

Hi,

The following is an overview of how we see the IBRC liquidation process as this time, the process is changing and specific data in certain respects is hard to come by.

The liquidation of IBRC is now coming to a head, the Special Liquidators of IBRC are processing the sale of approximately €22 billion of bank assets (the loan book along with that of INBS)

SUBMISSIONS ON PROCESS

In July and September last the liquidators, we believe, wrote borrowers informing them that their loans would be sold along with obligations such as guarantees. That particular letter sought to:

- Update borrowers on the sale of their loans.
- Provide borrowers with the opportunity to offer an opinion on how the loans are to be sold.

We are aware that many borrowers made submissions and commented particularly in relation to:

- Their preference to buy their own loans
- Their requirement for information concerning their affairs that they regard as confidential not to be distributed to third parties without their express clearance.

These borrower submissions were made in the context that key elements of the process as defined by the liquidators were not yet specified, including:

- What method will be used to offer the loans for sale?
- Who precisely which third parties will qualify as a bidder for the loans and as such who will receive the “confidential information” referred to above. It is noted that these bidders may include private equity firms and private individuals.

IMPLEMENTATION

Certain borrowers have over the last week or so been in receipt of a further update from the liquidators. These letters advise that the preference to purchase own loans and not to have “confidential information” released are not being implemented.

The liquidators have indicated that the process will involve indicative bids, best final bids and then sale. As such the timelines are clearly very short. The vast majority of the loans will be offered for sale by way of large loan portfolios. A relatively small number of loans are to be offered for sale individually or in small groups. The small groups are to be formed based on the relationship between borrowers and the nature of the underlying loans and security

Certain borrowers have been advised that a decision has now been taken by the liquidators to include their particular loans in a large portfolio of loans that has a par value of circa €900million. This includes the like of Arnotts and a number of our own clients. The process to sell this portfolio has, we believe,

commenced. This being the “Irish-originated corporate loans to trading entities” as noted below. Qualified bidders will by now have received details on this portfolio.

We believe that portfolios are being made by reference to the following categories:

- Irish-originated corporate loans to trading entities (which are the first to be offered for sale) – “Project Evergreen”. Loans totaling €3.5billion over 50 borrower groups.
- UK-originated commercial real estate loans – “Project Rock”. Loans totaling €7.8billion over 350 borrowers
- Former Irish Nationwide mortgages – “Project Sand”. Loans totaling €1.8billion over 13,250 borrowers
- Irish-originated commercial real estate loans – “Project Stone”. Loans totaling €9.3billion over 2,150 borrowers

POST SALE PROCESS

A significant percentage of loans are operating without long term terms in place or with terms that are in default and as such are payable on demand. If sold, the “new banker” will be able to implement the terms they feel suits them best. Without knowing the identity of the bidders and the plan the bidders are implementing to achieve a profit on their transaction, it is not currently possible to consider the long term effect on such a sale to the borrower. The opportunity to “buy your own loan” may arise in the context of discussions with a “new banker”.

If bids are not received to the satisfaction of the Liquidators then they are obliged to sell the loans to NAMA which will happen no later than 31 December 2013 or as soon as practicable thereafter. Confidential independent valuations of the relevant assets have been obtained by the Liquidator and the assets are only to be sold at or above those valuations.

Some borrowers may have been involved in debt write-down and other negotiations with the IBRC which were brought immediately to an end when the Government decided to liquidate the State-owned bank earlier this year, it is not known what if any continuity will arise within the new arrangements.

I will keep you advised as the matter develops and would be delighted to discuss any concerns you may have.

Kind regards
Tony

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**Chartered Accountants,
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