PAC-R-174

Correspondence 3.5
Meeting – 01/12/2011

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Mr John McGuinness TD
Chairman
Public Accounts Committee
Dail Eireann
Kildare Street
Dublin 2

CC: Mr Sean Fleming TD

RECEIVED
24 NOV 2011
Ack.
Mtg.
PAC

Sunday, 20 November 2011

Dear Mr McGuinness

I am writing to you as a citizen/tax payer to express my concern at the lack of openness and transparency in Nama's published accounts.

I am copying this letter and enclosures to your colleague Sean Fleming as he specifically raised issues linked to my concerns with Nama and the Comptroller and Auditor General at the PAC meeting on 26th October last.

I wrote to the C&AG on 1st November on the foot of media reports about that PAC meeting. Having now had an opportunity to review the transcript, I thought it would be beneficial to the PAC's work to send you a copy of my C&AG letter and enclosures.

In a nutshell, I have suggested that his office (or Nama) should produce "shadow" pro-forma annual accounts for Nama showing its acquired loans at <u>par value</u> and indicating the full extent of capital and interest <u>write downs/offs</u> to complement the accounts being produced by Nama using the accrued accounts method. This would provide an additional benchmark for assessing Nama's performance and improved accountability as regards recovery of acquired loans and related interest.

From the attached documents you'll see I had reservations about the treatment of rolled up interest in Nama's original business and that this led to concerns about the accounting treatment of loans and interest payable in Nama's second business plan and its subsequent published reports. You will also see that I have written to Nama, EU and Minister for Finance about my concerns as well as published items in the media and my blog.

For the record, I am not involved in any political party and have no association with Nama or the property business. My business develops and sells financial modelling software and, out of curiosity, I thought at the outset of Nama that modelling its financial projections would be an interesting personal/academic project. Little did I realise that it would lead to a one-man campaign for increased openness and transparency!

I hope that my research is of assistance and not too confusing after allowing for the fact that the issues have evolved over the past few years.

Yours sincerely

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Mr John Buckley
Comptroller and Auditor General
Treasury Block
Dublin Castle
Dublin 2

1st November 2011

Dear Mr Purcell

I understand from Nama Wine Lake's excellent blog that it was signalled at a PAC meeting with Nama executives on 26th October that your office is giving consideration to publishing par values of loans in the accounts alongside the NAMA own accounts.

As a citizen and taxpayer, I would welcome this move in the interests of openness and transparency and as an aid to benchmark the underlying performance of Nama.

I have lobbied on this in letters to the Chairman and Board of Nama, Minister for Finance and EU Commission. I have commented in my blog on the need to show the performance of loans based on par value in Nama's accounts on several occasions and have had several letters on this matter published in the media.

In support of your proposal, I hope you will find the following attachments and references useful:

1. Letter to Neelie Kroes, Competition Commissioner, dated 17th December 2009. This examined in detail several issues linked to the financial projections contained in Nama's initial business plan with particular reference to rolled up interest and the projected default rate.
2. Letter to Frank Daly and Nama's board dated 2nd June 2010. This dealt mainly with Nama's core objectives and a possible write off of €11 billion in rolled up interest which I estimated from the limited financial projections contained in Nama's initial business plan.
3. Letter to Joaquín Alumina, Vice-President of the Commission, dated 17th September 2010. This expressed concern about Nama's use of the Amortised Cost (Effective Interest Rate) methodology for preparing its accounts; the handling of rolled up interest which could be written down/off without going through accounts; and exclusion of the €40 billion discount on the loans acquired. In the letter, I make suggestions for dealing with these matters and clarifying Nama's underlying legal objectives.
4. My blog ("Brian's Blog") has an entire section dealing with Nama. It contains my comments and copies of letters about Nama published in the national press. It can be accessed at <http://www.planware.org/briansblog/banks/nama/>. While the above letters cover most of the key issues, the following entries are also relevant:
    - Nama – A flawed business plan (October 22nd 2009)
    - Nama – The "real" default rate (October 31st 2009)

- Nama and rolled up interest (November 23rd 2009)
- Open letter to Nama's board (June 3rd 2010)
- Nama's new business plan (July 7th 2010)
- Nama's accounting methods (August 23rd 2010)
- Nama and creative accounting (November 2nd 2010)

I fully support the proposal that Nama (or your office) should produce financial statements based on the par value of loans to complement those based on the amortised cost method. This would only involve preparing shadow P&L accounts and balance sheets (no need for cashflow statements) which take full account of loan write-downs and -offs relative to the par value of loans as well as interest reductions, rollups and write offs based on original loan terms and arising after the loans were acquired by Nama[1]. Inclusion of these interest calculations is essential as, over time, unpaid interest mounts up to a very substantial sum.

These shadow accounts based on par values would provide 100% transparency on the loans acquired by Nama and a much truer measure of its overall performance from a national perspective than amortised cost based accounts. The latter may be more realistic from institutional and operational viewpoints but it must be bourne in mind that they are prepared on a somewhat arbitrary and incomplete basis. They relegate huge write downs on the acquired loans and interest write offs amounting to about €50 billion to mere footnotes buried inside financial reports.

Thank you for your attention - feel free to contact me if you have any queries.

Yours sincerely

Brian Flanagan

PS As has been my practice, I intend to post a copy of this letter on my blog but please be assured I will treat any subsequent communication with you as strictly private and confidential.

Enclosures: 3

[1] Assumed that the par value of loans included any rolled up interest arising prior to Nama's acquisition.

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Neelie Kroes
Competition Commissioner
European Commission
1049 Brussels
Belgium

Thursday, 17 December 2009

Dear Commissioner

I am an Irish citizen and writing about the Irish Government's actions and plans for resolving our banking crisis and about Nama, National Asset Recovery Agency. For convenience, my letter is divided into three parts covering background, concerns and conclusion.

1. Background

I have followed the evolution of the Irish building crisis since 2003 and have been very concerned about recent actions by the Government to address the crisis in the Irish banks.

To see my views, your staff can access my blog which is largely populated by letters published in the Irish media. The following links are most relevant:

- About house prices: http://www.planware.org/briansblog/house-prices/
- About the banking crisis and Nama: http://www.planware.org/briansblog/banks/

Out of a deep concern about the Government's approach to the crisis (viz. 'Nama is the only solution considered and Nama will be applied regardless'), I lobbied TDs and senators against Nama while the Nama Bill was being debated in the Dail and Seanad. Notwithstanding the efforts of many informed observers and widespread public unease, the Nama Bill was, as you know, passed into law. The only area where I can claim to have directly influenced matters related to the inclusion of a section in the Act dealing with whistleblowers.

In my "day job", I run a business that specialises in the development and sale of tools for financial modelling for businesses. As a consequence, I took a particular interest in the draft business plan of Nama (published on 14th October). Here is what I said about this plan in a letter published in the Sunday Business Post on 8th November:

> *What is the point of the Dail debating the Nama Bill before it has undertaken basic research on its prospective loan portfolio and finalised its business plan and strategies? If Nama's draft plan was used to seek €54,000 from investors, it would be rejected out of hand as an extremely poor document. Given that it is being used to raise a* ***million times*** *more, no taxpayers' money should be invested until the plan has*

been fully researched and approved by the Dail. Only at that point, would it be appropriate to consider the Nama Bill. Thoughts of horses, carts and stable doors come to mind.

2. Specific Issues

I have specific concerns about the treatment of rolled up interest during 2010-20 in Nama's plan which I wish to bring to your attention in the following sub-sections. I have sought responses on these matters from the Minister for Finance without success - hence this letter to you.

2.1. Nama's Projections

The focus of attention is the two tables in Nama's draft business plan showing (a) net present value cashflow projections (2010-20) and (b) budget projections (2010-2012).

The attached table reproduces Nama's cashflow projections and adds seven columns which determine annual balances and interest rates and estimate rolled up interest. Everything in this table has been derived from Nama's plan aside from an assumption that the interest rate on borrowers' debt outstanding will be 6% p.a. for 2013-20. For greater clarity and convenience, a copy of this table can be downloaded as a spreadsheet from:

http://www.planware.org/briansblog/resources/Nama-Cashflows%202.xls

Note that references to rolled up interest refer to interest rolled up during the ten years 2010-2020 - interest rolled up prior to this period is included in the €77 billion loans to be taken over by Náma.

2.2. Main Concerns

Based on the spreadsheet's calculations, my main concerns are as follows:

1. Total Interest income from borrowers (col D in spreadsheet) of €12 billion is lower than the Interest outflow on debt (col G) of €16 billion. One would have expected the opposite!
2. The Minster for Finance has stated that the interest rate on Nama's bonds will start at 1.5% in 2010 but column M suggests that the projected rate will be 2.4% for that year and will rise to 5.7% in 2012.
3. According to Nama's budget projections (table 7 of business plan), Interest income for 2010-2012 will total €9.46 billion as compared with cashflow-related Interest income from borrowers (col D in the cashflow projections) totalling €4.5 billion. Presumably the difference (€4.96 billion) is rolled up interest accumulating over these three years (see col R).

   For the following seven years, an estimated additional €5.94 billion of interest could be rolled up. On this basis, €10.9 billion of interest payable by borrowers will be rolled up over the ten years (col R).

Assuming that the cashflow projections in table 5 are complete, then there are only three ways to account for this rolled up interest:

- It is included in the Principal repaid by borrowers (col E) which amounts to €62 billion. In this case, the "real" principal repaid is only €51.1 billion [62-10.9]. This means that the "real" default rate is 34% [(77-51.1)/77)] rather than the 20% indicated in the draft plan.
- Rolled up interest is included in the assumed €15 billion write-down. This would mean that the "real" write-down on borrowings would be only about €4 billion (15-10.9), to yield a "real" default rate of 6% on the total loans.
- Rolled up interest is not being paid at all and written off at some point in unpublished, projected P&L accounts for 2013-2020. As a result it would not appear in the cashflow projections at any stage.

2.3. Key Questions

The key questions arising from the above are:

1. Why is the cumulative Interest income from borrowers (col D) of €12 billion lower than the Interest outflow on debt (col G) of €16 billion?
2. What is the total rolled up interest arising over the ten years?
3. When is this interest repaid and how is it accounted for in the cashflow projections (table 5)?
4. After excluding rolled up interest, what is the default rate on the €77 billion of loans?

2.4. Implications

The business plan states that "a 20% default rate assumption has been made". Depending on the answers to the foregoing questions, this analysis suggests that the "real" default rate on the €77 billion of loans taken on by Nama could be either 6% or 34%. The implications of this are as follows:

- A projected "real" default rate of 6% would be extraordinarily low and viewed as completely unrealistic given the scale of write offs already incurred by banks and widespread expectations about the depth and duration of the banking/building crisis.
- A "real" default rate of 34% (with write offs amounting to €26 billion before any recoveries) indicates that the crisis is far more serious than indicated in Nama's plan and could prove catastrophic for the economy in general and extremely costly for taxpayers. This rate could transform Nama's projected cash surplus into a deficit of at least €5 billion. This would be tantamount to a major additional subsidy to the banks and their developer clients.

3. Conclusion

Given that Nama will be taking over loans amounting to almost half of Ireland's GDP, its business plan should, at a minimum, have included "scenario-based" P&L statements and balance sheet projections as well as cashflow forecasts for the ten years. These would have given a fuller picture about Nama and facilitated analyses which might have helped anticipate problems identical to those being experienced by the banks that Nama is seeking to rescue.

I hope that the foregoing assessment is error-free (at least from my side) and that my identification of possible additional subsidies linked to rolled up interest proves useful during your assessments of the Government's plans to refinance and restructure the Irish banks.

Perhaps a member of your staff would email me to confirm recept of this submission. Naturally, I'd also be interested in any comments or queries on the issues raised.

Thank you for your time and attention.

Yours sincerely

____

Brian Flanagan

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c/o Mr Frank Daly
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Copied to:
Brian Cowen TD, An Taoiseach
Brian Lenihan TD, Minister for Finance
Richard Bruton TD, Opposition Spokesperson
Joan Burton TD, Opposition Spokesperson

Wednesday 2nd June 2010

Dear Mr Daly

Whilst appreciating that Nama's board has an extremely difficult job, I wish as a taxpayer to communicate with the board given that, in my opinion, it is on the point of writing off billions and billions of taxpayers' money.

I am deeply concerned about the Chairman's speech at Association of Compliance Officers Annual Dinner on Thursday, 27th May last where he said (presumably reflecting the board's view) that "in essence, NAMA's core commercial objective will be to recover for the taxpayer whatever it has paid for the loans in addition to whatever it has invested to enhance property assets underlying those loans. It is expected to have a lifespan of seven to ten years. When it has achieved its core objective, it will be wound up".

Surely, this cannot be true and it begs the question as to the point of Nama given that it has contributed little towards realising the original underlying "political" objectives of helping to improve the flow of credit within the Irish economy and heading off the need for nationalisation of banks. Instead, it appears to be evolving into an expensive intermediary set up to write down bad loans, effectively forgiving imprudent borrowers, and to soak up the losses of reckless bankers.

On 25th April, a month before the ACOA speech, the Sunday Business Post published the following letter from me which suggested that "breakeven" should be a **starting point** rather than an **end goal**:

> *Much attention has focused on the larger than expected haircut on the €81 billion of bank loans going into Nama. However, this haircut amounts to a scalping for taxpayers as it means that developers will walk away from residual debts of €36 billion if Nama merely breaks even over the next decade. Accordingly, Nama's mission must be to collect as much of the haircut as possible - every unpaid billion euro is in effect a donation by taxpayers to developers' gambling debts and their*

incompetent banking pals. This means no sweetheart deals or fire sales, and maximum enforcement no matter how long it takes or difficult it proves.

I don't expect the board to pay attention to my "rants" but could it explain how the updated core objective sits with these statements by Brendan McDonagh to the Joint Committee on Finance and the Public Sector on Tuesday, 26th May 2009?

> *As regards borrowers, I want to make clear that NAMA's mandate is not to be in the business of liquidation but to achieve workout on the loans acquired over time as it can take a longer term perspective than the banks can. Borrowers will still owe NAMA the full amount they originally borrowed from the banks and there is no question of a bailout for any borrower.*
>
> and
>
> *In managing these loan and property assets, NAMA will have a commercial mandate and its aim will be to ensure that, over the ten to fifteen years of its projected lifespan, it achieves the optimal outcome in terms of the realised value of the assets that are transferred to it. The Government has stated that NAMA will have a clear and strong mandate to ensure that Irish taxpayers do not ultimately end up paying for the over-exuberant lending practices of the last decade.*

Mr McDonagh's interpretation is confirmed by the Minister for Finance speaking last Autumn at the Second Stage Reply Speech on the Nama Bill:

> *The amount a borrower owes will not change because of the transfer of a loan from his bank to NAMA. The Agency will have a statutory duty to maximise the tax payers' return and will therefore be expected to use its entire means to this end. The Bill also provides the Agency with the wide range of powers it needs to pursue borrowers and enforce security. In some cases this will mean that borrowers' personal assets will have to be assumed by NAMA. In such circumstances, I cannot understand how the misconception that NAMA will bail out developers continues to run.*

It would seem that, over the past 12 months, Nama's life span has been shortened by up to eight years and that maximum loan recovery is no longer its core objective. Why? If this is not the case, then a comprehensive statement of clarification is needed as the apparent shift in objectives creates a black hole which could vapourise over €30 billion of taxpayers' money. The only other explanation is that the revised core objective is accurate and that a kite is being flown ahead of the publication of Nama's revised business plan.

I have also been very concerned about Nama's initial business plan both for what it contains and excludes[1]. I have been particularly exercised by the presence of 10-year cashflow projections and only 3-year income projections and no projected balance sheets. This is an extraordinary omission given that it relates to a venture embracing about €80 billion of loans. To have any credibility, the next business plan must contain 10-year proforma projections, maybe scenario based to cover uncertainties, which fully disclose write offs of loans and interest. Based on the limited published data in the first plan, I undertook a detailed study[2]

[1] See http://www.planware.org/briansblog/2009/10/nama---a-flawed-business-plan.html

[2] At http://www.planware.org/briansblog/2009/10/nama---the-real-default-rate.html#more

which estimated that Nama could write off about €11 billion of rolled up interest in addition to massive loan write-offs. Here is what I said about this in a SBP letter on 2nd May last:

> *Your front page headline "Phantom funds make up to 66% of INBS income" (25th April) could just as easily refer to Nama. Buried in the financial projections of Nama's draft business plan is evidence that it expects to roll up about €5 billion of interest in its initial three years and there is no indication that any of these phantom funds or "unrealised interest" will ever be paid. Indeed, I estimate that they could amount to €11 billion over ten years to 2020 and would almost equal the projected interest actually paid by borrowers. The Nama plan is silent on this possible write off.*
>
> *It is interesting to see how the plan, issued with great flourish and used to justify Nama to the electorate and secure Eurostat approval for off-balance sheet borrowing, has been suddenly downgraded to "illustrative" before a Joint Oireachtas Committee. Nama's next plan must be far more realistic and transparent. The best approach would be to include Nama in the Freedom of Information Act to facilitate access to details of Nama's plans and operations.*

As said earlier, Nama's board may have a lot on its plate but I want it to be fully aware of the views of a taxpayer regarding the apparent dilution of its core objectives and roll-back of the original reasons for its establishment. I'm sure that I am not alone in having these concerns.

If Nama is merely planning to breakeven in cash terms then consideration should be given, even at this late stage, either to suspending its operations and introducing a better solution to manage the bad loans, or, more realistically, ensuring that its original objective to achieve the largest possible surplus in cash terms (and least loss on loans) for its taxpayer-owners is reinstated and clearly demonstrated by its plans and actions.

I have been very unsettled about Nama from the very outset - you can see this via the following link to my blog: http://www.planware.org/briansblog/banks/nama/ I will publish this letter on the blog as an open letter to Nama's board and, in the event of replies from Nama (or from other recipients), I seek permission to publish the replies there.

Yours sincerely

____

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Joaquín ALMUNIA
Vice-President of the Commission
Competition Commissioner
European Commission
B-1049
Brussels
Belgium

Friday, 17th September 2010

Dear Commissioner Almunia

I previously wrote to your predecessor, Commissioner Nellie Kroes, about the Irish National Asset Management Agency (Nama) on 17th December 2009 regarding its original business dated 13th October 2009. At that time, my concerns were related to the manner in which the plan treated rolled-up interest and its failure to provide fully-integrated financial projections (i.e. annual profit and loss accounts and balance sheets) to accompany the published 11-year cashflow projections. For convenience, I attach a copy of my original letter and the Commission's response.

I am now writing to the Commission, as a concerned citizen of Ireland and Irish tax payer, to express serious concerns about further aspects of Nama's business plans, specifically, its revised plan dated 30th June 2010.

Issues

This plan indicated that Nama had adapted the Amortised Cost (Effective Interest Rate) method which considers expected cash flows, not contracted cash flows, on loans. Page 18 explained that:

> "This means that the Profit & Loss account will reflect what is happening in reality in cashflow terms, rather than taking income to the Profit & Loss account that is not cashflow-based e.g. NAMA will not accrue interest rollup to its Profit & Loss account. It reflects an accounting approach which values the loans by taking the "actual" initial value plus future expected cashflows less potential impairments."

Aside from facilitating the "disappearance" of rolled up interest from Nama's projections, this method enables Nama to write down the value of loans acquired from the covered institutions from the very outset. The effect of this can be seen in the maiden quarterly accounts of the National Asset Management Limited Master SPV dated 30th June 1010. I would refer you to the entry of 371,016 (€000) for loans and receivables in the consolidated balance sheet (page 17) and Note 8 (page 23) which shows that the original value of these loans were 814,357 (€000). The accompanying income statement (page 18) makes no reference to this loan write down which amounted to €443 million (54%).

Against this background, I would argue that Nama's updated business plan is misleading and diverges very significantly from its original plan, used to help secure material approvals from the Commission and Eurostat, in the following respects:

1. It excludes rolled-up interest accruing <u>after</u> it acquires loans from the covered institutions[1]. In my initial letter to the Commission, I estimated that this could amount to €10.9 billion over the eleven years commencing 2010. As evidence of this, please observe that Nama's original business plan provided for interest income of €9.46 billion in the budget projections (Table 7 on page 12) for the three years commencing 2010 as compared with cash interest income of only €4.5 billion for the same period (Table 6 on page 10). The difference of €4.96 billion is rolled up interest which disappears, thanks to the accounting methodology, in the updated business plan.

2. The original business plan indicated in a bullet point accompanying the 11-year cash flow projections that "of the €77 billion nominal value of loans acquired, €62 billion will be repaid by borrowers and that loan defaults or debt restructuring will occur on €15 billion (a rate of 20%)". This implied that Nama would be accounting for these transactions via Profit and Loss accounts. Clearly, this is not happening thanks to the use of the Amortised Cost (Effective Interest Rate) method.

   I don't wish to comment in any detail here on the divergences between the projections in Nama's original business plan (which informed its establishment) and its actual experience to date. Clearly, it is paying well above market rates for loans; the proportion of performing loans is much lower than projected; banks are transferring fewer good loans; and discounts are far higher than expected due to poor security and documentation. Most of these performance shortfalls are being disguised by the use of the Amortised Cost (Effective Interest Rate) method.

Concerns

Based on this assessment, I am concerned that (a) the updated business plan diverges in several critical areas from the original plan used by the Commission as a guide when approving Nama's establishment and modus operandi and (b) Nama's use of creative accounting effectively buries about €50 billion of losses comprising €40 billion of loan write offs and €10 billion of uncollected rolled up interest.

These concerns have two significant implications as follows:

1. It becomes much easier for Nama to report an illusionary "profit" when wound up. It also made it possible for the Irish authorities to secure Eurostat approval for the use of a "for-profit" public-private SPV to help exclude Nama's borrowing from Exchequer debt calculations and to claim that Nama was the best solution to Ireland's banking crisis.

2. With the stroke of the pen, Nama is effectively forgiving about €50 billion of debts. Where is the "moral hazard" and justice in this when, based on Nama's creative accounting, every billion euro of discount on the loans being acquired is immediately written off to the benefit of borrowers? Repeated suggestions by the Minister for Finance and Nama that it will pursue debts to the "greatest possible extent" must be

[1] Interest accruing before this event is included in the nominal value of loans being transferred.

taken with a pinch of salt as they don't even appear in Nama's balance sheet or form part of Nama's core objective[2].

Proposals

My suggestions to address the foregoing concerns are as follows:

1. Nama should be obliged to show the full value of the loans being acquired in its balance sheets and to properly account for debt and interest write offs only when all methods of recovery have been exhausted.

   I have raised my concerns about this directly with Nama via an open letter (copy attached) to its board. I received no response from Nama but did secure a response (copy attached) from the office of the Minister for Finance which failed to alleviate my concerns that Nama could end up costing taxpayers tens of billions without disclosing this in its principal financial statements.

2. Section 10 of the Nama Act deals with the purpose of Nama and refers back to Section 2 which states that the Act's purposes include protection of the taxpayer and contributing to social and economic development.

   For the avoidance of doubt and to make matters crystal clear, the Government should be requested to amend the Nama legislation to indicate that maximising the recovery of original debts, over and above the actual cost of acquiring loans and recovering expenses, is an explicit objective under Section 10 Subsection (2) (c). This change together with my first suggestion would eliminate any possible misunderstandings amongst taxpayers or Nama's borrowers. It would also ensure that Nama is not wound up by the Minister for Finance as soon as it reaches break even in cash flow terms. As matters stand, the Minister and Nama have both indicated that Nama could be wound up in as few as 7-10 years in contrast with the much more realistic horizon (given Ireland's very unfavourable and uncertain economic prospects) of 10+ years as originally envisaged.

Conclusion

Let me make a final point which may become relevant. As you will know, the Minister for Finance is proposing to split Anglo Irish Bank into a funding bank and an asset recovery bank which will take over the €38 billion of Anglo's loans that are not being transferred to Nama. According to a Government statement, the recovery bank's "dedicated focus will be on the work-out over a period of time of the assets not being transferred to Nama in a manner that maximises the return to the taxpayer". So, we could have a situation where about €36 billion

[2] The Chairman of Nama, when speaking at the CPA's Annual Conference on 4th June 2010, sought to clarify Nama's objective in the following terms:

> "NAMA's core commercial objective will be to recover for the taxpayer whatever it has paid for the loans in addition to whatever it has invested to enhance property assets underlying those loans. This objective has not been determined by NAMA; it has, in fact, been set for us by the legislature under Section 10 of the NAMA Act. There has been some comment that the consequence of this objective is that NAMA, having recovered its outlay, will then absolve borrowers of their further obligations. This is absolutely not the case. Borrowers, as both I and NAMA's CEO Brendan McDonagh have already said on a number of occasions, will continue to be liable for the debts that they have incurred."

of Anglo's loans (minimum loan threshold of €5 million) are going into Nama at a discount of about 60% while €38 billion of smaller loans are transferred to the proposed asset recovery bank at no discount. These divergent approaches, by two very similar bodies, point to discriminatory practices with larger borrowers effectively benefiting from up-front write-downs which would not be applied to smaller borrowers.

I believe that my concerns merit consideration by the Commission and I would welcome any investigation that the Commission would undertake into them.

Finally, could I ask your office to email me at brian@planware.org to confirm receipt of this letter?

Yours sincerely

Brian Flanagan

Enclosures (4)