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Oireachtais  
Houses of the  
Oireachtas

# **Joint Committee of Inquiry into the Banking Crisis**

**Witness Statement of**

**John Ronan**

**Strictly Private & Confidential**

As indicated on its cover page, the document(s) contained within are confidential unless and until the Joint Committee decides otherwise including where the Joint Committee publishes such document(s). For the avoidance of doubt, “documents” include witness statements in this context. Further to section 37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013 (“the Act”), while the documents remain confidential, you must not disclose the document(s) or divulge in any way that you have been given the document(s), other than:

- “(a) with the prior consent in writing of the committee,
- (b) to the extent necessary for the purposes of an application to the Court, or in any proceedings of the Part 2 inquiry, or
- (c) to his or her legal practitioner.”<sup>1</sup>

Serious sanctions apply for breach of this section. In particular, your attention is drawn to section 41(4) of the Act, which makes breach of section 37(1) a criminal offence.

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<sup>1</sup> See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013

Joint Committee of Inquiry into  
the Banking Crisis  
Leinster House  
Dublin 2  
**BY EMAIL:** [biwitnessmanager@oireachtas.ie](mailto:biwitnessmanager@oireachtas.ie)

**Your Ref: JRO01 [JRO-i-03]**

**25<sup>th</sup> June, 2015**

Dear Sirs

I am enclosing my Written Statement furnished to you pursuant to Section 67(1)(d) of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013 (“**the Act**”), including a response to the points outlined in Document 1 attached to the Direction to Make a Statement in writing pursuant to Section 67(1) of the Act and dated 8 May 2015 (“**the Written Statement**”).

As requested, I hereby confirm to the best of my knowledge, information and belief, as follows:

- a. That any documents provided with the Written Statement are true and correct;
- b. That such documents are in the public domain;
- c. That such documents are provided herewith electronically in text-searchable PDF format;
- d. That the Metadata Spreadsheet is electronically complete and returned herewith;
- e. That all documentation is furnished by email to [biwitnessmanager@oireachtas.ie](mailto:biwitnessmanager@oireachtas.ie).

If you require any further information or clarification in relation to the Written Statement, please do not hesitate to contact my team on +353 1 661 3207.

Yours faithfully



John Ronan

## **DOCUMENT 1**

### **Part 1: Overview of relationship between my company and banks**

My company is called Ronan Group Real Estate (“**RGRE**”). When I refer to RGRE, I refer to Ronan Group Real Estate Limited and all of its related companies. It was previously known as John Ronan Holdings. It is essentially a family business and started out as Ronan Group Limited. The family company was established by my father in the early 1970’s. Before I started working in the family business, I qualified as a chartered accountant with PricewaterhouseCoopers (PwC). On leaving PwC and joining the family business, I have bought, sold and developed quality properties with some of the highest standards of design in Ireland. I have been involved in the development of some of the most iconic buildings in Dublin and have attracted first class tenants to occupy them. Further details of all of these can be found on my company website, [www.ronangrouprealestate.com](http://www.ronangrouprealestate.com).

RGRE is an experienced and well respected property company. We are not house builders. Our portfolio is primarily income producing prime office and retail investment properties, which were built by RGRE over the years.

After much struggle, RGRE recently exited NAMA, having re-paid 100% of the debt that it owed to the relevant financial institutions (and which loans were acquired by NAMA). The RGRE company structure always was, and still is, extremely lean. Broadly speaking, during the years 2001 – 2008, RGRE employed a Chief Operating Officer (who reported to me), a financial controller/accountant and two administration staff. RGRE also engaged a small circle of professional advisors to advise it on every aspect of the business.

## **RGRE's Principal Financial Institution**

RGRE's principal financial institution during the years 2001 – 2008 was Bank of Ireland (with approximately 45% of its debt), closely followed by AIB (with approximately 32% of its debt). Together, they held approximately 75% of RGRE's debt. RGRE had smaller financial exposures to other financial institutions and these are illustrated in a graph chart set out below.

### **1. Description and assessment of the process(es) with the principal financial institution by which a loan application was typically handled**

As far as I am aware, when it came to processes by which a loan application was typically handled and the due diligence carried out by a financial institution for loans acquired between the years 2001 – 2008, RGRE or one of its advisors would apply to the relevant department of the financial institution for a new loan or amendment to an existing loan. This application would typically be accompanied by a business case prepared by RGRE or one of its advisors, to demonstrate the viability of the application. It might also include up-to-date financial information in relation to RGRE and/or the relevant group company applying for the loan. The financial institution would issue a draft facility letter, detailing what sum it was prepared to loan and the security and other requirements. The details would be negotiated and agreed between RGRE, its advisors and the financial institution.

RGRE would then instruct its solicitors to ensure that the relevant security was granted to the financial institution. Once the financial institution was satisfied that it had received the relevant security, the funds were released (or the existing loan was amended/extended, as the case may be).

### **2. Description and assessment of the process(es) – e.g. business case – within your company typically supporting a loan application**

The same process would have applied as described at No.1 above.

**3. Description and assessment of the processes by which the principal financial institution typically monitored a loan, describing the main performance metrics, if any, used**

The loans were monitored by reference to the “LTV” (loan to value ratio) and “ICR” (interest cover ratio). This would involve the provision by RGRE of up-to-date valuations of the assets and copies of company financial information, including company accounts for each RGRE company, to each financial institution on a periodic basis (as often as requested by them). Typically, these would be requested by the financial institutions and provided by RGRE to them on an annual basis. As far as I am aware, in the years 2001 – 2008, RGRE never breached an LTV or ICR covenant in its loans.

**4. Description and assessment of the governance arrangements, if any, in place between your company and the principal financial institution for exercising oversight of all loans**

The same process would have applied as described at No.3 above.

**5. Description and assessment of the business model supporting the expansion of your company in the years leading up to the banking crisis**

While RGRE’s turnover increased in the years leading up to the banking crisis, the RGRE asset base remained largely the same as it is a long term property investment business. Turnover figures increased as a result of certain new property lettings and asset sales during those years.

**6. Description and assessment of how multi-bank lending in respect of your company was managed**

Ms Deirdre Lemass, a chartered accountant and Chief Operating Officer of RGRE at the time, engaged directly with RGRE's financial institutions. Supported by our professional advisors, Ms Lemass managed RGRE's multi-bank lending, risk assessment and business planning. RGRE's professional advisors included top legal firms such as McCann FitzGerald and Arthur Cox and top taxation and financial firms such as KPMG and Cooney Carey.

As you are no doubt aware, I was also a 50% shareholder in Treasury Holdings ("TH"). Unfortunately, despite the best efforts of the shareholders and the TH executive team, NAMA moved on Battersea Power Station in 2011 (which, regrettably from our and the taxpayers' points of view, will make our former JV partners SP Setia billions of pounds). There is little doubt that if NAMA had not enforced, calling in its loans on Battersea Power Station in 2011, TH would still be operating and would have re-paid all of its debts. That is the commercial reality of it.

More particularly, a liquidator was appointed to TH almost 3 years ago, on 9 October 2012. I was a non-executive director of TH at the time and had little involvement in the day-to-day financial operations of the company. I was primarily involved for TH in the design, planning, construction and leasing of new buildings. For example - buildings in Spencer Dock, Dublin 1 such as the PwC Headquarters, the Conference Centre Dublin and the Fortis Bank Headquarters; Alto Vetro Tower on Grand Canal Dock; Montevetro (the Google Headquarters) and the Mason Hayes Curran Headquarters on Barrow Street; Hotels such as the Ritz Carlton Hotel in Powerscourt and the Westin Hotel; buildings in Central Park, Dublin 18 such as those let to Vodafone, Merrill Lynch, ABN Amro and Leaseplan; Connaught House on Burlington Road and Bank of Ireland on Mespil Road; and the proposed development of Battersea Power Station.

A highly talented team and experienced board of directors, chaired initially by the former CEO of John Sisk & Son, CEO Kevin Kelly and later by my fellow shareholder Mr Richard Barrett, were engaged to run TH and two affiliated public companies, namely REO which was listed on the London Stock Exchange and Forterra Trust which was listed on the Singapore Stock Exchange. It is also worth noting that, at one point, the world renowned and Nobel peace prize nominated Senator George Mitchell had agreed to join the board of TH. The TH team was widely acknowledged for its skill and expertise and for being one of the best teams of professionals in the country.

The obsession of some banks with personal guarantees as the ultimate security for excessive lending was, in my view, one of the primary reasons for the over-lending by those banks to the wrong borrowers and significantly contributed to the banking crisis. TH was very well and conservatively run. Mr Barrett nor I gave personal guarantees for TH (other than one historic guarantee given in relation to the Westin Hotel, which was repaid in full). I understand that only one other major property company in Ireland was in a similar position and did not give personal guarantees for corporate lending. Clearly, in light of several Irish banks' over-reliance on personal guarantees as security for corporate borrowings (regardless of what the guarantor was actually worth - or not worth - as the case may be), then TH could have borrowed a lot more money if personal guarantees had been provided.

TH diversified out of Ireland to China in 2003/2004 and created a successful business from scratch, employing more than 100 people. TH recognised the importance of diversification in business and, at that time, we allocated personnel such as our Chairman (Richard Barrett), Development Director (Robert Tincknell) and General Counsel (Rory Williams) to work in the TH Chinese office in Shanghai for several years. In hindsight, this was an extremely lucrative move and it established a dynamic and thriving business for TH in an emerging market of 1.25 billion people. TH's Forterra Trust was the only 100% owned and operated Western platform successfully operating in China at that time. Regrettably, after moving on Battersea Power Station and TH, NAMA, by its actions, also forced us to sell the entire Chinese business.



TH also diversified into London in 2006, with the acquisition of Battersea Power Station in central London. At the time, TH considered the Irish property market to be overheating. When TH sold land in Sandyford, Dublin 18 for approximately €20m per acre in 2006, we decided not to acquire any further properties in Ireland and to invest in Battersea Power Station in London at a cost of approximately 10m per acre. It is widely known and acknowledged that Battersea Power Station will be one of the most profitable property developments, not only in Europe, but throughout the world. It is a great pity that our former JV Partner, SP Setia, and the Malaysian taxpayer will earn billions of pounds from the re-development of Battersea when those proceeds should have been coming to TH and the Irish taxpayer. We consistently projected a £4.2 billion profit on Battersea in business plans submitted to NAMA. NAMA never once disagreed with this forecast, which made its subsequent decision to move on Battersea all the more baffling. That estimated profit on Battersea could now, in hindsight, even transpire to be a conservative one. The decision to enforce by NAMA was one of the costliest decisions in the history of the Irish state.

Since a liquidator was appointed in 2012, I have no access to any documentation relating to TH. For this reason, and for the reasons outlined above, I must confine my responses in this Written Statement for the most part, to RGRE. However, I have attached a copy of a very comprehensive letter dated 6 September 2012 which was sent by TH to the Minister for Finance. This letter is a matter of public record and gives an excellent account of NAMA's approach to and treatment of TH. Its contents may be of relevance to the Inquiry.

## **Part 2: RGRE – its performance and modus operandi**

### **1. Profile of business, specifying the nature of the property segment, turnover and scale of activity (2001 – 2008)**

RGRE operated as a separate business to TH, with its own office in the Treasury Building, Dublin 2. TH operated from offices at Connaught House, Dublin 4.

The profile of the RGRE business and its property segment could be described as “development of prime buildings with a view to creating long-term investments”. We are not house builders. RGRE, and its joint venture partners, developed many quality buildings in Dublin such as:

1. Treasury Building, Lower Grand Canal Street, Dublin 2;
2. Connaught House, 1 Burlington Road, Dublin 4;
3. St James’ House, Dublin 2;
4. 6/7 Harcourt Terrace, Dublin 2;
5. Bewleys, 78/79 Grafton Street, Dublin 2;
6. 70 Grafton Street, Dublin 2;
7. 116 Grafton Street, Dublin 2;
8. Kingram House, Dublin 2;
9. The Lafayette Building, Dublin 2;
10. Temple Chambers, 3 Burlington Road, Dublin 4;
11. 8-34 Herbert Street, Dublin 2;
12. AIB Investment House, Percy Place, Dublin 4;
13. 3-4 Upper Pembroke Street, Dublin 2; and
14. Embassy Buildings, Burlington Road, Dublin 4.

These buildings, and many other quality properties, formed part of the RGRE portfolio. During the property crash, RGRE was forced (by NAMA) to sell properties such as 30 Herbert Street, Dublin 2 (former headquarters of Matheson Solicitors) and 3 Burlington Road, Dublin 4. The sales, forced by NAMA, resulted in significant Capital Gains Tax liabilities for RGRE. Thankfully, RGRE has managed to retain the balance of the buildings through its recent re-finance out of NAMA.

### **Outline of RGRE Turnover and Scale of Activity (2001 – 2008)**

**(calculated by reference to the rental income received on the investment assets)**

Year	2008	2007	2006	2005	2004	2003	2002	2001
Total Turnover	25,754,072	21,015,843	10,146,151	9,222,809	10,366,630	11,598,259	8,863,350	8,190,079

Note – During these years, RGRE was paying annual interest of approximately €4m per annum and had annual surplus income less interest of approximately €2m per annum. The interest cover ratio was 1.81 and RGRE had cash reserves of over €50m.

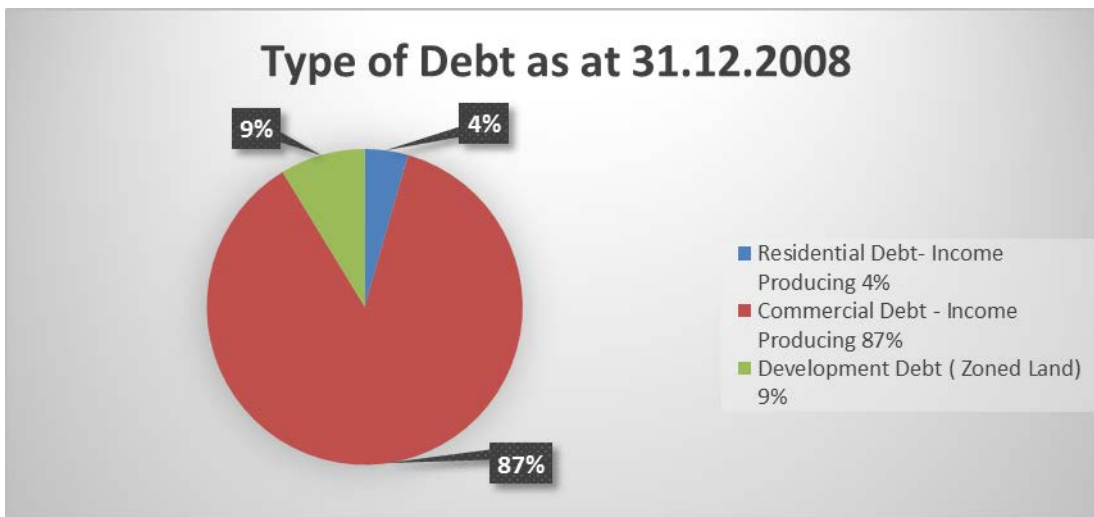
## **2. Outline the Board / Company structure, including skills of Directors, management structures, risk assessments and business planning**

RGRE had a maximum of five employees at any one time and we engaged a team of professional advisors to advise us on every aspect of the business. Ms Deirdre Lemass, a chartered accountant with significant financial experience, was the Chief Operating Officer of RGRE. Ms Lemass managed the day-to-day business, reporting to me. RGRE typically employed two administration staff and an accountant/financial controller during the years 2001 - 2008.

I was a director on all RGRE companies and Ms Lemass was usually the second director. We had a large number of different companies in the RGRE Group and, typically, each company owned at least one property.

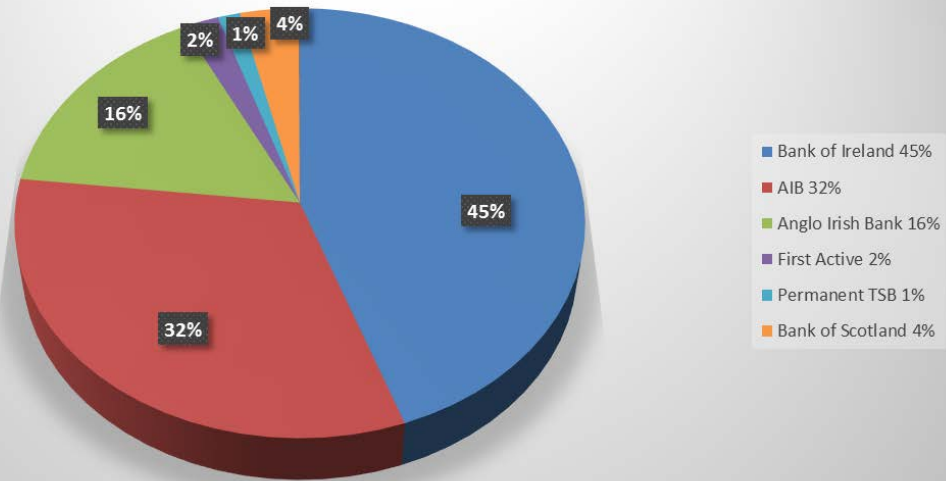
Other than Ms Lemass and I, RGRE engaged a team of professional advisors including top legal firms such as McCann FitzGerald and Arthur Cox and top taxation and financial firms such as KPMG and Cooney Carey who assisted us with any risk assessment and business planning requirements.

3. **An outline of total outstanding debt by property type (unzoned land, zoned land, residential, commercial specifying type), by financial institution in 2008**



Note – As you can see, RGRE did not own any “un-zoned” lands and therefore had no necessity to ”lobby” any party to achieve zoning.

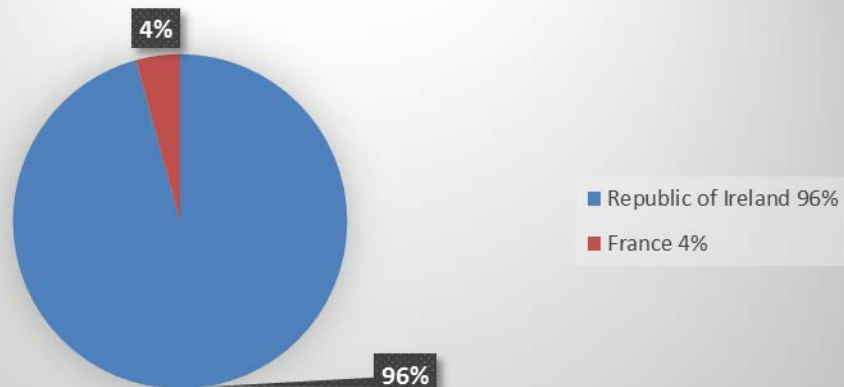
### Debt by Financial Institution as at 31.12.2008



Note – RGRE’s total outstanding debt in 2008 was approximately €30m and the breakdown by financial institution is outlined above. RGRE’s total assets under management in 2008 were valued at approximately €50m, representing an overall LTV (Loan to Value ratio) of approximately 39%

#### **4. Profile of total outstanding debt by geographic area, including Republic of Ireland, Northern Ireland, UK, Poland, other please specify in 2008**

### Debt by Geographic Area



You will note that the vast majority of RGRE's debt related to assets in Ireland, with 4% relating to one property at Rue Cimarosa, Paris where the BNP Paribas Banking Headquarters are located.

**5. Detail collateral by type and value for all outstanding debt in 2008**

The primary collateral provided by RGRE to its financial institutions was a first legal charge granted over the particular asset. In certain instances, the financial institutions also required cross collateralisation of assets and/or companies within the RGRE group. As stated above, the total RGRE debt in 2008 was approximately €330m and RGRE had assets under management to a value of approximately €50m.

**6. Detail of the valuation methods and firms used to determine the current market value of land and property in your portfolio (2001 – 2008)**

In the vast majority of cases, RGRE used DTZ to value its properties between the years 2001 – 2008. From time to time, we used Colliers to value residential assets. These firms applied Red Book or Desktop methods of valuation, depending on what was required by the particular circumstance.

**7. If a residential developer, provide details of certain cost apportionments.**

As you can see from the information provided above, RGRE was not a residential developer or house builder.

**8. Detail the nature of the due diligence, known to you, carried out by the financial institution(s) on loans acquired (2001 – 2008)**

As far as I am aware, and as set out above, when it came to processes by which a loan application was typically handled and the due diligence carried out by a financial institution for loans acquired between the years 2001 – 2008, RGRE or one of its advisors would apply to the relevant department of the financial institution for a new loan or amendment to an existing loan. This application would typically be accompanied by a business case prepared by RGRE or one of its advisors, to demonstrate the viability of the application. It might also include up-to-date financial information in relation to RGRE and/or the relevant group company applying for the loan. The financial institution would issue a draft facility letter, detailing what sum it was prepared to loan and the security and other requirements. The details would be negotiated and agreed between RGRE, its advisors and the financial institution. RGRE would then instruct its solicitors to ensure that the relevant security was granted to the financial institution. Once the financial institution was satisfied that it had received the relevant security, the funds were released (or the existing loan was amended/extended, as the case may be).

**9. Detail the collateral required by financial institution(s) by type of loan (2001 – 2008)**

See response to No.5 above.

**10. Outline if any, the extent of equity and interest roll up provided to you (2001 – 2008)**

There was a significant surplus of equity, income and cash generating from the investment assets in the RGRE group during the years 2001 – 2008, which meant that RGRE, as a group, was more than able to service its overall liabilities. As

you can see from the graph charts above, debts relating to Development land made up approximately 9% of RGRE's overall debt and, pending development, there would have been little or no income arising on this type of asset. Based on RGRE's accounts, I would estimate that interest roll up equivalent to approximately 1.3% of the overall RGRE debt would have been provided in respect of facilities for development assets between the years 2001 – 2008 (ie, an insignificant amount)

**11. Details of corporate hospitality, if any, provided to you, or your senior management team by financial institutions (2001 – 2008)**

In terms of corporate hospitality by financial institutions during the years 2001 - 2008, I understand that the RGRE Chief Operating Officer at the time, Ms Deirdre Lemass, was often invited to corporate hospitality events such as racing and other sporting events. She attended these events on behalf of RGRE. I do not play golf or go to the races and was rarely (if ever) invited to any events by financial institutions. In fact, I do not recall ever attending a corporate event organised by a financial institution during those years.

**12. Detail contributions, if any, made to public representatives or political parties (2001 – 2008)**

As far as I can recall and, by reference to the contributions recorded by the various RGRE companies in the Companies Office, all contributions made by me in my personal capacity and/or RGRE during the years 2001 – 2008 were charitable, rather than political, in nature.

**13. Details of lobbying on property related matters, including taxation, by you, specifying who was lobbied, the nature of the lobbying and the outcome of the lobbying (2001 – 2008).**



In terms of lobbying on property related matters, representatives of and professional advisors to RGRE would have met local planners and local government officials to discuss individual development projects. Normal lobbying would have taken place where my team and I were attempting to maximise development opportunities in conjunction with local authorities. However, we primarily developed commercial properties and were not house builders, so we did not need to lobby to have land re-zoned.

#### **14. Your views on the establishment, operation and effectiveness of NAMA**

RGRE recently exited NAMA, having repaid its debt in full and is now firmly focussed on re-building its business and constructing quality buildings to meet the widely publicised scarcity in supply in Dublin. Prior to this exit from NAMA, it was widely known and documented that I had grave reservations in relation to the operation of NAMA. These concerns remain.

My relationship with NAMA started well and, on its establishment, the RGRE and TH teams were both instructed to engage fully with NAMA and provide whatever information and assistance it required. However, in time and by the actions of certain individuals in NAMA, that relationship deteriorated significantly culminating in the enforcement on TH (as set out above), and consequently destroying that business and the significant development opportunities (including Battersea) it held.

NAMA, by its founding legislation, was granted such wide reaching and potentially unconstitutional powers that, unless it came under constant and careful scrutiny, it was always open to abuse. In addition, it seemed to me, NAMA was granted an endless financial budget to engage legal, public relations and other professionals to ensure that it would always have the financial muscle to win every argument. Even though I am providing these views in response to a request

from the Banking Inquiry to do so, I believe that NAMA are more than capable of launching a case to silence me.

I firmly believe that certain individuals within NAMA decided that they did not want to work with TH, its shareholders and/or its management team and that they would take it down, whatever the consequence and regardless of the cost to the Irish taxpayer.

Rather than repeating the contents of many letters that were sent to An Taoiseach, Government and NAMA officials voicing our concerns in relation to the operation of NAMA, its prejudicial approach to TH and its stifling effect on the Irish property market, and which documentation is already available on the public record, I set out herein the contents of a comprehensive letter dated 6 September 2012 which was sent by TH to the Minister for Finance outlining the sequence of events up to that date and our significant concerns with NAMA's actions to that point.



Mr. Michael Noonan T.D.  
Minister for Finance  
Department of Finance  
Merrion Street  
Dublin 2

6 September 2012

Dear Minister,

**Re: Treasury Holdings – NAMA**

As Minister with direct responsibility for NAMA, we wish to voice our grave concerns to you at the manner in which NAMA is behaving towards Treasury Holdings. We are not alone in having deep misgivings at NAMA's treatment of our company: Justice Finlay Geoghegan's recent judgement stands as a public indictment of NAMA's attitude and behavior towards us.

NAMA's stance to date seems to be at odds with its statutory objectives to:

- 1) Secure the best financial result for its loans
- 2) Deal expeditiously with the loans
- 3) Contribute to the social and economic development of the State – some of the proposals we discuss below provide for development finance to fund new projects with obvious benefits for both NAMA and the Exchequer.

We simply cannot understand how NAMA can reconcile these statutory objectives with its persistent refusal to engage constructively with any of the international investors who have expressed an interest in our business. In an attempt to resolve the current impasse we have done the following:

- (a) On numerous occasions in the recent past we have sought to meet with senior NAMA executives but all to no avail – our most recent request was on September 3<sup>rd</sup>, also refused. It seems extraordinary to us, given the scale of the interests involved for both parties that it is now 10 months since the Chairman of Treasury Holdings and the CEO of NAMA last met.
- (b) We have acknowledged in writing that under any scenario Richard Barrett and John Ronan as shareholders in Treasury Holdings would receive no financial reward arising from a sale; and they fully accept that any transaction will result in their losing control of the business.
- (c) Given the number and quality of the international investors interested in acquiring our portfolio, and in the interests of maximising the return for NAMA and the taxpayer, we have suggested that NAMA run an open market tender for our loans. This would be an open and transparent way for NAMA to meet its statutory objectives while at the same time giving the option to potential purchasers to retain the current management platform and thus help to preserve jobs.

CONNAUGHT HOUSE, 1 BURLINGTON ROAD, DUBLIN 4, IRELAND.  
TEL: +353 1 618 9300 FAX: +353 1 618 8389

WEB: WWW.TREASURYHOLDINGS.COM  
IRELAND \* CHINA \* SINGAPORE \* RUSSIA

AN UNLIMITED COMPANY REGISTERED IN IRELAND NO. 198482.  
DIRECTORS: R. BARRETT (CHAIRMAN), J. RONAN, J. BRUDER,  
R.A. DAVID (AUSTRALIAN), N. O'BUACHALLA, P. TEAHON, R. WILLIAMS.



As all of these approaches and suggestions have been rejected, we are forced to conclude that NAMA's long-term objective has been the elimination of Treasury Holdings, a position confirmed by NAMA's support for KBC's current High Court petition to appoint a liquidator to Treasury Holdings.

NAMA appears hell bent on this course of action regardless of the consequences in terms of the impact of this move on the value of the underlying assets, the likely impact on the 300 employees of the group in Ireland, as well as the dismissive approach it seems to be taking to international investors ready, willing and able to commit significant capital into the Irish property market, which is starved of capital and utterly reliant on the infusion of new capital from abroad. Our concern as to the motives behind NAMA's actions are we believe well-founded and clearly suggest that the interests of the Irish taxpayer are not foremost in NAMA's consideration in dealing with Treasury Holdings.

NAMA's actions in relation to our major site in Battersea, London are equally difficult to understand, other than in the context of a decision to take out Treasury regardless of the cost to the Irish taxpayer. In November 2011, Treasury had secured a major investor for Battersea in a deal which would have given NAMA a full repayment of its loan and which would have involved Treasury obtaining a contract to manage the development of the largest site in central London with fees in excess of £400m over a 10 year term. All of these fees would have reverted to NAMA given that it holds multiple guarantees from Treasury. Instead of dealing, NAMA refused even to meet our investor (SP Setia), it called in the loans and appointed receivers. Now, 10 months later it has sold the site to the same investor but Treasury have been taken out and the fees are foregone. Additionally, a share in a projected profit of €4.2 billion has also been foregone – all of which would have gone to NAMA and the Irish taxpayer.

NAMA has determined that Treasury Holdings was uncooperative in dealing with it, a stance we reject.

## Oireachtas

As you are aware, Treasury was forced recently to seek a judicial review of NAMA's behaviour towards us. While this action did not succeed on grounds unconnected with the substance of NAMA's behaviour, it is important to note that in her judgment, Justice Mary Finlay Geoghegan found in our favour in respect of every one of the four points of which we complained. In her written judgement Justice Finlay Geoghegan found as follows:

- 1) NAMA's decision to enforce against Treasury Holdings was a public law decision and as such amenable to judicial review;
- 2) NAMA was under a duty to give Treasury Holdings an opportunity to be heard prior to taking the decision to enforce;
- 3) Treasury Holdings was not given the opportunity to be heard by NAMA prior to NAMA taking the decision to enforce;
- 4) NAMA was under a duty to act fairly and reasonably in taking the decision to enforce. It was in breach of that obligation by reason of its failure to hear Treasury; its failure to consider a relevant matter - investor interest in the acquisition of the Treasury loans, and the unfair procedure in the timing of a credit committee meeting.

It is also noteworthy that during the proceedings the judge indicated her willingness to accommodate a resolution of the issues through mediation – the judge's suggestion was rejected out of hand by NAMA.

NAMA has appointed receivers to in excess of 1,000 properties, most of which are in Ireland, few of which have been put on the market and virtually none having been actually sold. As the largest player by far in the Irish commercial property market NAMA's approach is creating a vicious circle whereby the value of Irish commercial property is being driven ever lower. Indeed this is having a detrimental affect on NAMA's own business plan which projected that property values would have stabilised by now. NAMA's mishandling of the market extends beyond commercial property and is contributing to the fall in the value of every house in the country over the past two years. It now appears that NAMA is planning to become involved in property development in Ireland. This is alarming and raises the prospect of NAMA becoming another disaster similar to the Dublin Docklands Development Authority, but on a vastly larger scale.



NAMA's refusal to deal with international investors at fair value, and in the case of Treasury's portfolio, at a price in excess of what the underlying properties have been independently valued at on an open market basis, is both incomprehensible and deeply disturbing. On its current trajectory NAMA's approach will have fatal consequences not just for Treasury Holdings but for the entire NAMA project, the Irish property sector and will undermine the prospects for Irish economic recovery.

To avoid many of these adverse consequences, there is a straightforward solution: as previously suggested NAMA should hold an open tender for our loans. This is not dissimilar to the suggestion you made yourself to your predecessor, the late Brian Lenihan, in the Dail almost two years ago, that NAMA should get serious sales going in the Irish property market – it was good advice then and it is still good advice. Our earnest desire is that, with your encouragement, NAMA may be persuaded, even at this late stage, to take that advice and act on it.

Treasury Holdings is one of the last remaining Irish commercial property investment and development companies, with a property portfolio second to none including landmark buildings let to Bank of Ireland, KPMG, PwC, Vodafone, Merrill Lynch, Tullow Oil plc, ABN AMRO as well as The Convention Centre Dublin, Westin Hotel and Ritz-Carlton at Powerscourt. Such is the quality of Treasury's portfolio and the management platform that created and manages these assets that Treasury has successfully attracted four major international investors to purchase Treasury's loans from NAMA, namely;

- 1) CIM, a major US fund manager
- 2) Macquarie Bank, which is a large international banking and financial services company
- 3) Hines, a major US property company and most recently
- 4) Morgan Stanley.

As we have said, based on the most recent independent valuation of the Treasury portfolio, undertaken in February 2012 by DTZ Sherry Fitzgerald, all these purchase proposals are in excess of the current open market value of the underlying assets (which are the subject of NAMA's loans)

It is a matter of concern to us that, with the notable exception of CIM, where in 2010/11 matters progressed to agreed detailed term sheets, NAMA has peremptorily rejected all offers to date, leaving both us and the investors in the dark as to the basis of its rejection decisions. However, in a belated but very welcome development, NAMA CEO Brendan McDonagh in an email dated 3<sup>rd</sup> September provided Richard Barrett with considerable detail as to why NAMA did not find the offers as then structured sufficiently attractive. We can only hope that this signals a change in attitude by NAMA and that it will no longer decline to engage with prospective investors with a view to improving their offers. We are further encouraged by NAMA's recent offer to proceed with a loan sales process. At a time when the Government, quite correctly, is actively pursuing foreign direct investment and promoting the concept that 'Ireland is open for business', NAMA, it would seem, is now finally opening its door to international investors. This is particularly encouraging as we have been informed that Morgan Stanley is still very much interested in improving its initial offer for Treasury's portfolio.

These are matters we believe should merit serious consideration by you as the Minister responsible for NAMA and we would appreciate the opportunity of meeting with you and your officials in the very near future in order to clarify our concerns.

We in no way wish anyone to run foul of the anti-lobbying provisions of the NAMA Act 2009 in dealing with our complaints, but the provisions contain a number of applicable exemptions to communications with NAMA, one of which is that the communication is in the public interest. If preventing NAMA from destroying Treasury Holdings in an act of monumental folly and vindictiveness is not in the public interest, for the reasons set out in this letter, it is hard to see what is. Another exception is that the communication be made public at the time it is made. Again, we would have no objection to your doing that.



We look forward to hearing from you.

Yours sincerely,

Company Secretary

For and on behalf of the Board of Treasury Holdings

To add to and summarise some of the issues outlined in the letter of 6 September 2012, I would add the following:

1. TH, and its highly skilled professional team, obtained the largest ever planning permission ever granted in central London for approximately 8.5 million sq ft for the proposed re-development of Battersea Power Station. Before NAMA enforced its debt against Battersea, we estimated profits on the development to be approximately £4.2 billion. After NAMA enforced its debt, the development was sold to our JV partner, SP Setia (who had been introduced by the TH team, before NAMA enforced its debt). Using the TH design and engaging the former TH employees, SP Setia will make billions in profit on the development, as has been well documented. Battersea is going to be one of the most profitable development projects in the world. Even parties who purchased apartments 'off the plans' from SP Setia have been able to sell them on at a profit, such is the increasing sales values on the scheme. A huge share in the profits and over £400m in management fees should have benefitted TH and the Irish taxpayer, yet due to NAMA's serious error of judgment and short-sightedness in refusing to support Battersea, this benefit has been lost
2. In addition, I also have concern in relation to the reasoning behind NAMA's decision to support a competing London development, spear-headed by another NAMA borrower, around the time of the TH enforcement. It is widely known that the London property of the other NAMA borrower had significantly less profit potential than Battersea, yet it transpired that after NAMA enforced its debt against TH, the NAMA manager (who was responsible for both the TH and competing London borrower/development) was offered and accepted a position as CEO of that other borrower. As far as I understand it, it was only when that individual advised NAMA of his decision to take up the position as CEO, that NAMA sought to block the appointment. Notwithstanding that, the fact that a NAMA manager, who was instrumental in NAMA's decision to enforce its debt against TH, subsequently accepted a position with a competing development (that

NAMA was supporting) is curious to say the least and has caused me great concern.

3. Another serious point of contention for me was the fact that I/my companies had a longstanding relationship and had been represented by McCann FitzGerald Solicitors in Dublin for many years prior to the establishment of NAMA. Mr Ronan Molony, a highly experienced (and former Managing) partner in McCann FitzGerald acted for RGRE in its negotiation with NAMA. Mr Molony was doing an exemplary job, on my behalf, when I understand NAMA called the then Managing Partner of McCann FitzGerald to “remind” him of their obligation to manage conflicts. NAMA were giving McCann FitzGerald a lot of work at that time and paying them significant legal fees. As a direct result of that call and, even though it seemed that the relationship at that time between RGRE and NAMA was constructive, non-contentious and was moving steadily towards a long-term agreement, McCann FitzGerald decided that they could no longer represent me in my negotiations with NAMA. This meant that NAMA left me without legal representation from the solicitor who knew my business best. I should note that I consider Mr Ronan Molony as a personal friend and that he acted very honourably throughout this difficult time in circumstances where his law partners had the final say on the issue.
  
4. That NAMA was leaking selective, often un-true and one-sided confidential information to the press, to keep them on side in an attempt to justify a decision which has transpired to be wholly wrong. In particular, I am aware of one particular occasion, for example, when NAMA issued a press release to a national paper that contained untruths about certain demands that TH allegedly made of NAMA. NAMA maintained that TH had demanded £4 billion in development finance from NAMA, in order to develop Battersea, and claimed that this wouldn't be in the interests of the Irish taxpayer. This, of course, was untrue as TH and our JV partner, SP Setia, did not ask NAMA for one penny in development finance. SP Setia had already agreed to pay NAMA the equivalent



of 100% of the debt that NAMA held on Battersea Power Station and to fund all future development finance. Shortly thereafter, NAMA enforced its debt against Battersea Power Station and went on to sell it to SP Setia. In fairness to the national newspaper, they checked the facts with TH before the article went to print and TH evidenced that the entire story was fictitious.

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6. In information reviewed in the course of the TH judicial review proceedings, we saw a clear intention in NAMA to take down TH and RGRE. These notes confirmed to me that it didn't matter what we did or what was in the best interests of the taxpayers or the future of our country, NAMA simply had no intention of working with TH for its reasons. What I learnt in those Court proceedings brought into focus NAMA's refusal to meet with SP Setia at the time, just prior to the TH enforcement. SP Setia had agreed to pay 100% for Nama's debt and to fund 100% of the development costs of the Battersea project. SP Setia asked TH to set up a meeting with Nama to conclude that deal, only for NAMA to counter saying it would only meet with SP Setia if a non-refundable payment of £10m was made. Naturally, no organisation I know of in the world could pay £10m just to have a meeting. Shortly thereafter, NAMA enforced its debt against Battersea Power Station.
7. The fact that Richard Barrett nor I had given personal guarantees for TH's corporate liabilities (other than one guarantee in relation to the Westin Hotel, which was re-paid in full) seemed to work against us in all negotiations with NAMA. NAMA suggested to us, and to the TH team, that every other borrower

signed anything that was put in front of them because NAMA had personal guarantees from them.

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It appears to me that NAMA operated without reference or obligation to anyone. We wrote to Government representatives to voice our grave concerns. Those ministers deferred to NAMA, refused to meet us or get involved. As far as I am concerned, NAMA were hell bent on taking down TH, whatever the cost or consequence to the Irish taxpayer. They wanted to make an example of TH and that example made no commercial sense whatsoever. In fact, I firmly believe that if NAMA had supported TH and Battersea, that the highly skilled TH team would have been able to re-finance the TH portfolio and/or repay all of its debts with time.

It is now almost six years since NAMA was established. In my view, it would be a mistake to look back over that time and consider NAMA to be a success. It was widely referred to as the largest property company in the world. Yet, it was led by former civil servants with no proper real estate experience. That is akin to asking an accountant to fly an airplane or a butcher to perform heart surgery. In my experience, they made decisions based on personal likes and dis-likes, which gave little or no consideration to the ultimate return for the Irish taxpayer. The NAMA Act granted powers to NAMA that were surely contrary to a citizen's rights under Bunreacht na hÉireann and basic human rights. In my view, those powers were abused by people who didn't fully understand what they were doing in a volatile property market and what was best for the Irish taxpayer.

Unfortunately, in the wake of the destruction of TH, Battersea and our Chinese business, my team and I had to put so much effort into salvaging my business in RGRE and finally

exiting NAMA, that we did not have the capacity to mount a proper legal challenge against NAMA and its executives.

I would conclude with the following summary points:

1. The personnel within the various financial institutions, who had the business relationships with the borrowers and the most knowledge of the underlying assets, would have been best placed to maximise the return from those borrowers and assets for the Irish taxpayer;
2. NAMA should have been led by commercial and business people with real estate experience;
3. NAMA and its executives should have been held more accountable for their actions. They were unnecessarily shielded from challenge by the NAMA Act;
4. NAMA's failures were exacerbated by the Government's refusal and/or inability to get involved and ensure that they remained focussed on the task at hand – ie, to get the best return for the Irish taxpayer;
5. NAMA should not be acting as a developer or a joint venture partner. We should learn from our negative experiences with the Dublin Docklands Development Authority. NAMA should leave development to the individuals and companies with the correct skills and expertise. In addition, if NAMA get involved with development, it allows them to dictate who can and cannot develop certain prime sites in Dublin. In my view, the market should be open and free from NAMA history and prejudices;

6. In my view (and in my experience), no borrower / developer who has debts in NAMA will challenge NAMA or disclose the truth about how they operate, for fear that NAMA will immediately enforce their debts.

I am very glad to have exited NAMA and do not intend to look back. However, we, as a nation, need to learn from our mistakes.

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