISTER'S OFFICE DATED 25 MARCH 2014

- 1.** We have recently obtained, further to request, a copy of letter of Pledge issued by Cerberus to the First Minister's Office, dated 25 March 2014, prior to the acquirement of certain loans.
- 2.** The letter obtained is specifically in relation to the purchase of NAMA loans however it would be fair to assume that the letter of pledge is general and that the same principles apply in any loan acquiring event.
- 3.** NAMA Chairman, Frank Daly, and NAMA CEO, Brendan McDonagh, commented, upon the sale of the Project Eagle loan portfolio to Cerberus that, ***"NAMA management of this portfolio has been measured and supportive taking into consideration the particular circumstances in the Northern Ireland economy. We are assured by Cerberus that they will adopt a similar approach."***
- 4.** We have identified many instances where Cerberus' actions have directly contradicted the way in which they have pledged to address local, smaller businesses, people etc. upon loan acquirement to various local bodies.
- 5.** Please find enclosed herewith a copy of same letter referred to.
- 6.** You will note that we have highlighted below various points we feel have been directly contradicted by Cerberus' actions & attitude:

(a) LONG TERM ASSET INVESTMENT STRATEGY

"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".

First and foremost we know that this has not been the case here to date in that regardless of the level of co-operation/efforts made to resolve matters by Borrowers, they issue the

same, identical and impersonal email to state that nothing other than par repayment shall be accepted.

They give the example of their previous and similar investments in Japan and how they worked through same stating:

“We were acutely aware of cultural norms and believe that, by acting in accordance with such norms, we were able to have positive relationships with Borrowers...In the majority of instances, we exited such portfolios through consensual agreements with the respective Borrower and rarely called any related Guarantees”

We fail to see any awareness of cultural norms in the day to day handling of our connections with Cerberus nor do they indicate that they shall be willing to disregard guarantees. In fact this area is more than grey and does not seem open to discussion/acknowledgment by Cerberus or their instructed specialist advisors.

(b). UTILISATION OF NORTHERN IRELAND SUPPLY CHAINS

“Cerberus will make a commitment to use qualified, local advisors, consultants, contractors & suppliers to the extent available...local property managers and surveyors to manage the assets”.

The only capacity in which we see Cerberus as using local people is in employing them to continuously refuse offers via Capita.

They are refusing to accept/use local knowledge in terms of valuations/property sales etc. which is where it counts and we would be keen to see where they are supposedly using local property managers & surveyors as they refuse to provide comment re who they are engaging.

The most recent movement that we have identified has been the appointment of Ernst & Young LLP/Deloitte LLP in the capacity of Receivers/further specialist advisors.

Our hope is that these professional bodies shall prove more willing/determined to assist in moving matters forward and that the view and approach that they adopt shall be more pragmatic and commercial.

(c). RELEASE OF CORPORATE AND PERSONAL GUARANTEES

“Cerberus will release PGS as a key part of consensual workout plans with co-operative borrowers...We would be willing to waive guarantees for co-operative borrowers...and all contingent liabilities...would then be released in accordance with the terms of the plan...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...from undertaking new business ventures”.

There has been no clear or concise direction given by Cerberus to date that they shall release Borrowers from such contingent liabilities and individuals are left entirely in the dark at the moment in terms of their personal exposure. This area, i.e. PGs and whether they shall be pursued, is grey to say the least.

(d). INCENTIVISATION

“Presumption that co-operative incumbent Borrowers could continue with the day-to-day operation and/or development of the relevant assets”.

There is a constant, looming pressure that those operating businesses will be put out of action despite continued efforts to raise funds/the threat that alternative operators shall be instructed.

We had one such case recently where the threat was posed that an Operator would be appointed rather than allowing same individual to re-finance premises and continue to trade. Surely this incurs significant cost, causes various issues (e.g. where assets are pertaining to an entity disassociated with borrowings) and thus, in conclusion, is not the most commercial way forward.

(e). DEBT FOR EQUITY

“Cerberus intends to enter into discussions with each of the Borrowers with a view to negotiating a consensual resolution to the loan which would be a discounted pay-off...and release of any collateral guarantees”.

Cerberus has shown no willingness to date to agree to any discount/settlement.

(G) HOW THE COMMITTEES CAN ASSIST

- 1.** We see it as imperative that we both notify and obtain the support of both The Committee of Enterprise, Trade & Investment & the Committee for Finance & Personnel.
- 2.** The actions of Cerberus & their specialist Advisors, along with their attitudes, are putting jobs at risk and creating for nothing other than a stagnant economy.
- 3.** Local people and Businesses are trying to carry on with their daily operation/employment yet are living under the eternal threat that Receivers could be appointed at any instant unless they meet unreasonable and unrealistic demands, e.g. pay debt in full/pay over significant lumps of money in entirely irrational time frames.
- 4.** If these actions/threats of Receivership are followed through, a significant amount of people shall be left jobless which will have a knock on effect on families, customers, and individuals' ability to pay their own mortgages/household expenses.

Furthermore, many local & well renowned businesses, which have been trading successfully for more than ¼ of a century in many cases, shall be put out of operation which shall have a knock on effect on their Customers, Clients etc.

5. In previous instances, the direct and expressed support/presence of local Ministers/MLAs etc. has proven more than helpful in driving matters through to a final conclusion with other such lending institutions and creditors.
6. As a result of this, we would respectfully ask for the commitment of both Committees to assist these local businesses, people, employees & families by providing written support, a representative to attend meetings etc. where required and appropriate.
7. An overall meeting with Cerberus to discuss their overall agenda, intentions in this Country, the time frame they are working to and what they ultimately wish to achieve could prove most beneficial in this instance.

Collective support and determination could achieve monumental results, not least the preservation of our economy, people, Businesses and the protection of the welfare of Your Constituents.

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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

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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

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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.

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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 NAMA with a view to consummating and implementing the Transaction in such a manner as is mutually beneficial for all parties.

Yours sincerely,

Cerberus European Investments, LLC