

1
27TH JULY

THE TRIBUNAL RESUMED AS FOLLOWS ON THURSDAY,

2 2000, AT 10.30AM:

3 .

4 CONTINUATION OF EXAMINATION OF MR. HAUGHEY BY
MR. COUGHLAN:

5 .

6

7 MR. COUGHLAN: Just before I proceed to the next
document

8 which we had arrived at yesterday, Mr. Haughey, which is
at

9 divider number 44, just in relation to the handwritten note

10 that we spoke about yesterday and your counsel asked
that

11 we check the situation, it would appear from evidence
given

12 by Mr. -- if I just explain how the documents came into

13 evidence, I opened all the documents and then a witness

14 from Allied Irish Banks formally proved that they came
from

15 the records of Allied Irish Banks. Mr. O'Donnell gave

16 evidence in relation to aspects of the documents and a

17 Mr. Kennedy. Mr. Barrow, on the 17th February, 1999 --
or

18 Mr. O'Donnell, in dealing with the particular handwritten
19 note expressed the opinion that the note is probably that
20 of a Mr. Barrow, who was a superior of Mr. Phelan's in
21 Allied Irish Banks, and that it could be a memorandum of a
22 telephone conversation he had with Mr. Phelan after
23 Mr. Phelan had met with you or -- and the Tribunal puts
24 this position forward as well, it could have been a note of
25 a meeting Mr. Barrow had with Mr. Phelan because the
26 compliments slip of the Bank of Rafidain was with the
27 handwritten note in the bank's records. Just to explain
28 the position in relation to it.

29 A. And I dealt with it yesterday on the basis that it was a
30 record of a meeting between Mr. Phelan and myself.

1 1 Q. Yes, well I still don't resile from that position, Mr.
2 Haughey, or do you think that it should be -- does it -- I
3 think when we dealt with it yesterday, you had no
4 difficulty, having seen the documents of course but not
5 having remembered it, that there would have been a
6 conversation about an investment by an Iraqi entity or
bank
7 in Ireland, isn't that correct?

8 A. Previously?

9 2 Q. Yes.

10 A. But --

11 .

12 MR. MCGONIGAL: Just before he goes on Mr. Chairman,
can I

13 just clarify what Mr. Coughlan is saying in relation to a
14 couple of matters.

15 .

16 In accepting that it may reflect a conversation between
17 Mr. Barrow and Mr. Phelan, does that extend -- two things,
18 first of all, that the CB is in fact Mr. Barrow or has he
19 managed to clarify what that represents. And secondly,
20 just as a matter of information, "Tuesday instead of

the 21 Monday," I have managed to ascertain that Tuesday was
22 19th June of 1979, not the 20th.

23 .

24

25 MR. COUGHLAN: In relation to the CB, we have not been
26 able to clarify that particular aspect of it. There is an
27 RB which is a, an initial on the box. Do you see in the
28 box? We think that that is an initial which reads RB and
29 may be Mr. Barrow's initial, that's what we think, but Mr.
30 O'Donnell has custody of the file. The file was kept by

1 Mr. O'Donnell up to a certain period when it was taken
away
2 from him by Mr. Kennedy coming towards the end of the
3 relationship with Allied Irish Banks, but that's just for
4 your clarification, Mr. Haughey.
5 .
6
7 CHAIRMAN: Certainly without any expertise, it does seem
8 distinguishable from Mr. Phelan's own handwriting
monogram.
9 .
10
11 MR. COUGHLAN: Yes.
12 .
13 In any event, Mr. Haughey, I would proceed then to the
14 document at divider number 44 and I'll go through this
15 fairly quickly I think because what it is, it's a report
16 showing the position as of the 23rd August 1979 and it
sets
17 out the figures at the commencement of the report and it's
18 now showing that there is a debit balance of 913,239 and
19 that there is suspense interest of 281,110 including

20 the40,000 surcharge. It then deals with the drawings,
21 June '77 to November '78,160,000; November '78 to June
22 '79,82,000; June '79 to August '79,37,000. And then it
23 says that "No lodgments were made to any of these
24 accounts." And then it says "Further interest amounting
25 to100,000 approximately will be charged to the account on
26 the 15th September next and taken to suspense." The
rate
27 is given as 'A' loan 6 percent surcharge currently 26
28 percent per annum.
29
30 It sets out the securities, first charge over lands at

1 Abbeville, County Dublin comprising 240 acres vesting in
2 C.J. and Maureen Haughey as tenants in common. Value
1.3 3 million -- per manager (without planning permission).
4 Stamped to 350,000 to be increased to cover full amount of
5 debt.

6 .
7 (b) Letter of guarantee to Mrs. Maureen Haughey
8 (wife) 350,000 to be increased to cover full amount of debt.

9
10
11 (c) Letter of guarantee of Larchfield Securities
12 Limited 40,000 supported by deed of island off County
Kerry
13 known as Inishvickillane.

14
15
16 (d) Deed of house - 13 acres Sligo, value 10,000.

17
18 (E) Life policy 1,000, surrender value 1,000.

19

20

21 (f) 5,765 shares in private company - Printopres Limited -
22 no value.
23
24
25 (G) Letter of guarantee of Henry J. Boland -500.
26 .
27 Then it continues "This report was last before the Board in
28 December 1976 when limits totalling350,000 were
29 approved,50,000 working account and300,000 loan
account.
30 Debt at that stage341,000. Account was never structured

1 as stipulated. Drawings have continued unabated and no
2 serious effort having been made by Mr. Haughey to honour
3 his written undertaking to clear the indebtedness in full
4 by December 1978 by sale of portion lands at Abbeville.
5 Since last Board consideration, Mr. Haughey's political
6 career has changed dramatically rendering extremely
7 difficult for the manager at Dame Street to even interview
8 the customer, despite many appointments made and
broke.

9 .
10 "Area Office has been in constant contact with branch to
11 have matters brought to order and eventually in February
12 last, Mr. Haughey appeared anxious to get debt down to
13 manageable proportions. Vague hints about possible land
14 sales and deals by the end of year leaving a residual debt
15 of 300/400,000 for an indefinite period were made but a
16 negative response was given to Mr. Haughey following a
area
17 general manager, central and area advance controllers and
18 branch manager. At that point, it was agreed to leave
19 matters with branch manager to further pursue with Mr.
20 Haughey.

21 .

22 "Various suggestions have been put to Mr. Haughey as to
how

23 he might redress present unacceptable situation. He

24 appears to now reject the outright sale of land due to the

25 publicity involved (he is paranoid about this) but a

26 possible arrangement with a member of the Gallagher
family

27 whereby land might be 'parked' in a new vehicle with Mr.

28 Haughey and the Gallagher shareholders and held under a

29 declaration of trust (thereby avoiding publicity) was seen

30 by Mr. Haughey to have some merit but efforts to get him
to

1 go into details on this with his advisers have so far
2 failed. Our law agent has been approached by area office
3 on this type of arrangement and advises that would be 'on'.
4 The assistance of AIIB would also be available" -- I think
5 that's Allied Irish Investment Bank --"Area office has also
6 ascertained that an insurance company (Friends Provident)
7 has funds available for satisfactory sale/lease back of
8 land deals but again publicity is the fear.

9 .

10 "The most recent move by Mr. Haughey in July last was to
11 offer 400,000 in full settlement of his debt. This, of
12 course, was rejected out of hand but he came back to
branch
13 manage to say he wanted this considered seriously.

14
15 "Mr. Haughey fails to see the precarious position he is in
16 and obviously feels that his political influence would
17 outweigh any other consideration by the bank. As the
18 point has now been reached where the account appears to
be
19 out of control, consideration must be given to taking of a
20 firm stand by the bank. If this is not done, it seems

21 inevitable that drawings will continue at the present rate
22 of 12,000 per month approximately, in spite of several
23 assurances that he has given that "drawings should be
24 minimal." Towards this end, it may be considered
necessary
25 to
26
27
28 1. Refuse to issue further cheque books to Haughey
Boland
29 & Company, accountants, who operate the working
account on
30 Mr. Haughey's behalf - two partners signing."

1

2 I think that coincides with your own possible recollection
3 of what may be the position in relation to the signing of
4 cheques, Mr. Haughey.

5

6

7

8
submission

9 of positive proposals acceptable to the bank for clearing
10 of the account."

11

.

12

Now, is there anything that you wish to say in relation to
13 that particular report, Mr. Haughey

14

A. Well, no, but just perhaps point out that the reference to
15 political influence is the bank's --.

16

3 Q. Subjective view?

17

A. Subjective view, yes, thank you. And also again perhaps
18 just to mention that this question of drawings is very,
19 very largely influenced by the outgoings on Abbeville
20 rather than personal drawings.

21 4 Q. Now, the next document is at divider number 45 and
22 that -- it's a bit faded at the top but it relates to your
23 accounts and it shows a debit balance now of 913,000 and
24 suspense interest at that stage of 281,000. "Meeting
25 between branch manager and above at Aras Mhic
Dhiarmada on
26 6th December 1979.
27
28
29 1. Mr. Haughey appeared much more anxious than
previously
30 to get to grips with his affairs.

1

2

3

2. Mr. Haughey was in Gallagher company on the 5th
September and is aware that money and inclination is very
much there to acquire land.

6

7

8

3. Gave manager permission to discuss his entire
situation with Des Traynor of Guinness & Mahon.

9

10

Mr. Traynor is out of the country until Monday next but

11

immediate contact will then be made. Object of talks with

12

Traynor will be to draw up a scheme to enable realisation

13

of part of Abbeville to P. Gallagher (Gallagher Group) to

14

be effected. Mr. Haughey is now positively prepared to

15

acquiesce in a plan which will avoid publicity. Group Law

16
that

Agent will be involved when necessary. We are aware

17
is

apart from P. Gallagher, James Gallagher, (Abbey Group)

18

also interested in acquiring land. AIIB would be involved

19

in negotiations.

20

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21 4. On question of drawings, Mr. Haughey stated
22 (incredibly) that he was amazed at the development on
the 23 account since June last (over30,000 drawn) and said that
24 proper restraint had not been exercised on stud
25 expenditure. Manager said he was seriously embarrassed
by 26 Mr. Haughey's non-fulfilment of his undertakings to
27 virtually cease drawings and it may well be that the
cheque 28 book just issued was the last. Mr. Haughey sought
29 permission to issue cheques only to pay the workmen at
30 Abbeville. Amount per week will be advised to manager.

1
2
3 5. Query as to why a lodgment has never been made to
the 4 account and he admitted that had he 'snaffled' virtually
5 all stud income himself. He denied that he had any other
6 bank account and dealt entirely in cash.

7 .
8 Telephone 7/9/1979:
9 Mr. Haughey phoned branch manager. He stated
10 categorically that he wants to handle this 'dangerous'
11 situation once and for all. As of now,15,000
12 approximately in cheques are either issued or are about to
13 be issued. Any drawings necessary after payment of
these 14 cheques, other than for wages,300 per week, would be
15 discussed with branch manager prior to issue. Manager's
16 understanding is that such drawings would be quite
17 exceptional.

18 .
19 Then there is a recommendation:

20

21 In order to ensure that the promises now given
22 categorically by Mr. Haughey are implemented, we will
23 propose the following, subject to Mr. Haughey ace
approval:
24 .
25 1. Ruling of Rath Stud working account and opening of a
26 wages account which can be controlled.
27
28
29 2. Prior notice to be given regarding issue of any
30 cheques other than wages which will run 300 per week.

1

2

3

3. In discussions with Mr. Traynor, we will propose the sale of 150 acres, approximate value 1.5 million, to a company with Gallagher involvement which will leave Abbeville and 100 acres in Mr. and Mrs. Haughey's name. Full proceeds of sale to go in reduction of debt and then possible compromise to clear account from books.

9

10

11

4. We would not propose pressing for an increased guarantee of Mrs. Haughey at this stage because of the possible delay in continuing progress.

12

13

14

15

16

5. If Mr. Haughey is not sincere, we will have little option but to withdraw cheque book."

17

18

.

19

And on the left-hand side, that is stamped Dublin Local Board, 7th September 1979, "Noted and approved, area

20

office

21 recommendations across for proceeding in this case."
22 .
23 So, it appears that this is a document of the area office
24 setting out a history as conveyed to the area office by
25 Mr. Phelan having met with you and it is submitted to the
26 Dublin Local Board and the recommendations appear to
have
27 been approved by the Local Board as of the 7th September
28 1979. I think that is what the document means, Mr.
29 Haughey.
30 .

1 Well first of all, can I ask you, do you remember a meeting
2 between you and Mr. Phelan on the 6th September 1979 at
3 Aras Mhic Dhiarmada?

4 A. Unusual, Mr. Coughlan, I don't remember the particular
5 meeting but I have no doubt that it took place.

6 5 Q. And would you accept that there was a meeting at which
you
7 indicated to Mr. Phelan that you were anxious to get to
8 grips with your affairs?

9 A. Obviously, yes.

10 6 Q. Do you remember if you had any discussions with anyone
from
11 "The Gallagher Company" around that time?

12 A. No, but it seems rather peculiar sort of phraseology, but
13 it obviously meant that I was talking to somebody from
the
14 Gallagher Group.

15 7 Q. And it's noted here that you gave the manager
permission to
16 discuss your entire situation with Des Traynor of Guinness
17 & Mahon. Do you remember giving the manager such
18 permission around that time?

19 A. Well, he would have had it anyway, but I am not quite
sure

20 what that means, but I presume it's just the bank
manager

21 keeping himself right from the point of view of bank
22 formalities to have my permission.

23 8 Q. Well, would you accept that it appears to indicate that
the

24 manager had not had contact with Mr. Traynor and was
now

25 getting your permission to discuss your affairs with Mr.
26 Traynor in an attempt to get to grips with the situation?

27 A. By and large, yes, though I have to point out that in the
28 document at divider 44 on the second page, the manager
29 talked about -- I can't find it now, but it's the manager
30 talked about my discussing something with my advisers
which

1 would be obviously Mr. Traynor.

2 9 Q. Yes, I think -- I think the documents do record at various
3 stages that you were going to discuss matters with your
4 advisers but would you agree that this document would
5 appear to indicate that you were giving permission for the
6 bank to discuss a matter with your adviser, Mr. Traynor?

7 A. Sorry, I have it now, here it is, the manager talking, I
8 think in the third paragraph of the second page of divider
9 44, he says "He appears now to reject the outright sale of
10 land due to the publicity involved (he is paranoid about
11 this) but a possible arrangement with a member of the
12 Gallagher family whereby land might be 'parked' in a new
13 vehicle, with Mr. Haughey and a Gallagher as
shareholders,
14 and held under a declaration of trust (thereby avoiding
15 publicity) was seen by Mr. Haughey to have some merits
but
16 efforts to get him to go into the details with this on his
17 advisers..."so obviously the bank were fully aware at that
18 point of my advisers discussing things with him.

19 10 Q. That you were discussing things with your advisers.

20 A. Yes.

21 11 Q. I think that seems to be so, Mr. Haughey, and I don't
think

22 that there is any question about that, but what I am

23 suggesting is that this particular document now is you

24 giving the manager, and I presume the bank as a whole,
in

25 reality, permission for them to discuss matters with Mr.

26 Traynor, your entire situation with Mr. Traynor.

27 A. I think he would have already had that, wouldn't they -- I

28 think he would have already had that previously, I mean.

29 Wasn't there an earlier reference to a letter being handed

30 in?

1 12 Q. I think that previous letter, again and I am not quibbling
2 in relation to it, Mr. Haughey, the previous letter seemed
3 to give the bank authority to discuss your affairs, Allied
4 Irish Banks with Mr. Traynor, back in 1975 and here you
5 appear to be giving permission to the bank to discuss the
6 entire state of your affairs with Mr. Traynor, would you
7 agree that that seems to be the?

8 A. I see the point, yes.

9 13 Q. Now, again in the third paragraph at the document at
10 divider number 44 or 45, I beg your pardon, I think in
11 fairness to the point you have been making yourself in
12 relation to the drawings, that you expressed the view that
13 the expenditure related to stud expenditure, isn't that
14 correct?

15 A. Yes, that seems to be so.

16 14 Q. Now, apart -- and again, if I may just for a moment, I
am
17 sorry, go back to paragraph number 3 in that particular
18 document, you think that it's likely that you may have
19 spoken to somebody in the Gallagher Group?

20 A. Paragraph 2?

21 15 Q. Paragraph 3, I think, of -- paragraph number 3.

22 A. 2...

23 16 Q. If you go on to 3 as well as -- sorry, I beg your pardon,

24 that apart from your discussion with somebody in the

25 Gallagher company, there is a reference by the bank, "We

26 are aware apart from P. Gallagher, James Gallagher
(Abbey

27 Group) is also interested in acquiring land." Now, --

28 A. That seems to me very much to suggest that the bank
were

29 quite keen on some relationship with the Gallaghers as

30 such.

1 17 Q. Yes, and that may be a general statement by the bank
that
2 they were aware that the James Gallagher Group were
3 interested in acquiring land in general terms?
4 A. Yes, and well it would also seem, if I may say so, to
5 indicate that they would favour some such --
6 18 Q. Some sort of deal along those lines?
7 A. With the Gallaghers of -- one or other of the Gallaghers.
8 19 Q. Now, going to paragraph number 5 of the document, I
think
9 it indicates that Mr. Phelan must have asked why no
10 lodgments were made to the account and then there is in
the
11 note in quotation marks, the word "...snaffled' virtually
12 all stud income himself". Do you think that is the type of
13 language you might have used or?
14 A. At this stage, I cannot contradict it.
15 20 Q. I see. And I think it records that you denied having any
16 other bank account and that you dealt entirely in cash. I
17 just don't --
18 A. I am not quite sure of the meaning of that, but --
19 21 Q. I don't want you to -- I don't want you to commit
yourself

20 entirely in relation to that particular reference, Mr.

21 Haughey, there for the moment.

22 A. Well, I would see it as reassuring the bank, this bank that

23 I wasn't dealing with any other bank.

24 22 Q. But that's what I don't want you to commit yourself
about

25 at the moment, Mr. Haughey, because it may be that we'll

26 have to come back and that you may have had a
relationship

27 with Guinness & Mahon at that time but I don't want to
deal

28 with it now and I don't want to you commit yourself in

29 relation to that at the moment.

30 .

1 Now, I suppose if I could just deal with this in the most
2 general way so, at the moment, to preserve the position
3 that I think the Tribunal has furnished you with documents
4 which appears to indicate that you may have had a
5 relationship with the Agricultural Credit Corporation and
6 that is a different type of relationship, it would have
7 related to stocking loans and matters of that nature on
8 Abbeville, but also that there are documents which may
9 relate to accounts in Guinness & Mahon around this time
and

10 I am just asking you in general terms now, if that be the
11 case, that particular statement to Mr. Phelan at the time
12 was incorrect, if that be the case.

13 A. Well, I would imagine that I was dealing with Mr. Phelan
in

14 all honesty as I was aware of his position at the time.

15 23 Q. Now, I think the document then records a telephone
16 conversation that you had with the branch manager, that's
17 under the next paragraph, under the heading telephone
18 7/9/1979 and it records that you categorically wanted to
19 handle this 'dangerous situation' once and for all, and you

20 were informing him that there were cheques issued or
about

21 to be issued and you were seeking the bank's indulgence
in

22 relation to that and an indication that wages cheques were
23 approximately 300 per week would be permitted by the
bank

24 but that the manager would be informed about that.
Would

25 you accept that that probably has the ring of authenticity
26 about it, that particular record of --

27 A. Yes, it sounds reasonable.

28 24 Q. Now, in relation to the recommendations, of course you
29 weren't privy to that, that seems to be a recommendation
30 made by the Area Office and submitted to the Dublin Local

Local 1 Board and was stamped with the approval of the Dublin
2 Board, but you would not have been privy to that particular
3 transaction or know about it, wouldn't that be correct?
4 A. Sorry?
5 25 Q. You would not be privy to the transactions?
6 A. The recommendations?
7 26 Q. Yes.
8 A. No.
9 27 Q. Now, I think the next document at divider number 46 is a
10 memorandum of Mr. Phelan's and it's dated 11th
September
11 1979 and it is his record of the meeting which he had with
12 you on Thursday the 6th at Aras Mhic Dhiarmada and he
put
13 it to you that there were two problems: A, the continuing
14 drawings on the account and B, necessity for proposals for
15 dealing with indebtedness. And it reads:
16
17 "Despite his assurances on the 16th July that drawings
18 from then on would be minimal, there had been drawings
19 of 31,776 between 16th July and 5th September. Told
him

20 that this had led to a near crisis during previous week
21 when I was under severe pressure to withhold issue of
22 cheque-book requested by Haughey Boland & Company.
He
23 seemed fairly surprised by the high figure of the drawings
24 and implied that Abbeville had gone mad buying
25 unnecessarily and this obviously needed controlling.
26 Promised control would be applied to stop this and asked if
27 I could agree to continue to pay wages, that there could
be
28 some cheques already issued or requiring to be issued.
29 Without agreeing, I asked what these amounts would be,
he
30 said he would let me know.

1 .

2 B) On question of proposals:

3

4 "Made the point that (A), with interest added on the 15th
5 September, debt would be in excess of 1 million, that
people
6 high up in the bank were showing signs of grave concern at
7 a situation which could explode in all our faces. (B) In
8 our view the only way he could deal with the debt was by
9 realising at least part of Abbeville. Bank appreciated
10 his unwillingness to dispose of Abbeville because of likely
11 publicity. Asked if a scheme were to be put together
12 ensuring no publicity would he now go ahead (said I felt
13 that he had not up to now given it serious consideration).
14 Answered yes, definitely and agreed that I should contact
15 DJT to discuss the proposed scheme.

16 .

17 "This, broadly speaking, would mean the formation of a
18 company into which Patrick G. would put cash to enable
the
19 company purchase part of Abbeville. CJ would own part
of

in 20 the equity (he said he wouldn't mind even if shares were
21 the name of his children) so that he would not lose all of
22 the probable capital appreciation of the property. This,
23 according to C.J.H., could be a particularly appropriate
24 time to go ahead with this scheme since from a
conversation
25 he had with Patrick on the previous night, he, PG, was
26 flush with cash with which he was thinking of buying land
27 to hold.

28
29 The arrangement now is that when the bones of the
scheme
30 have been worked out and conveyed to CJ, he will
approach

1 PG.

2

3 Friday 7th September:

4

5 "CJ phoned to say wages cheques would be about 300 per
week

6 and that cheques issued or requiring to be issued would

7 be 15,000. Apart from these cheques, no others would be

8 issued without prior agreement."

9

10 Then there is a handwritten note, "Abbeville working
account

11 at this date was overdrawn 373,965", I take it

12 .

13 MR. McGONIGAL: Just before -- just a small matter in
one

14 sense that it's an interesting comment. It seems to me

15 that sequentially the document which Mr. Coughlan has
just

16 read, being representative of the meeting, apparently a

17 meeting between Mr. Haughey and Mr. Phelan, would
come

18 before the previous document which was the, which was a

19
September.

report by the area, whatever it was, on the 6th

20

.

21

22

CHAIRMAN: Well, it was ahead of the 11th September --

23

.

24

MR. McGONIGAL: Yes, but the Chairman will see that

25

meeting with CJH on the 6th September at Aras Mhic

26

Dhiarmada is a Phelan document. That's 46. So that

27

would come first in the sense that the meeting with

28

Mr. Phelan would come first. And then the report which is

29

the first document which Mr. Coughlan read would come

30

second.

1 .

2

3 CHAIRMAN: Yes, that seems likely.

4 .

5 MR. McGONIGAL: The significance of this, as you will have
6 seen straight away, Mr. Chairman, is this, that at the
7 bottom of the page of document 46, Mr. Phelan records,
8 "Answered yes, definitely and agreed that I should contact
9 DJT to discuss the proposed scheme."

10 .

11

12 CHAIRMAN: Clearly that's the person who is more readily
13 known JDT.

14 .

15 MR. McGONIGAL: But that is translated -- appears was
16 translated in the second document to paragraph 3. That's
17 the significance of it.

18 .

19

20 CHAIRMAN: I note that, Mr. McGonigal.

21 .

22

23

MR. COUGHLAN: I take it you don't find anything

24

controversial in relation to that particular memorandum of

25

Mr. Phelan's, do you, Mr. Haughey, and it perhaps

26

reasonably records what transpired between you.

27

A. I am not clear, even after Mr. McGonigal's intervention,

28

why there would be two reports on the meeting of the 6th

29

September.

30
meeting,

28

Q. One is the memorandum of Mr. Phelan of the actual

1 the other is the report going up along the line to deal
2 with the proposals and a recommendation he made, I think
3 Mr. Haughey.

4 A. I see.

5 29 Q. That's it.

6 A. The bank's way of doing things.

7 30 Q. Yes. Is there anything in Mr. Phelan's memorandum
that

8 you find in any way controversial or do you think that it
9 probably reasonably recounts the meeting?

10 A. The only thing -- well -- I don't know what significance it
11 has but in the first one it says that I was in Gallagher
12 company. This one it says that I had a conversation with
13 Patrick... and he was flush with cash with which he was
14 thinking to buying land to hold." Well, they both refer to
15 the same thing but there is slightly different emphasis in
16 them but --

17 31 Q. There is nothing significant?

18 A. Nothing significant.

19 32 Q. Can I ask you this --

20 A. May I also make a point, which struck me reading these

21 things on a previous occasion, that it seems to me that the
22 Gallagher, proposed Gallagher transaction is really a bank
23 initiative at this stage. It seems to me that it's the
24 bank who were putting forward the idea and the proposal
25 rather than myself. I may be wrong in that but that's the
26 impression I got.

27 33 Q. That's the impression you would get, yes. Now, is that
28 impression formed by the bank showing a favourable
attitude
29 to such a deal because it would realise money to reduce or
30 clear the indebtedness I think, wouldn't you agree that

1 that seems to run through the bank's documents?

2 A. I just draw your attention to the wording towards the
3 the bottom of the page in the memorandum, the first page of
4 memorandum. "Asked if a scheme would be put together
5 ensuring no publicity, etc. etc."that seems to be
6 indicating that the bank would be preparing the scheme,
7 does it not?

8 34 Q. Well, I don't know, Mr. Haughey. I am just wondering
can you help there? I think what the suggestion is that
9 advisers would have to get together perhaps, legal and
10 financial advisers, to work out the nuts and bolts of a
11 scheme perhaps. I am unsure of that. And I suppose
12 you'd agree that at this time, with the level of
13 indebtedness running as it was, the bank would be, I
14 suppose, anxious to get involved in any scheme that might
15 reduce or clear the indebtedness?
16

17 A. Oh yes, I think so, yes, they would be anxious that land
18 would be sold and that they would be paid off.

19 35 Q. Yes. Now, the next document is at divider number 47
and

20 it's a memorandum from Mr. G.A. O'Donnell to Mr. Michael
21 Phelan in which it's dated 11th September 1979 and it
says
22 "We refer to recent developments in this case culminating
23 in our telephone discussion of the 10th instant wherein we
24 advised that the directors had approved of certain
measures
25 aimed at bringing about positive progress on this complex
26 account.
27
28 "A copy of the paper which was placed before the Board is
29 attached herewith and will form the basis of an early
30 meeting at your branch between the writer and yourself
when

1 the manner of the implementation of the recommendations
2 will be gone into detail."

3

4 I think that's just an internal administrative document
5 relating to the report and the recommendations of the

Local

6 Board. Then at divider number 48 -- very good, Mr.

7
document

McGonigal suggests that perhaps we'd look at the

8 at divider number 50 first and I have no difficulty with

9 that. And it's a memorandum of Mr. Michael Phelan's and

10 it's dated 17th October 1979 and it's headed "C. J.

11 Haughey".

12

13 "Mr. Haughey telephoned on the 13th September to say
that

14 he could, at the present, arrange a substantial reduction

15 on his borrowings, in fact, he could he felt safely go to a

16 figure of 500,000. However, since his aim was to clear up

17 the whole situation at present, he was anxious to know
what

18 would be the target figure he should be aiming at -- or in

19 other words, what figure would the bank accept in full

20 settlement. My reply was that I doubted if I could obtain
21 a figure as I could not see anybody making a decision until
22 there was cash on the table. However, I would
investigate
23 it and see what I could do.
24
25 "I had not done anything seeking a settlement figure but
26 when Mr. Kennedy and Mr. O'Donnell visited here on the
17th
27 September, I discussed the situation with them and it was
28 decided that the best approach would be rather than
29 mentioning a figure, that the bank would accept a
30 settlement (because this figure would then be brought up
at

1 a later date) it would be better to give an indication that
2 the bank would possibly allow a reduction of 150,000 in the
3 amount outstanding on the day of settlement.

4

5 "I did not mention this to Mr. H. in any of our subsequent
6 discussions.

7

8 "On the 18th September, Mr. Des Traynor called here to
9 discuss C.J.H.'s debt. Outlined briefly the scheme we had
10 in mind for dealing with the debt. He agreed fully that
11 there was only one way to deal with the matter and that

was

12 to clear the debt totally. The scheme mentioned did not
13 seem a great surprise to him as obviously he had been
14 thinking along the same lines, but whereas our scheme
15 envisaged that all the money would be put up by P.G.,

he'd

16 at least two other people in mind who would also
17 contribute. He expressed the view that the legal
18 technicalities could be solved fairly readily.

19

20 There were two aspects that he had to consider before

up

21 involving solicitors. These were 1, whether C.J. was
22 absolutely serious in wanting to go ahead with the scheme
23 and 2, he would have to look at the long-term implications
24 for the three people he had in mind who would be putting
25 the money, particularly in regard to their tax
26 implications. He knew they had the cash available but
27 since he would be advising these people, he could not just
28 walk them into the something for the sake of solving
29 C.J.'s problem.
30 .

a 1 "He undertook to discuss the whole position with Mr. H. on
2 the following Saturday and unless I heard from him within
3 day or two after that, I would take it that Mr. H. had
4 given the go-ahead and would he then consider all aspects
5 of the scheme, which he thought would take about three
6 weeks following which he would contact me again.

7 .
8 In discussing the amount of the debt, I mentioned Mr.
9 H.'s request for a settlement figure. Mr. Traynor said he
10 fully understood how difficult it would be to get such a
11 figure in the absence of cash on the table but I did convey
12 to him my personal opinion that a reduction of 150,000
might
13 be achieved. I emphasised of course that I could not give
14 any firm commitment on behalf of the bank for this figure
15 but that I was confident it was achievable."

16 .
17 Now, first of all, Mr. Haughey, if we return to the first
18 paragraph of the memorandum, do you remember phoning
19 Mr. Phelan and suggesting a figure of, say, 500,000

20 A. No, I don't remember it, but if Mr. Phelan says it

21 happened, I accept that.

22 36 Q. And do you accept that Mr. Phelan had indicated to you
that

23 without cash on the table, it would be hard to get any

24 decision higher up along the line or words to that effect?

25 A. I accept that, yes.

26 37 Q. Do you remember on the 18th September, or sometime
in

27 September or thereabouts, Mr. Traynor going to Mr.
Phelan

28 to discuss the situation?

29 A. No, I don't remember, but again it would be following a

30 natural sort of sequence I think.

1 38 Q. And on the bank's records, this is the first intervention
2 by Mr. Traynor since 1975, isn't that correct?

3 A. I don't know, I have to check back on the various
4 documents. Is that -- I doubt if that's the position.

5 39 Q. I think on the bank's records, Mr. Haughey, and we have
6 again overnight gone through all other documents which
are
7 not being used in evidence to see if we had missed
8 anything, and it doesn't appear to be the case that we have
9 missed anything, but if we have, we will gladly stand
10 corrected and go through the documents again, but it
11 appears to be that this is the first record since 1975 of
12 Mr. Traynor's involvement with Allied Irish Banks. You
13 can accept that on the document.

14 A. I find that -- I find that hard to accept that that's a
15 full record.

16 40 Q. I see.

17 A. I would almost certainly be sure that Mr. Traynor had
been
18 in touch in the interim from time to time, perhaps on an
19 informal basis but if you assure me that that's what the
20 bank memorandums show, then I will accept that.

be 21 41 Q. But as a result of our best endeavours, that appears to
22 the situation.

23 A. I think I said on a previous day here that Mr. Traynor had,
24 in the meantime, since '75, become a banker himself, and
25 would very likely be in touch with AIB about my account
and 26 my affairs.

27 42 Q. In fact, just again, not taking up on anything, I think he
28 had become a banker since 1969 or 1970 in fact. He had
29 gone to Guinness & Mahon. According to this
memorandum,
30 Mr. Phelan's anyway, having discussed matters with Mr.

the 1 Traynor, which appears to have been a discussion along
2 lines of the level of the indebtedness, a scheme to Mr.
3 Traynor indicating that his own view was the same as the
4 bank's view that the best way of dealing with it was to get
5 rid of it altogether and there seems to have been a
6 discussion of a scheme, perhaps along the lines that had
7 been the subject matter of previous discussions between
8 yourself and Mr. Phelan and as recommended by the Dublin
9 Local Board, that is to sell off lands in some way at
10 Abbeville to clear the indebtedness, would you agree --

11 A. Well, two things about that, Sir. One is that I direct
12 your attention to the words "Outlined briefly the scheme
we 13 had in mind"so it was a bank scheme.

14 43 Q. Well, there had been a previous discussion between
yourself 15 and Mr. Phelan, I think, and the scheme seemed to have
16 evolved out of that, not the details of course, but the
17 general scheme?

18 A. The other point I can make about it was that, sorry, I
have 19 forgotten -- I think it may have been, yes, that it wasn't,

20 in your outline there, you mentioned selling land. I
21 think the scheme he had in mind was more the mechanics,
in
22 other words, the setting up of a Gallagher-type company.
23 44 Q. Yes, with you perhaps having some equity or even some
of
24 the shares being held in your children's name. That
25 wasn't --
26 A. That's what they are talking about here, I think.
27 45 Q. Probably, probably. Now, Mr. Traynor also made
mention at
28 that stage that -- these were other people that he had in
29 mind who might contribute, I take it that that is probably
30 to the scheme, because it seems to be discussed in the

1 context of the scheme at that stage. Do you know
anything

2 about that?

3 A. I have no knowledge of that, no.

4 46 Q. Now, we will see in later documents that that these other
5 people, as Mr. Traynor describes them here, appear to
6 disappear out of the picture and Mr. Traynor is explaining
7 this to the bank at a later stage in another document,
8 so -- but do you remember any discussions with Mr.
Traynor

9 around that time -- well first of all, perhaps I'd ask you,
10 did you have any discussion with Mr. Traynor around that
11 time in relation to the clearing of this indebtedness or
12 the entering into some form of a scheme to clear the
13 indebtedness?

14 A. I would almost certainly have reported to him about my
15 meeting of the 6th September and what it was proposed.
I

16 am sure I would have.

17 47 Q. And if we move over to the next page of Mr. Traynor --
of

18 Mr. Phelan's memorandum here, Mr. Traynor says, it's
19 recorded "There are two aspects of scheme he had to

20 consider before involving solicitors. These two aspects
21 were 1, whether C.J. was absolutely serious in wanting to
22 go ahead with the new scheme and 2, he would have to
look
23 at the long-term implications for the three people he had
24 in mind who would be putting up the money, particularly
in
25 regard to their tax implications and indicating that he was
26 advising them as well."
27 .
28 Now, he then, it's recorded that he "undertook to discuss
29 the whole position with Mr. H. on the following Saturday
30 and unless I heard from him within a day or two after that,

1 I could take it that Mr. H. had given the go-ahead and they
2 would then consider all aspects of the scheme which he
3 thought would take about three weeks after which he
would
4 contact me again."

5
6 Now, do you remember having a meeting with Mr. Traynor
7 after he had been at Allied Irish Banks to discuss a scheme
8 as to whether you were serious in wanting to go ahead
with
9 it, and the other aspect which Mr. Traynor appeared to
have

10 in mind was the long-term implications for other people
11 whom he had in mind who might participate in the scheme
12 A. No, I don't -- obviously I must have had a discussion with
13 him, but I don't at this stage recall the details.

14 48 Q. Well --

15 A. And I am not sure if he would have outlined them at that
16 early stage to me following the intricacies of setting up
17 this proposed Gallagher company.

18 49 Q. Well, I can understand readily of course, Mr. Haughey,
that
19 the details of any scheme or any transaction which might

20 have had legal and financial implications would have
21 involved advisers in giving effect to a decision, but would
22 you agree that you must have had a discussion with Mr.
23 Traynor about a scheme, the details which were to be
worked
24 out?

25 A. Yes. The principle of it. That some new body would be
26 set up and that land would be sold.

27 50 Q. And would you agree that you must have had a
discussion as

28 to the likely people who would participate in that scheme,
29 that is as purchasers from you --

30 A. No.

1 51 Q. You wouldn't have had a discussion about that?

2 A. No.

3 52 Q. Would Mr. Traynor have kept that from you?

4 A. He was quite a reticent person when he -- he worked very
5 much in his own way, as you know, but he may have
mentioned
6 that he had other potential investors in this new company
7 but he didn't, certainly I have no recollection of him
8 mentioning anybody specifically.

9 53 Q. Would curiosity alone not --

10 A. No, again, just --

11 54 Q. -- what your interest?

12 A. I think you perhaps, from your own, from the Tribunal's
own
13 investigations, you have learned something about the way
14 Mr. Traynor worked and I think most people agree that he
15 operated very, very much on a need-to-know basis. He
just
16 told you as much as he felt you had to know at any
17 particular stage.

18 55 Q. Yes, that seems to be the case when Mr. Traynor was
giving

19 executive effect to decisions either he or somebody else

20 had taken. It was dealing with people around him he
21 compartmentalised things and he had some people
carrying
22 out certain tasks and other people carrying out other
23 tasks; in other words, the left-hand not knowing what the
24 right hand was doing. Now, you were --
25 A. He may not have felt at liberty at that point to say to me
26 who these other --
27 56 Q. I see, I see --
28 A. And he was --
29 57 Q. Because I think you have said that -- your relationship
30 with Mr. Traynor, whilst he may have lectured you about
the

1 level of drawings and matters of that nature over the
2 years, your relationship with him was one of, where you
had
3 been at one stage in his professional life, his superior,
4 isn't that correct?

5 A. Yes.

6 58 Q. And I think you say that he was a person who gave,
would it
7 be fair to say, devoted service to you over the years in
8 dealing with your personal financial affairs?

9 A. Yes, definitely, yes.

10 59 Q. And he had regular meetings with you over the years,
isn't
11 that correct, in relation to your personal financial
12 affairs?

13 A. Yes, but only when he felt necessary or when I would look
14 to him for assistance.

15 60 Q. And I think you described him as being a man not given
to
16 much social activity or much small talk, would you agree?

17 A. Absolutely.

18 61 Q. And that whenever he met with you, he got down to
business,

19 would that be fair to say?

20 A. Correct.

21 62 Q. And would you agree that whilst the details of anything
22 involving your affairs might have been left to Mr. Traynor,
23 the substance, the broad substance would have been
24 discussed by yourself and Mr. Traynor and then he to give
25 effect to what had been decided?

26 A. Yes, because you see the bank had already outlined the
sort
27 of scheme they had in mind, therefore it would be only
28 natural that -- outlined them to me, that it would be only
29 natural that Mr. Traynor and myself would be averting to
30 that sort of new structure that was contemplated.

1 63 Q. And at that stage you yourself, when this was being
2 discussed with Mr. Traynor, would have at least had the
3 knowledge that the Gallaghers or the Gallagher Group or
4 somebody attached to that group has a potential to be
5 involved in such a scheme, isn't that correct?

6 A. Yes. I'd go further than that and say that the Gallaghers
7 seem at this stage to be an essential component of what
was
8 proposed.

9 64 Q. I see. And you would have discussed that with Mr.
10 Traynor, surely?

11 A. Yes, we agreed to it perhaps.

12 65 Q. And did Mr. Traynor at any time not indicate to you that
13 there may be other people who should potentially be
14 involved in this particular scheme or some other scheme?

15 A. I think I have already said that, I did not, that he would
16 possibly or probably have mentioned to me that he would
17 look for other investors in the same new structure.

18 66 Q. And did you -- did curiosity not whet your appetite at all
19 in relation to it?

20 A. Let's just put this in perspective, Mr. Coughlan. It

21 wouldn't be a question of curiosity. Presumably these
22 other people would be clients of Mr. Traynor's as I was and
23 he would have, he would have strict client obligations to
24 those people, so that would certainly govern whether he
25 would disclose their names to me at that particular stage.

26 67 Q. At that time.

27 A. Yes.

28 68 Q. Now, the final paragraph of that particular memorandum

I

29 think is uncontroversial. It's just, I think Mr. Phelan

30 indicating to Mr. Traynor his own personal view of where

1 the settlement figure might be, that he couldn't give any
2 assurances about.

3 A. I would agree with that, yes.

4 69 Q. Now, if I might just briefly then return to the documents
5 at dividers number 48 and 49 and divider 48 seems to be
an attendance of a telephone conversation and it reads "C.J.H.
6 phoned 28/9/79. Would have figures on Monday.
Borrowing
7 abroad"and then there is a dash and the name G. Colley
and
8 then "Re: C.J.H. phone 12.10, 3/10/79 require money.
List
9 of outstanding cheques. Neil C. calling to C.J.H."
10
11 .
12 Then if we go to the next document at divider number 49
13 "C.J. rang 10th. Saw Patrick G. on Saturday last, says
14 okay." Then "12/10/79, called to C.J.H., 12 o'clock."
15 yes, on that particular document, the note, the first note
16 seems to be dated 10/10/79 and the second entry appears
to
17 be under the date 12/10/79. Perhaps if I go back to the
18 first document first. This, the Tribunal understands, to

19 be Mr. Phelan's attendance of a telephone conversation I
20 think beginning "Would have figures on Monday.
Borrowing
21 abroad-- G. Colley." If I deal with that particular entry
22 because it seems to relate to some telephone conversation
23 or some sort of a note of some sort of telephone
24 conversation on 18/9/79. Can you be of assistance to the
25 Tribunal of that could refer to Mr. Haughey
26 A. No, I can't. The only thing it brings to mind, it says
27 borrowing abroad and then stroke G. Colley. As far as I
28 can recollect, George Colley was minister for finance at
29 the time, so that may be something to do with that.
30 70 Q. I think, and if this assists your memory in any way, I

a 1 think exchange control implications would have surrounded
2 borrowing abroad I think around that time. I think it was
3 around the time we were breaking with sterling, isn't that
4 correct, or --

5 A. I am sure that's correct, yes.

6 71 Q. Does that assist your memory at all?

7 A. No, I can't make any sense of it, except that, that George
8 Colley was minister for finance and obviously borrowing
9 abroad would come within his remit. That's the only
10 connection I can make.

11 72 Q. That would be correct because the Department of
Finance

12 delegated the responsibility in relation to exchange
13 control to the Central Bank so it would have come under
the
14 remit of the Department of Finance all right, borrowing
15 abroad.

16 .

17 Now, under the next entry on this particular
memorandum, or

18 attendance, "C.J.H. phoned 12.10." That's the 3/10/79.

19 "Require money. List of outstanding cheques." And then

20 there is a note which is "Neil C. calling to C.J.H.." it
21 appears to the Tribunal at this stage that that is a
22 reference to Mr. Neil Crowley, who was the chairman of
the
23 bank at the time. Do you know if Mr. Crowley called to
24 see you
25 A. No, I don't recall him doing so. I notice the calling to
26 C.J.H. seems to be in a different sort of script there, as
27 if it were added later or something.

28 73 Q. Well, you can't be of any assistance as to any
recollection
29 as to whether the chairman did call to see you?
30 A. I'd be fairly sure he didn't, but I couldn't be --

1 74 Q. I mean, in relation to your own personal affairs --

2 A. Yes, exactly --

3 75 Q. You may have had dealings in an official capacity with
4 chairman of the bank --

5 A. Hardly at that stage.

6 76 Q. Turning to the next divider, just continuing these
7 particular handwritten notes. Under the date 10/10/79, it
8 says "C.J. rang 10th. Saw Patrick G. on Saturday last.
9 Says okay."

10 do you know -- first of all, the view of the Tribunal at
11 this stage is that that is a reference to Patrick
12 Gallagher. Would you think that that would be reasonable

13 A. I think it's probably correct, yes.

14 Patrick 77 Q. And can you remember if around this time, you saw

15 Gallagher?

16 A. No, I can't remember that. There is another reference,
17 isn't there, to my meeting --

18 where I 78 Q. Yes, in the actual memorandum which I just read out

19 think you indicated where you had seen Patrick on the
20 previous Saturday or words to that effect and he was flush

21 with cash and interested in putting together a land bank or
22 accumulating land?

23 A. I wonder is this the same reference?

24 79 Q. It could be, it could be. And then the 12/10/79, there is
25 a handwritten note "Called to C.J.H., 12 o'clock." That
26 may be a reference to some appointment Mr. Phelan had
with
27 you?

28 A. Yeah, possibly.

29 80 Q. Now, the next document is at divider number 51 --

30 .

1 MR. SHERIDAN: I wonder, Sir, if before that document is
2 put up, if I could just draw your attention to something,
3 Sir. I think on the opening of the part of the Tribunal's
4 proceedings dealing with AIB and Mr. Haughey on the 28th
5 January of last year, you set out certain preliminary
6 observations in relation to the manner in which you saw
the
7 proceedings of the Tribunal being handled. And in the
8 course of that you indicated that one of the features of
9 the material to which reference would be made to by
counsel
10 to the Tribunal in his opening is the involvement of
11 certain persons who are now deceased. "I intend to keep
12 in mind that deceased persons will not be able to answer
13 personally criticism that may be made of him, either
14 explicitly or implicitly in the course of evidence given to
15 the Tribunal. Members of the press and the public should
16 likewise bear in mind the particular vulnerability of
17 deceased persons where the temptation to draw
conclusions
18 is concerned."
19 .

20 I think, Sir, you had in mind there perhaps people more
21 centrally involved to the work of the Tribunal than the
22 author of the next document; nonetheless I think it
23 reasonable to infer, if necessary, to urge that the same
24 principles apply in even greater force to people who
25 perhaps are not so centrally involved in the work of the
26 Tribunal. When this document was first put before the
27 Tribunal, I took exception to its admission on the basis of
28 an inquiry as to what possible relevance it had to the work
29 of the Tribunal. Mr. McGonigal indicated that its
30 relevance was that it showed a time at which Mr. Haughey

are
1 became Taoiseach. Now, Sir, it seems to me that there
2 certain matters in relation to which the Tribunal is
3 entitled to take judicial notice. I think it is the case
4 that in another jurisdiction, perhaps a more technical
5 approach to judicial notice have been taken to see to the
6 matter to which a court has been entitled to take judicial
7 notice. It's a remark of an English High Court judge some
8 years ago who queried what way the Beatles... I don't
think
9 the Irish judges have taken quite so technical an approach
10 to judicial notice. Even if you are not entitled to take
11 judicial notice of the date upon which Mr. Haughey became
12 Taoiseach, it seems to me that there are means of
13 establishing that which are less indirect than the next
14 document. It's a personal letter which has no relevance
15 to the matters under consideration of the Tribunal and
16 having regard to the fact that it is the, that the author
17 of it is deceased or still -- it seems to me that it's not
18 relevant.
19 .
20

21 CHAIRMAN: Well the matters that you remind me of,
22 Mr. Sheridan, are indeed aspects that have been
persuasive
23 in all the Tribunal's dealings and there have been
24 instances in which, in examining material to find out if it
25 should form part of the Terms of Reference to be
26 ventilated, the Tribunal has taken the view that on
27 occasions, the rights of privacy enjoyed by persons should
28 prevail over other interests. In this particular
29 contingency, I do recall the brief debate that you mention
30 in the course of hearings last year and I do recall taking

1 the view that in all the circumstances, it seemed a matter
2 that ought to go into evidence and it does seem somewhat
3 inherently inconsistent if, having admitted it last year
4 and the document having received some degree of
comment in
5 media coverage, if I were now, so to speak, at this
6 juncture, to suppress it from the record.

7

8 I don't think it's a document that Mr. Coughlan is likely
9 to dwell at any great length on, but I feel that it has
10 been part of the evidence already proved and I feel it
11 would be inconsistent and wrong for me now to delete it
12 from the record.

13 .

14 MR. SHERIDAN: Sir, my submission is not that you should
15 delete it from the record. Clearly what has been done
16 cannot be undone. I am affording the Tribunal an
17 opportunity not to compound the admission of the
document.

18 It is a personal message. I venture to suggest that if
19 the Tribunal was to conduct an investigation into the

20 personal messages which Mr. Haughey received at the
same
21 time, they would find many equally effusive, no doubt,
from
22 all quarters of society and perfectly properly so --

23 .

24

25 CHAIRMAN: Mr. Sheridan --

26 .

27 MR. SHERIDAN: On the basis of which you made your
28 decision, Sir, is that it was necessary in order to prove
29 or show the time that Mr. Haughey became Taoiseach, it
30 appears to me that that, Sir, is tenuous and that being so,

1 I am just not clear what other possible relevance it could
2 have.

3 .

4

5 CHAIRMAN: Well, Mr. Sheridan, I venture to suggest that
6 if your forensic skills did, which they are not doing at
7 the moment, succeed in influence me to preclude this
8 document, it would then contain a prominence in
tomorrow's
9 front pages, which is considerably in excess of what it may
10 attain in Mr. Coughlan dealing with it in, I think --
11 comparative briefly, Mr. Coughlan, in the course of
ensuing
12 evidence.

13 .

14

15 MR. COUGHLAN: Yes.

16 .

17 In fact the document has attained, I submit, Sir, a further
18 relevance in that it is a document which is somewhat in
19 ease of Mr. Haughey, because -- well I will open the
20 document first -- that it seems to accord with Mr.

21 Haughey's own view of his relationship with Mr. Michael
22 Phelan.
23 .
24 I think it's a letter dated 11th December 1979 and I think
25 you had become Taoiseach and it's addressed to an
26 Taoiseach, Mr. Charles J. Haughey, Abbeville, Kinsealy,
27 County Dublin.
28 "Dear Mr. Haughey,
29 It gives me great pleasure to convey my warmest
30 congratulations on your election to the high offices of

1 Leader of Fianna Fail and an Taoiseach and to offer you my
2 sincere good wishes for success in both.

3 .

4 "To say the task you have taken on is daunting is an
5 understatement but I have every faith in your ability to
6 succeed in restoring confidence in this great little
7 nation.

8

9 "With renewed congratulations and kind regards,

10 Yours sincerely,

11 Michael Phelan,

12 Manager."

13 .

14 Now, you may not remember receiving each individual
letter

15 of congratulations you received, Mr. Haughey, would you

16 accept that you probably received this letter from

17 Mr. Phelan

18 A. Yes, in fact I think I remember receiving it, but may I say

19 that it seems to me to establish a number of things that

20 you and I have been saying for some time, namely that

21 Mr. Phelan was a personal friend and that in spite of all
22 that happened, there was some sort of underlying
23 relationship between myself as a person and AIB. I would
24 have thought the AIB would have been rather pleased at
this
25 piece of evidence, that they were able, on this occasion,
26 to rise above any sort of troublesome difficulties we may
27 have had and be gracious enough to write a letter of this
28 sort.

29 81 Q. And I think again, and I don't want to stay on this letter
30 too long, it was your view and this letter probably

1 reinforces your view that Mr. Phelan and yourself, whilst
2 you had a relationship of manager and customer, had a
3 degree of friendship and there was a warmth in your
4 relationship?

5 A. Thank you.

6 82 Q. And the Tribunal in no way criticises Mr. Phelan for
7 writing this letter and do I take that you don't criticise
8 Mr. Phelan for writing this letter?

9 A. Certainly not.

10 83 Q. Now, I think the next document is at divider number 52
and

11 it's a memorandum of a meeting between Mr. Michael D.
12 Kennedy and Mr. Traynor. It's a handwritten document
and

13 it reads "On the 17th December 1979, I met with Mr. Des
14 Traynor of Guinness & Mahon in Dame Street branch with
15 Mr. Phelan, manager at Dame Street. The purpose of the
16 meeting was to endeavour to make some progress
towards

17 obtaining realistic proposals for clearance of Mr.

18 Haughey's large and unwieldy debts.

19

20 "At the outset, Mr. Traynor made it clear that for
21 political reasons, the proposals which were up to recently
22 being pursued were now completely out of the question
and
23 as the parties concerned would have neither hand, act nor
24 part in them for fear of "good names"being dragged
through
25 the Dail. Guinness & Mahon were prepared to advance a
26 maximum of600,000 against a first charge on Abbeville
but
27 this would be available only on the basis that the sum
28 would be accepted in full and final settlement of the
29 entire debt (currently standing with interest to date
30 at1,143,000). I told Mr. Traynor that such a proposal was

1 entirely out of the question, that the bank had reached the
2 end of its patience and that on the grounds of potential
3 embarrassment alone, it was essential that realistic
4 proposals for dealing with this debt be in our hands for
5 submission to the main Board at their February meeting.
6 Mr. Traynor remained completely unmoved by the
arguments

7 and said there were no rabbits to be pulled out of hats or
8 blood to be got out of turnips.

9
10 He made it quite clear that as far as he saw it, our
11 options were either to take the 600,000 on offer or leave
12 the debt outstanding indefinitely. At this stage. I
13 intimated that if the debt were reduced to 200,000, he
would
14 take it that we would write off the balance and that that
15 was as far as the bank would go, bearing in mind that the
16 questions would be asked by our auditors and would have
to
17 be answered.

18
19 The meeting concluded on the basis that Mr. Traynor
would

20 convey our views to Mr. Haughey on either Thursday or
21 Friday of this week and report back to Mr. Phelan. He
was
22 far from optimistic about Mr. Haughey's reaction."
23 it's signed by Mr. Kennedy.
24
25 Then there is another handwritten note on the 28/12/79
26 "Manager rang to say Mr. Traynor had contacted him by
phone
27 and arranged to have a further chat with him on January
7th
28 1980."
29 .
30 Now, do you remember -- I think it's January 2nd, I beg

- 1 your pardon, January 2nd, 1980.
- 2 do you remember coming up to Christmas of 1979 Mr.
Traynor
- 3 attending a meeting on your behalf with officials of Allied
- 4 Irish Banks in an attempt to settle the debt completely
- 5 A. No, I don't remember it, but I have no doubt that it did
- 6 take place.
- 7 84 Q. And would there have been a discussion between you
and Mr.
- 8 Traynor before he attended the meeting?
- 9 A. Not necessarily. I think he knew my position. He knew I
- 10 was anxious to get the problem solved, particularly in view
- 11 of my new situation, as soon as possible and to do
- 12 whatever, come to whatever arrangements he could.
- 13 85 Q. So if Mr. Traynor adopted a negotiating position at that
- 14 meeting, it was one that he had a free hand to adopt on
- 15 your behalf?
- 16 A. Yes.
- 17 86 Q. Can I take it that you say that because of your new
- 18 position, you had now become Taoiseach, that that
changed
- 19 the situation from the time when you had not been
Taoiseach

or 20 all through the 1970s, when there had been no reduction
21 clearance of the debt?

22 A. Well, it probably would in this way, that being elected
23 Taoiseach, thus being an incoming Taoiseach and by the
way, 24 as you will recall, my selection wasn't, was far from
25 unanimous say, let me say that, but coming as incoming
26 Taoiseach, I personally and my affairs would be subject to
27 much more scrutiny than they would be before, so there
28 would be that change in the situation.

29 87 Q. Well, could I ask you so, that the clearing of the
30 indebtedness was important from your point of view by

1 reason of the office you held?

2 A. Yes, both, but as you know, earlier, some months before
in

3 memorandum, we were adverting to the fact that I was
really

4 worried about the situation, anxious to get it cleared up.

5 I mean I think Mr. Phelan acknowledges that in some of his

6 memorandum, so to that extent, there would be no change
in

7 that, but there would be a new urgency about it.

8 88 Q. Well, could I put it to you that from, say, September of

9 that year on, whatever was happening in the political world

10 and of course you couldn't guarantee the outcome of

11 anything, but that you might have had a view that there
was

12 a chance that you could become Taoiseach?

13 A. Yes.

14 89 Q. So an urgency did come about in relation to your
personal

15 affairs, I suggest, by reason of the office you hoped to

16 attain and eventually did attain, would that be fair to

17 say?

18 A. In addition, may I say I had indicated that the situation

19 was getting out of control earlier on and I was anxious to
20 get to grips with it and what I would say about this
21 development would be that it made that anxiety on my
part
22 all the more.

23 90 Q. Well, perhaps you can assist the Tribunal, Mr. Haughey,
24 because politics is an area that you are an expert in and
25 would you be able to express any view of the desirability
26 of somebody holding the office of Taoiseach being
indebted
27 to this extent to a bank in the State?

28 A. Yes. I would feel and I think I expressed a similar sort
29 of view in regard to the Agricultural Credit Corporation
30 which you earlier mentioned, Mr. Coughlan, that I felt the

1 situation was slightly different. I felt that it would
2 not be entirely appropriate that I should be a borrower
3 from the Agricultural Credit Corporation, which was a
4 State-owned corporation, as Taoiseach. So the same
would
5 apply here in this case, the same consideration.

6 91 Q. The same consideration --

7 A. Same sort of consideration.

8 92 Q. There may be a slightly different emphasis in that there
9 might be a perception that as the holder of the second
10 highest elected office under the constitution, that of
11 Taoiseach, that one -- and head of government -- that one
12 might have an influence over a State bank, would you
agree,
13 and therefore it would be undesirable to have an
14 indebtedness with them?

15 A. I wouldn't necessarily go that far, but looking at
16 practical politics, it would be eminently desirable that I
17 would not be indebted to any extent to a banking
18 institution or -- sorry, to a major extent to any finance
19 institution.

20 93 Q. And that's from a practical political point of view in that

21 it could wound you politically, if that became known, would

22 you think?

23 A. It's hard to say. I mean we are dealing with

24 subjective --

25 94 Q. Yes --

26 A. -- accounts here.

27 95 Q. I am asking about your views as the expert from the
field

28 of politics, Mr. Haughey.

29 A. Well, I would revert to what I said earlier, that my

30 situation in every respect would be subject to much
greater

1 scrutiny on a daily basis by the media and others, and
2 therefore the possibility of it emerging that I was heavily
3 indebted to a banking institution was more likely, in my
4 new situation.

5 96 Q. And --

6 A. With corresponding --

7 97 Q. -- adverse effects?

8 A. Adverse effect, yes.

9 98 Q. Now, this particular memorandum of Mr. Kennedy's
records

10 Mr. Traynor indicating that there was little chance of the
11 previous scheme which had been discussed being
proceeded

12 with and then because the people that he had in mind
were

13 reluctant to have, and the words are attributed to Mr.
14 Traynor, let me hasten to add, Mr. Haughey, their "good
15 names" being dragged through the Dail. That may be, I
16 hasten to add, just a reference that people may not wish
to

17 be embroiled in political controversy by making an
18 investment. Would you think of anything else?

19 A. No, I don't. I don't. I think it just says what it says,

20 but it does, I think, emphasise what I was saying to you in
21 relation to the previous memorandum, to the point that
Mr. 22 Traynor would keep the names of these potential investors
23 strictly to himself because of confidential requirements.
24 99 Q. Because of his duty to keep it --
25 A. I think this reiterates that.
26 100 Q. Very good. And he seems to be making a suggestion
that 27 Guinness & Mahon, now it may just have been a
negotiating 28 position he was adopting, but would you have known
anything 29 about it, that Guinness & Mahon may have been interested
at 30 that time of taking a first charge over Abbeville, having

1 advanced 600,000 effectively to clear off the Allied Irish
2 Bank indebtedness?

3 A. Oh I think so, yes.

4 101 Q. Would you have had that sort of discussion --

5 A. Sorry, what are you asking me?

6 102 Q. I was wondering, Mr. Traynor, according to this
memorandum

7 at least anyway, is indicating to Allied Irish Banks if he
8 can clear the indebtedness in Allied Irish Banks
9 for 600,000, that Guinness & Mahon, the bank of which he
was
10 the senior person in, would be interested in advancing that
11 money, provided Guinness & Mahon got a first charge over
12 Abbeville, I presume that the Allied Irish Banks would
13 release their charge on Abbeville and allow Guinness &
14 Mahon to have first charge?

15 A. Yes.

16 103 Q. Do you remember Mr. Traynor having a discussion with
you
17 about that sort of thing?

18 A. I don't know whether -- but I feel that he would have felt
19 it necessary, maybe not, to get my agreement to giving a

20 charge over Abbeville to Guinness & Mahon, but on the
other
21 hand, just thinking out loud, Mr. Coughlan, if I may on the
22 other hand, if it was just substituting Guinness & Mahon
23 for AIB, I can't see that he would anticipate any objection
24 on my part.

25 104 Q. I am just wondering do you have any recollection of any
26 discussion with him before he had this particular
27 discussion making this proposal?

28 A. Not particularly, no, but it could have happened.

29 105 Q. It could have happened. Now, I think the position
30 adopted, according to this memorandum, by Allied Irish
Bank

1 was that the most that they were prepared to offer to Mr.
2 Traynor at that stage was about a200,000 reduction in the
3 indebtedness and they indicated to him that this matter is
4 so serious now that it was going before the main Board at
5 its February meeting in 1980, isn't that correct?

6 A. That's what's in the memorandum here, yes.

7 106 Q. Do you remember Mr. Traynor having any discussion
with you
8 around that time informing you that look, this matter is
9 getting so serious now that it's going to the main Board of
10 the bank?

11 A. No.

12 107 Q. Do you think he might have had such discussion with
you?

13 A. Ah no, I think that would be part of the ongoing
14 intricacies of the situation, that he would, as I say -- I
15 am sure your own knowledge of him at this stage, he
would
16 be the sort of man that would come to you when a thing
was
17 done and not be coming along looking for approval step by
18 step.

19 108 Q. No, but I take it you were having fairly regular meetings

20 with him at least; this was a matter that was a pressing

21 political matter for you as well, Mr. Haughey?

22 A. No, not at this stage, because as you can imagine, I
would

23 be under very, very intense political pressure at that

24 stage. I mean I could elaborate for you if you wish,

25 but -- would you like me to?

26 109 Q. Do you think it would be of assistance to the Tribunal if

27 you did? I don't think we need to go through the

28 political history of the period --

29 .

30

1 CHAIRMAN: I don't think, Mr. Haughey, unless something
2 transpires in other evidence that it's desirable that we go
3 into the particular political aspects of strategy or
4 concerns of that particular time.

5 A. Sorry, Chairman, you are saying we needn't now?

6 .

7

8 CHAIRMAN: Not now.

9 A. I will just suffice it to say that I was under hourly
10 intense political pressure.

11 .

12

13 MR. COUGHLAN: Very good. And from your own --

14 A. So that I wouldn't be -- I mean, at this stage, I think Des
15 Traynor had taken over this problem. I would have faith
16 in his ability to solve it, and I would await the outcome.

17 110 Q. Well, there must have been, I suggest, some particular
18 contact with Mr. Traynor about potential sources of monies
19 at this time, would you agree?

20 A. Not from me, no.

21 111 Q. I'll come to and I perhaps won't deal with it in any great

22 detail today, but evidence that Mr. Patrick Gallagher gave
23 to the Tribunal in relation to discussions he had with you,
24 but I will leave that for the moment. I will just deal
25 with the documents.

26 .

27 Now, I appreciate and in fact some of us can remember
the

28 type of political controversy that was going on around the
29 time of you becoming Taoiseach, but as you said yourself,
30 this was also, this debt was a significant political

1 problem as well, isn't that correct, or potentially so

2 A. I am sure you will understand when I say relative to the
3 other political pressures, it was of minor importance.

4 112 Q. I see.

5 A. May I just say --

6 113 Q. Could I put it --

7 A. With reference to your ruling, Chairman, on this, may I
8 just make a very, very simple comment that the pressures
9 that I was under were to the extent that it would affect my
10 very continuance as Taoiseach. As major as that.

11 114 Q. Yes, and might I suggest to you or would I be incorrect
in

12 so suggesting that if your political opponents, I won't go
13 so far as to describe people as your political enemies, but
14 your political opponents, were to in some way ascertain
15 that you had this level of personal indebtedness, that that
16 might have been more ammunition for them to use against
17 you?

18 A. I think you could say that, yes, Sir.

19 115 Q. Now, the next document is a handwritten document and
it's

20 at divider 54 -- sorry, it's a document at divider 53

21 first, I beg your pardon, it's dated 8th January, it's "A
22 Mr. Traynor of Guinness & Mahon phoned. He said you
would
23 like what it's about. He can be contacted today only at
24 716944 -- away from tomorrow all week." And it's Jean, it
25 seems to be -- it's a memorandum to Mr. Crowley who
was
26 chairman of the bank and it's Jean I think has been
27 identified as perhaps Mr. Crowley's secretary. And then
28 there's a handwritten note which again witnesses from
29 Allied Irish Bank expressed the view was the writing of
30 Mr. Crowley, and it reads "Paddy, will you take this up for

1 me"and the initial seems to be that of Mr. Crowley and I
2 think that the view of Allied Irish Bank witnesses, that
3 this was a reference to Mr. Paddy O'Keeffe -- the late
4 Mr. Paddy O'Keeffe, of course that's the late Mr. Neil
5 Crowley as well, the late Mr. Paddy O'Keeffe who was the
6 senior executive on the banking side in the bank at the
7 time.

8 A. I can't comment on this.

9 116 Q. Do you know if Mr. Traynor was dealing with Mr.
O'Keeffe or

10 Mr. Crowley?

11 A. I wouldn't -- no, I don't think I would know which -- he
12 would certainly be being at top level in the bank.

13 117 Q. Does it come as any surprise to you that Mr. Traynor
had

14 now moved to a stage where it had passed from dealing
with

15 Mr. Phelan and Mr. Kennedy, Mr. Phelan's immediate type
16 superiors, to the very highest level in the bank?

17 A. No, I think that would be natural in the circumstances.

18 118 Q. Because of the position you had now attained as
Taoiseach?

19 A. Yes, and the major implications of the whole matter and

20
chairman

also, I suppose, Des Traynor at this stage, was he

21 of a bank himself?

22 119 Q. He had been for sometime --

23 A. He was a chief executive or chairman, I am not sure.

24 120 Q. Well, he had have, in 1969, held the position I think as

25 deputy chairman, but was effectively the chief executive

26 and chairman rolled up from about '75 on. That seems to

27 be the situation.

28 A. So if I could just venture an opinion, perhaps, it would be

29 because of sort of banking etiquette, as it were, it would

30 be chairman to chairman -- chief executive to chief

1 executive.

2 121 Q. It's probably more likely your first suggestion, Mr.
3 Haughey, would you not agree, that it was because you
were
4 now Taoiseach that it was being dealt with at this level,
5 previously Mr. Traynor as the senior man in Guinness &
6 Mahon had been dealing with Mr. Michael Phelan and
people
7 at a lower level?

8 A. Well, whichever.

9 .

10 MR. MCGONIGAL: Just a small matter, Mr. Chairman, but
11 there is a document page 238 of 260199/4, which seems
to be
12 a record of a telephone conversation on the 8th January
13 which I think was produced at some stage, I don't know,
14 where Mr. Traynor is speaking to Mr. Phelan of Guinness &
15 Mahon and he is telling them that he spoke to N.C., it
16 appears to be, Thursday/Friday, which seems to be the
same
17 date -- this is a memo of a telephone conversation on the
18 same date as that memo which Mr. Coughlan has just
referred

19 to. They probably should be taken together. It's
20 probably not of any great importance.

21 .

22

23 MR. COUGHLAN: We can put it on the overhead
projector.

24 .

25 MR. McGONIGAL: It may not be of great importance, it's
26 just the completion of it.

27 .

28

29 MR. COUGHLAN: It seems to be the 8/1/80. D.T. of
G&M,

30 spoke to N.C. Thursday/Friday"seems to be -- it looks like

1 that anyway. It seems to be some way connected with
the
2 message, the typed memorandum of the secretary to
3 Mr. Crowley anyway, Mr. Haughey. It seems to be the
same
4 date all right, that one is that the secretary is saying
5 that Mr. Traynor phoned and this seems, the handwritten
6 document then seems to indicate that Mr. Traynor may
have
7 had a conversation with Mr. Crowley, I think, resulting
8 perhaps in Mr. Crowley putting the handwritten note asking
9 the late Mr. Paddy O'Keeffe to take the matter up.
10 .
11 MR. McGONIGAL: Also he was phoning Mr. O'Keeffe to let
12 him know that was happening.
13 .
14
15 MR. COUGHLAN: Yes, that is Mr. Phelan's then. Only
16 phoning Mr. Phelan to let him know that happened.
17 .
18 Now, the next document is at divider number 54 and it's
19 headed 18/1/80 and it reads "D.T." I think that's a

20 reference to Mr. Traynor, "4.10pm. Tuesday, 8.30 with P
21 OK"that I think is a reference to the late Mr. Paddy
22 O'Keeffe, "in Bank Centre. Wednesday, C.J. rang me."
Now,
23 that is Michael Phelan's -- or again I think appears to be
24 Michael Phelan's handwriting so what he is recording there
25 are various things, Des Traynor 4.10pm. Tuesday at 8.30
26 he appears to have had a meeting with Mr. O' Keeffe in
Bank
27 Centre. Wednesday, C.J. rang me." So it looks as if
28 Mr. Phelan is recording that you must have some contact
29 with him personally at that time, would you agree
30 A. Sorry, I was just trying to -- could you repeat,

1 Mr. Coughlan, please?

2 122 Q. Sorry, I beg your pardon, I think this is a handwritten
3 note of Mr. Michael Phelan's and he is recording various
4 matters, it seems to be a note which he made on the
5 18/1/1980. He is recording "D.T.", which we take to be
6 Des Traynor, "4.10pm". Then he has "Tuesday, 8.30 with

P.

7 OK in Bank Centre. Wednesday C.J. rang me." And it
8 continues "D.T. seeing C.J. weekend. D.T. seeing P. OK
9 Thursday to sort out details. 600,000 gone to Bank Centre
10 today from G&M. C.J. does not know account is to be
11 closed."

12

13 There is another date then, "22/1/80, 11.15am, spoke to
14 D.T. by phone. He spoke to C.J.H. at weekend and told

him

15 no further cheques of any kind to be drawn on AIB Dame
16 Street, that he should at once make other banking

17 arrangements for farm account which should probably be

in

18 discussion and for personal account. C.J. understood and
19 fully accepted situation and there is no animosity on his

20 part. D.T. is seeing P. OK on Thursday the 24th." That's
21 the whole lot.

22 .

23 If we could go back to the first portion of the note under
24 the heading 18/1/80. I think that you would have no
25 reason not to believe that Mr. Phelan and Des Traynor may
26 have had some contact at 4.10pm, that wouldn't surprise
27 you, would it

28 A. I wouldn't know.

29 123 Q. It wouldn't surprise you -- it would seem that this is a
30 reasonable record of what was happening.

1 A. Yes.

2 124 Q. The probability is that Mr. Phelan was having some
dealings
3 with Mr. O'Keeffe in Bank Centre as Mr. O'Keeffe now
seemed
4 to be moving in to handle the matter on behalf of
5 Mr. Crowley, the chairman. And then there is a reference
6 of Mr. Phelan's that you rang him Wednesday. Can you
7 remember that?

8 A. No, I don't remember it, but I am just thinking it might
9 have been to thank him for his letter, this letter
10 that -- or it might have been to deal with the current
11 account, the actual --

12 125 Q. The details or whatever drawings were taking place at
the
13 time?

14 A. That sort of thing, yeah.

15 126 Q. Or could it have been that you were just having a
general
16 inquiry of him as to how things were going, is that
17 possible?

18 A. No, I wouldn't think so. No, I feel sure I would have left
19 all that to Mr. Traynor, and not be intervening.

20 127 Q. Well, Mr. Phelan wasn't in fact doing the negotiating at
21 this stage?

22 A. No, that's what makes me -- that's why I think it was
23 probably maybe to do with whether my cheques could still
be
24 issued or whatever.

25 128 Q. Which, would you agree, was at a time when you were
26 Taoiseach?

27 A. Yes.

28 129 Q. Now, Mr. Phelan's note continues that "Mr. Traynor --
29 .

30 MR. McGONIGAL: There seems to be some support for
that,

1 Mr. Chairman -- sorry to interrupt, Mr. Coughlan -- but
2 there is another document at page 193 of the same,
3 260199/4, which is dated 18/12/79 and is a note in
4 Mr. Phelan's writing "Nuala Turner" then there is a figure
5 which looks like 7,000, "Could she issue cheques? Replied
6 no for present anyhow. I would be writing to C.J." I
7 think these are already before the Tribunal, but they are
8 just --

9 .

10

11 MR. COUGHLAN: I will put that up. Nuala Turner was
the 12 secretary at Abbeville, isn't that correct, Mr. Haughey.

13 A. Yes.

14 130 Q. And the note read out by My Friend, Mr. McGonigal,
there, 15 would seem to indicate that she appears to be -- it's dated
16 18/12/79, it's a bit early I think -- I was going to ask a
17 question arising out of that and I won't, it seems to
18 relate to a different period perhaps. But if your contact
19 in January does relate to that particular, it seems to be a
20 request by your secretary, Ms. Turner, that 7,000 worth of

21 cheques be issued, that you may have -- there seems to
be
22 an indication, not for the moment anyway by Mr. Phelan,
23 that you may have phoned Mr. Phelan in January yourself
to
24 see if cheques could be issued. Would that be a
25 reasonable sequence?
26 A. I couldn't say, it doesn't seem likely, but -- anyway, I
27 can't say.
28 131 Q. You can't say?
29 A. (Witness shakes head).
30 132 Q. Now, if we go back to the document of the 18th
January,

1 that is 18th January 1980 and then if we just move to the
2 note, if we continue with the note, did you know that the
3 account was to be closed or did you not know that the
4 account was to be closed, Mr. Haughey?

5 A. Well, I don't recall, but it seems to be fairly clear "that
6 C.J. does not know account is to be closed". I don't -- if
7 I didn't know, if they say I didn't know, I didn't know.

8 133 Q. You accept that you didn't know?

9 A. I think so, yes.

10 134 Q. And then we then continue on the 22nd, "Spoke to Des
11 Traynor by phone. He spoke to C.J.H. at weekend and
told
12 him that no further cheques of any kind to be drawn on
13 Allied Irish Bank, Dame Street and that he should make
14 other banking arrangements for farm account." Do you
15 remember having a discussion like that with Mr. Traynor?

16 A. No, I don't particularly remember it, as I say, but I have
17 no reason to disagree with it.

18 135 Q. Well, can I take it that you must have some recollection
of
19 ceasing to having a banking relationship with Allied Irish
20 Banks around this time?

21 A. When did the letter issue to me? When did I --

22 136 Q. 24th January 1980, which was two days after that
particular

23 note of Mr. Phelan's conveying to him Mr. Traynor's

24 information that he had had a meeting with you that

25 previous weekend, and had informed you that no further

26 cheques were to be drawn on Dame Street and that you
were

27 to make alternative arrangements for the farm account.

28 A. I don't particularly remember that but if -- it seems

29 strange to me that if Des Traynor were handling all this,

30 as he clearly was, that he wouldn't be taking my needs as

1 to how to handle things into effect; in other words I would
2 have to write cheques somewhere.

3 137 Q. Yes, but can you remember him saying to you, look, I
am 4 getting this under control with Allied Irish Bank now and
5 you will have to make alternative arrangements with the
6 farm accounts or words to that effect?

7 A. I accept that, but being the sort of person he was, I would
8 say he would almost certainly go on to say, "And I am
9 arranging so-and-so for you."

10 138 Q. Maybe he did?

11 A. Maybe he did.

12 139 Q. You can't remember though?

13 A. No, but being the sort of person he was, I think that's
14 what would have happened.

15 140 Q. Do you remember saying to Mr. Traynor so that he
could

16 convey to Allied Irish Banks that there was no animosity
on 17 your part?

18 A. I am sure I could have said that, yes.

19 141 Q. The next document is a letter from Mr. Traynor at
Guinness

20
1980

& Mahon dated 18th -- it's the same date 18th January,
and it's addressed to Mr. O'Keeffe at Allied Irish Banks,
Bank Centre, Ballsbridge, and it reads "Dear Mr. O'Keeffe,
our secretaries have arranged an appointment for 3pm at
your office on Thursday 24th. I am however conscious of
the fact that when speaking to you on Tuesday last, I did
undertake that I would let you have 600,000 within a week
and I am accordingly enclosing herewith a draft for this
amount. We can settle the details on Thursday. Yours
sincerely, J. D. Traynor."

30

.

to 1 So, on the 18th January 1980, Mr. Traynor sends 600,000
2 the Allied Irish Banks at Bank Centre.

3
4 The next document then is a document, a letter from Allied
5 Irish Banks and it is acknowledging the receipt of the
6 cheque and "looking forward to a meeting at 3pm on the
24th 7 instant when we shall finalise the matter." And I think a
8 document was then sent to you dated 24th January 1980
and 9 it sets out various terms, isn't that correct

10 A. Yes.

11 142 Q. It says "Dear Mr. Haughey, I refer to the discussions
12 recently held here with Mr. Traynor from which certain
13 proposals have emerged for the discharge of the
14 indebtedness with all your accounts on the bank. The
15 proposals briefly stated are:

16
17 1. The debit balances on the accounts was agreed
18 at 860,001.17 to be permanently reduced to 110,000 by
19 mid-February 1980.

20

21

22

2. The remaining balance of the indebtedness,

23

namely 110,000, is to be liquidated within a reasonable

24

period of time by the introduction of funds arising from a

25

disposal of any part of the property and lands known as

26

Abbeville (it being understood that not less than 10

27

percent of the proceeds of such disposal would be so

28

produced.)

29

30

1 3. As soon as the indebtedness has been permanently
2 reduced to 110,000 as set out at 1 above, the bank will
3 release its charge on the residence and 248 acres known as
4 Abbeville and hand the title deeds relating thereto to
5 Mr. J. D. Traynor. At the same time, the associated
6 letter of guarantee for 330,000 will be cancelled. The
7 remaining items of security comprising in the main the
8 deeds of Inishvickillane, the deeds of house and 13 acres
9 in County Sligo and a life policy to 1,000 will be held by
10 the bank as security pending liquidation of the remaining
11 indebtedness of 110,000.

12 .

13 "It is to be further understood that as part of the above
14 arrangements, the remaining debit balance of 110,000 will
15 outstand, free of interest, in the Head Office ledgers of
16 the bank at Bank Centre, Ballsbridge, Dublin with no
17 transaction, save for reductions in clearance.

18 .

19 "You will appreciate that the implementation of
20 arrangements of this nature should in the formal course
21 give rise to certain legal requirements. However, since

22 the fulfilment of the agreement outlined is a matter of
23 honour, I am dispensing with such formalities, confident in
24 the knowledge that you will ensure beyond doubt that
25 the110,000 will be cleared within a reasonable time.

26

27 "As part of the arrangements referred to at 1 above, a
28 lodgment of600,000 was received by me on the 21st

January

29 1980 and is hereby formally acknowledged.

30

1 "I am sending this letter to you in duplicate and I shall
2 be obliged if you would kindly initial one copy and return
3 it to me in the enclosed addressed envelope. This will
4 signify your acceptance of the agreement set out in this
5 letter and will also be taken as specific authority to
6 release security as appropriate.

7 Yours sincerely,
8 Patrick O'Keefe,
9 Deputy Chief Executive."

10

11 And then it's, I think, signed and accepted by you, isn't
12 that correct.

13 A. (Witness nods).

14 143 Q. I think just to complete the financial side of this
15 particular transaction, I think the next document is a
16 letter from Mr. Traynor from 17 College Green, Dublin 2,
on
17 the 31st January 1980 and he is enclosing a draft in the
18 sum of 100,000 to Mr. O'Keefe at Allied Irish Banks and
the
19 next document, document number 59 Allied Irish Banks
20 acknowledge receipt of the 100,000 and then Mr. Traynor

21
of 50,000

sends the final tranche on the 14th February 1980

I

22 so Mr. Traynor had settled your indebtedness for 750,000,

23 think, with Allied Irish Banks at that stage, isn't that

24 correct?

25 A. That seems to be correct, yes.

26 144 Q. And there still remained outstanding on the books of
Allied

27 Irish Banks an indebtedness of yours of 110,000 against

28 which the title deeds of Inishvickillane appears to have

29 been held and no specific legal requirements are complied

30 with and that was viewed by Allied Irish Banks as a debt of

1 honour, isn't that correct?

2 A. Correct.

3 145 Q. Now, on the figures which have, we have been dealing
with

4 to date, the last level of indebtedness recorded, that is
5 now I say including interest, Mr. Haughey, was 1.14 million
6 up to the start of December 1979.

7 A. Yes, that's what's said in the document.

8 146 Q. I think it's the bottom of document number 52A, there is
a

9 table.

10 A. It's the handwritten one, is it?

11 147 Q. Yes, it's a handwritten table of -- 52A.

12 A. There is a handwritten one I have here. There is a figure
13 here --

14 148 Q. There are various calculations on that document and I
think

15 that shows that the level of indebtedness stood, as of the
16 7th December 1979, at 1,143,139.18.

17 A. In the handwritten document it gives 1,143,000.

18 149 Q. That's right. 1.143 I think, yes. Yes.

19 now, allowing for the fact that banks normally do continue

20 to calculate interest, whatever about charging it, there
21 would have been some further interest accumulated by the
22 time that the agreement was reached and the
indebtedness
23 discharged in January of 1980, but I am not going into
24 that. The bank, in dealing with you, would you agree,
25 dealt with you on reasonably favourable terms --
reasonably
26 favourable terms, that the bank dealt with you on
27 reasonably favourable terms

28 A. No, I wouldn't agree, no.

29 150 Q. Why wouldn't you agree with that, Mr. Haughey?

30 A. I think I read Mr. Scanlon's evidence, which you led him,

1 and he said, I think he said words to the effect that it
2 was within the normal context of these type of settlements.

3 Am I right in that? I think he said something like that.

4 151 Q. So therefore you don't consider that these were
reasonable

5 terms? You don't think they were?

6 A. Sorry?

7 152 Q. You don't think they were reasonable terms?

8 A. Ah I do, yes.

9 153 Q. Sorry, I beg your pardon, I thought you said that you
10 didn't agree?

11 A. You were saying favourable.

12 154 Q. Favourable.

13 A. Not specifically favourable to me. They were the sort of
14 settlements which, I gather from Mr. Scanlon, were often
15 made by the bank.

16 155 Q. That is something we -- that is something we'll go into
17 perhaps at a later stage, Mr. Haughey, when we look at
18 some comparative matters, but if I might just ask you this,
19 in effect -- may I just say in the first instance in
20 accepting the terms of the 24th January 1980, I think that

21 there remained outstanding on the books of Allied Irish
22 Banks an indebtedness of 110,000 which was to stand free
of
23 interest, isn't that correct?
24 A. Yes.
25 156 Q. You never paid that, did you?
26 A. Well, no.
27 157 Q. And nobody -- it was recorded as being a debt of
honour,
28 but nonetheless a security was held in respect of the
29 island of Inishvickillane and nobody asked you to pay that
30 money to honour your debt of honour?

1 A. No. First of all, the security wasn't of any particular
2 significance in those days and secondly, nobody,
3 nobody -- first of all, as well, there was no interest
4 being charged.

5 158 Q. There was no interest being charged?

6 A. And, in fact, I think the letter makes some reference, in
7 fact, that nothing was to happen about it. There were no
8 other -- no transactions were to take place, isn't that --

9 159 Q. That's right. It was considered a debt of honour and I
10 think what was expected that you, as a man of honour,
would
11 honour that debt of honour within a reasonable period of
12 time. I think that would be a reasonable reading of the
13 letter, would you agree?

14 A. I think you are putting a lot of stress on honour, on the
15 debt of honour, which I don't know what significance the
16 bank attributed to it at that stage, but it's in the letter
17 but they never sought -- they never came to me -- never
18 mentioned it since and I quite frankly had forgotten about
19 it.

20 160 Q. Could I ask you this, you signed and accepted these

21 particular terms, Mr. Haughey?

22 A. Yes.

23 161 Q. You were the head of government of this country at the
time

24 you did that?

25 A. Yes.

26 162 Q. You held a position of honour, isn't that correct?

27 A. Yes.

28 163 Q. And you were entering into an agreement with this bank
to

29 accept a debt of honour, isn't that correct?

30 A. That's what's in the letter, yes.

1 164 Q. And would you agree that a debt of honour is one which
2 would be one would be honoured by honourable people?

3 A. Yes.

4 165 Q. And bearing in mind the position of honour you held, do
you

5 have any reason as to why you didn't honour this debt?

6 A. The debt is still there, I haven't dishonoured it. The
7 point --

8 166 Q. Well, now --

9 .

10

11 CHAIRMAN: Ladies and gentlemen please, please let the
12 evidence proceed.

13 A. The fact is, Mr. Coughlan, that the bank never came to
me

14 seeking payment of this -- never. They never wrote to
me

15 about it, they never said anything about it to me. They
16 have never been in touch with me since about it.

17 .

18

19 MR. COUGHLAN: Well, Mr. Haughey, about 10 years

20 subsequently, the deeds which were held were released to
21 your solicitors, Messrs John S. O'Connors, so there was
22 some contact in relation to not the debt but some
documents
23 which related to the debt which were held at Allied Irish
24 Banks which your solicitors obtained from the bank, isn't
25 that correct.
26 A. Yes, they wrote to the bank and the bank handed the
27 documents over to them, yes, that's correct.
28 167 Q. And it never occurred to you that you might, in that
29 intervening period --
30 A. I think --

1 168 Q. Sorry, could I ask you a question first, Mr. Haughey?

2 A. I think you are misrepresenting this situation. The bank
3 put in this proviso with regard to this 110,000 as a debt of
4 honour to be paid in due course and I think there is some
5 reference to the fact that the sale of Abbeville lands in
6 that letter, is there not?

7 169 Q. It is, that it is expected that that would be done, Mr.
8 Haughey, but I think -- where do you say that I am
9 misrepresenting things first? Could you identify that
10 first?

11 .

12 MR. MCGONIGAL: In paragraph 2 it says the remaining
13 balance --

14 .

15

16 MR. COUGHLAN: I am asking the witness first.

17 .

18 MR. MCGONIGAL: Mr. Coughlan is misrepresenting what
Mr.

19 Haughey just said, Sir.

20 .

21

22
prompt a

MR. COUGHLAN: And Mr. McGonigal is attempting to

23

witness.

24

.

25

MR. McGONIGAL: Mr. Coughlan is even more capable of

26

putting it properly.

27

.

28

29
witnesses.

MR. COUGHLAN: Mr. McGonigal shouldn't prompt

30

1 MR. MCGONIGAL: I am not prompting a witness. I am
2 putting a document correctly.

3 .

4

5 CHAIRMAN: I am not going further than this, gentlemen,
6 because we are marginally over the two hours and I am
not

7 going to have matters winding up with some matters of
8 resolution. I will give Mr. Haughey a full opportunity of
9 dealing with this particular aspect and then it seems to
10 me, if I am to comply with the arrangements made with
Mr.

11 McGonigal's legal advisers that evidence would not exceed
12 two hours, it's that approximate time, that little more can
13 be achieved today.

14 A. Mr. Chairman, may I, through you, just ask that I be
15 entitled to be given leave to say that I did not act
16 dishonourably in regard to this matter.

17 .

18

19 CHAIRMAN: Yes, please state what you would wish the
20 Tribunal to know in that regard.

21 A. Thank you.

22 .

23

My

24 MR. COUGHLAN: Now, I will read paragraph number 2 as

25 Friend has suggested. "The remaining balance of the

26 indebtedness, namely 110,000, is to be liquidated within a

27 reasonable period of time by the introduction of funds

28 arising from the disposal of any part of the property and

29 lands known as Abbeville, it being understood that not less

30 than 10 percent of the proceeds of such disposals will be

1 so introduced." Now --

2 A. May I just intervene there to say that up until last week
3 no lands were sold.

4 170 Q. Now, did a reasonable period of time mean anything to
you,

5 Mr. Haughey?

6 A. It certainly seemed to me that the bank were putting the
7 matter on the long finger.

8 171 Q. A reasonable period of time is putting something on the
9 long finger, is that your understanding?

10 A. There are two qualifications. One is a reasonable period
11 of time and the other is that they would be realised -- the
12 money would be paid out of the sale of lands.

13 172 Q. But might one not --

14 A. No lands have been sold, Mr. Coughlan.

15 173 Q. But lands could have been sold within a reasonable
period

16 of time, is that correct, Mr. Haughey? Lands would have
17 sold?

18 A. If the bank had come to me pressing for payment, that
would

19 be a different situation. Perhaps then we could have

20 considered selling lands. The bank never came to me.

21 174 Q. Considered selling lands?

22 A. Yes, we could have considered selling lands. The bank
23 never came to me from that day to this in connection with
24 this money. Never.

25 175 Q. Well, as the time has passed now, Sir, it's something
26 perhaps I should take up at a later stage.

27 .

28

29 CHAIRMAN: Yes. Mr. McGonigal, I had indicated that of
30 course I will give you an opportunity to deal with these

1 matters before expecting you to take on all topics at the
2 conclusion of the Tribunal's examination of Mr. Haughey
and

3 I take it that would be your own preference?

4 .

5 MR. MCGONIGAL: I'd certainly consider that. I will
6 certainly consider that before the Tribunal resits in
7 relation to that aspect of it. I am somewhat concerned
8 though, as I indicated at the beginning of Mr. Haughey's
9 examination, as to the justification for leading a lot of
10 this material in absolute breach of Mr. Haughey's
11 constitutional right to privacy. And I am particularly
12 interested, I will be particularly interested to hear
13 Mr. Coughlan explain his recent examination of Mr.
Haughey
14 on that particular letter as to how that impacts at all on
15 the Terms of Reference, because it doesn't, on the face of
16 it, seem to have any relevance whatever to the Terms of
17 Reference that this Tribunal is supposed to be inquiring
18 into.

19 .

20

on 21 CHAIRMAN: I had already taken a different view to you
22 that, Mr. McGonigal. Any aspects pertaining to further
23 examination of the witness can be discussed between the
24 respective legal advisers and, if necessary, ruled upon by
25 me in the absence of agreement. We will end the present
26 short series of sittings in relation to Mr. Haughey's
27 evidence on a basis that they will be resumed, I think, at
28 the earliest possible vantage point in the month of
29 September and we will also be sitting this afternoon to
30 deal with some remaining witnesses not directly involving

1 Mr. Haughey's testimony.

2 .

3

4 MR. COUGHLAN: That is correct, Sir.

5 .

6

7 CHAIRMAN: Very well. Thank you, Mr. Haughey.

8 .

9 THE TRIBUNAL THEN ADJOURNED FOR LUNCH.

10

11

12

13

14

15

16

17

18

19

20 .

21 THE TRIBUNAL RESUMED AS FOLLOWS AT 2PM:

22 .

23

24 MS. O'BRIEN: Mr. Frank Lynch please.

25 .

26 FRANK LYNCH, HAVING BEEN SWORN, WAS EXAMINED AS
FOLLOWS BY

27 MS. O'BRIEN:

28 .

29

30 176 Q. Thank you, Mr. Lynch. Sir, just so that you and the
public

1 will be aware, Mr. Lynch, who is currently the manager of
2 Allied Irish Banks in Baggot Street, has on this occasion
3 been asked to attend the Tribunal regarding evidence
which
4 was given on Thursday last by Mr. John Magnier and you
5 recall, Sir, that Mr. Magnier indicated that he had made a
6 contribution to funds to defray the medical expenses of the
7 late Mr. Lenihan and that that contribution amounted
8 to 20,000 was made by two bank drafts which were drawn
on
9 Allied Irish Banks, Bridge Street in Cork and dated the 8th
10 June and Allied Irish Banks and in the person of Mr. Lynch
11 has been asked to assist the Tribunal in relation to the
12 manner in which each of those bank drafts appears to
have
13 been negotiated and whether or not they appear to be
14 connected from the available documents to any lodgment
to
15 the Leader's Allowance Account which was maintained at
the
16 Baggot Street branch and, Mr. Lynch, you have provided
the
17 Tribunal with a Memorandum of your Intended Evidence
and I

18 propose taking you through that and referring to the
19 available documents.

20 A. Okay.

21 177 Q. And you state that you were the manager of the branch
of

22 Allied Irish Banks at 1-3 Lower Baggot Street, Dublin 2
and

23 both your predecessor, Mr. Alan Kennedy and you on
earlier

24 occasions have given detailed evidence to the Tribunal

25 regarding the operation of account number 30208062 in
the

26 names of Mr. Charles Haughey, Mr. Bertie Ahern and

27 MacSharry, this is the account you understand the Tribunal

28 refers to as the Leader's Allowance Account.

29 A. Correct.

30 178 Q. You state arising from additional information which has

1 come to the Tribunal, the bank has been asked to provide
2 further evidence regarding the negotiation of two bank
3 drafts for 10,000 each and in particular whether these
4 appear to be connected to any lodgment to the Leader's
5 Allowance Account, is that correct?

6 A. That's correct.

7 179 Q. You state that the Tribunal has brought to your attention
8 copies of two bank drafts each of which were drawn on
9 Allied Irish Banks in Patrick Bridge branch, Bridge Street
10 Cork on the June of 1989 and perhaps we could look at
each
11 of those bank drafts in turn.

12 .
13 the first of the drafts is dated June of 1989 drawn on
14 Allied Irish Banks, Saint Patrick's Bridge branch, Bridge
15 Street, Cork in the sum of 10,000 and is payable to Mr. Jim
16 Casey

17 A. That's right.

18 180 Q. And the second draft which is in all respects identical to
19 the first draft except on this occasion the draft is
20 payable to Mr. Jim Murphy?

21 A. Yes.

22 181 Q. You understand that the Tribunal has been informed
that
23 these drafts were purchased from funds debited to an
24 account controlled by Mr. John Magnier, I think that was
25 correct. You state that it appears from the stamps on the
26 reverse sides of each of the drafts that both drafts were
27 negotiated at the Baggot Street branch and if I could just
28 look there at the badge on the Jim Casey draft, you will
29 see there on the right-hand side I think, the badge reads
30 "Presented Allied Irish Banks plc, 1 Lower Baggot Street

1 Dublin 2".

2 A. That's correct.

3 182 Q. And the numbers below that, what are they, Mr. Lynch?

4 A. Tracer numbers.

5 183 Q. The line 93-10-12, is that not the sort code?

6 A. That's the sort code for AIB Lower Baggot Street.

7 184 Q. The second of the drafts payable to Jim Murphy, I think

8 that has an identical badge "Presented Allied Irish Banks,

9 1 Lower Baggot Street Dublin 2".

10 A. That's right.

11 185 Q. And again it has the same sort code?

12 A. Yes.

13 186 Q. I think there appears to be some stamp between that
and the

14 numbers on the left-hand side, I don't think any of us can

15 make that out, I think it's of very poor quality. I think

16 you have also indicated that on each of the drafts there

17 are a series of numbers legible on the reverse sides and on

18 the Jim Casey draft, it's difficult to see on the overhead

19 projector and correct me if I am wrong as to the numbers

20 but I think the numbers read 140689 340712-002-060, is
that

21 correct?

22 A. That's correct.

23 187 Q. And then if we look at the numbers on the Jim Murphy
draft,

24 they are just below the endorsement on the left-hand side,

25 I think they read 140689 340713-002-060.

26 A. That's correct.

27 188 Q. And I think you informed the Tribunal that the first set
of

28 numbers recorded the date on which the drafts were

29 presented for payment and in each instance, it would
appear

30 that both drafts were negotiated on the 14th June of
1989?

1 A. Were presented, yes.

2 189 Q. And I take it that that comes from the numbers 140689
is

3 that correct?

4 A. That's correct.

5 190 Q. And the numbers are identical on each of the drafts?

6 A. Correct.

7 191 Q. I think you state that the second set of numbers include

8 what is known as the tracer numbers and these are part of

9 the branch's control system for tracking transactions

10 across the branch's books, is that correct?

11 A. That's correct.

12 192 Q. And I think you state that every document or
instrument

13 which is processed through the branch is numbered

14 sequentially so if two tracer numbers are in close

15 proximity, this suggested the instruments or transactions

16 may be related?

17 A. That's correct.

18 193 Q. Does that mean by way of illustration that if a customer
is

19 coming into the bank to make a lodgment and completes a

20 lodgment docket and if that lodgment comprises, say, four
21 cheques or instruments, the lodgment docket would have
a
22 tracer number 1, and the instruments or cheques would
then
23 be numbered 4 to 6 or 4 to 5?
24 A. Following four numbers, yes.
25 194 Q. They would be in sequence?
26 A. Yes.
27 195 Q. I think you informed the Tribunal that these tracer
numbers
28 on these two drafts and that comes from the second set of
29 numbers on the series of numbers on the reverse side or
712
30 and 713 and in terms of those being in immediate
proximity,

1 what does that suggest to you?

2 A. Well it would appear that the drafts were then processed
as
3 part of the same transaction.

4 196 Q. So they would have formed part of the same
transaction?

5 A. Yes.

6 197 Q. Whether they were cashed or lodged or however way
they were

7 negotiated, they were negotiated as part of a single
8 transaction?

9 A. That's what it would seem.

10 198 Q. I think you said it appears from the statements of the
11 Leader's Allowance Account and I think we can put a copy
of
12 that on the projector, that there was a lodgment to the
13 account on the 14th June of 1989 of 56,600, I think we can
14 see that on the monitor, there's one just there on your
15 right-hand side, it might be closer for you and that's the
16 last of the credit transaction on that page, 57,600 and I
17 think on the left-hand side, you will see the date of that,
18 although again it's not entirely clear on the projector, is
19 the 14th June of 1989.

20 A. Correct.

21 199 Q. Now I think you have informed the Tribunal that the
tracer

22 number on the account statement records a tracer number

23 which would have appeared on the lodgment docket
completed

24 for this lodgment?

25 A. Yes.

26 200 Q. So that if the tracer number in fact we can see there is

27 705, and does that indicate to you that the tracer number

28 would have appeared on the lodgment docket for this

29 lodgment was 705?

30 A. That's correct.

1 201 Q. And I think you have informed the Tribunal that as this
is

2 in close proximity to the tracer numbers on the
instruments

3 which were 712 and 713, that it is probable that the

4 lodgment to the Leader's Allowance Account included the

5 proceeds of these two drafts?

6 A. That's correct.

7 202 Q. Can I take it in the absence of the waste sheets which

8 would be the bank internal records, that you can't be

9 entirely sure about that?

10 A. Absolutely right.

11 203 Q. But so far as the documents available to you and the
only

12 documents available to you with the statements and two

13 drafts and tracer numbers, it appears to you from your

14 experience which you have had for a number of years that

15 it's probable that this lodgment comprises in part the

16 proceeds of the two drafts for 10,000 each?

17 A. I would say it is probable, based on the evidence.

18 204 Q. Thank you very much.

19 A. Thank you.

20 .

21 CHAIRMAN: Anything, Mr. Sheridan? Thank you very
much

22 indeed, Mr. Lynch, for your assistance.

23 .

24 THE WITNESS THEN WITHDREW.

25 .

26

27 MS. O'BRIEN: Mr. Oliver Murphy please.

28 .

29

30

1

2

3

4

5

6
AS FOLLOWS

OLIVER MURPHY, HAVING BEEN SWORN, WAS EXAMINED

7

BY MS. O'BRIEN:

8

.

9
please

CHAIRMAN: Thanks for your attendance, Mr. Murphy,

10

sit down.

11

.

12

13
just

205 Q. MS. O'BRIEN: Thank you, Mr. Murphy and again, Sir,

14

to put Mr. Murphy's evidence in context, can we just have

15

on the projector a copy of the list which was provided to

16
who

the Tribunal by Mr. Paul Kavanagh regarding the persons

17
funds

he intended to approach to make contribution to, say,

18

collected for the late Mr. Brian Lenihan. You see, Sir,

19 Mr. Murphy's name appears on the left-hand side of the
20 typed list and there's a line appears to have been drawn
21 through Mr. Murphy's name and that Mr. Peter Hanley's
name
22 appears on the right-hand side of Mr. Murphy's name. It
23 was on the basis of Mr. Murphy's name appearing on that
24 list that the Tribunal wrote to Mr. Murphy and requested
25 his assistance in relation to this matter and, Mr. Murphy,
26 I think that you provided the Tribunal with a response to
27 those queries that were raised by the Tribunal and your
28 response has been converted by the Tribunal into a
29 memorandum of the evidence which you are in a position
to
30 give, I don't know if you have a copy of that with you in

1 the box.

2 A. I have, yes.

3 206 Q. What I propose to, Mr. Murphy, is take you through that
4 Memorandum and I may ask you one or two questions if
that's
5 all right to clarify some matters?

6 A. Okay.

7 207 Q. You were asked by the Tribunal whether you were
approached
8 to make a contribution to a fund to defray the expenses of
9 the late Mr. Brian Lenihan in connection with a surgery he
10 was to undergo in the United States and you indicated that
11 you were approached to contribute to the funds raised to
12 defray the expenses of the late Mr. Lenihan.

13 A. That is correct.

14 208 Q. Yes. You were asked for the identity of each and every
15 person by whom you were approached in this regard and
you
16 stated that you were approached by Mr. Paul Kavanagh, is
17 that correct?

18 A. Yes.

19 209 Q. You were asked the amount of the contribution that you
made

20 to the funds collected for the late Mr. Lenihan and you
21 indicated that you contributed a sum of 5,000, is that
22 correct?

23 A. That's correct, yes.

24 210 Q. You were asked whether the contribution was made in
cash by

25 cheque or otherwise and if by cheque, details of the

26 account on which the cheque was drawn and the name of
the

27 payee and you answered that the contribution was made
by

28 cheque from Hibernia Meats Limited, a company with
which

29 you were then associated and that the cheque was payable
to

30 Fianna Fail, is that correct?

1 A. That is correct. There is just one possible correction to
2 that, the cheque more than likely was paid by Hibernia
3 Meats International Limited.

4 211 Q. Was that a subsidiary or related company?

5 A. It was a subsidiary company, Hibernia Meats Limited was
a
6 50 percent shareholder in that company.

7 212 Q. So it was a -- 50 percent shareholder so it was a
related
8 company?

9 A. Yes.

10 213 Q. Were you also managing director of Hibernia Meats
11 International Limited?

12 A. Yes, I was.

13 214 Q. Was there any particular reason that you might have
chosen
14 to make the donation from funds drawn from the
15 international company rather than from Hibernia Meats
16 Limited?

17 A. Absolutely none. I mean I don't have the records of these
18 cheque payments.

19 215 Q. I appreciate that.

20 A. And on reflecting on the matter over the last couple of
21 days it dawned on me that the payment may have been
made by
22 Hibernia Meats International.

23 216 Q. And was Hibernia Meats International also taken over by
the
24 French interests which took over Hibernia?

25 A. Yes it was.

26 217 Q. So if the Tribunal was to apply to Hibernia Meats Limited
27 or Hibernia Meats International Limited, it should be
28 possible to obtain a record of the contribution?

I
29 A. Hibernia Meats Limited was 100 percent owned by me and
30 owned a 50 percent share in Hibernia Meats International

1 through Hibernia Meats Limited.

2 218 Q. And you sold your interest to the French interests who
3 acquired it?

4 A. Yes.

5 219 Q. The time -- at the time of making this donation to the
6 funds for the late Mr. Lenihan, it was usual that any other
7 political contributions would have been made through
8 Hibernia Meats International Limited or Hibernia Meats
9 Limited?

10 A. As far as my recollection goes, it would all have been
made

11 from Hibernia Meats International.

12 220 Q. It prompted you, having considered the matter, to
believe

13 that this donation was also probably made out of the
14 international company?

15 A. Yes.

16 221 Q. And I just ask you in relation to, you stated that you
17 wholly owned Hibernia Meats Limited and that Hibernia
Meats

18 Limited in turn had a 50 percent shareholding in Hibernia
19 Meats International Limited. Could you indicate who held

20 the other 50 percent?

21 A. The other 50 was held by C.D. Viandes.

22 222 Q. Was that then subsequently acquired by one of its --

23 A. That or one of its agents.

24 223 Q. You were asked for details of the manner in which the
25 payment was conveyed either to Mr. Kavanagh or to any
other

26 person to whom it was delivered for the purposes of the
27 fund and you state that the cheque was handed over in
the

28 Westbury Hotel, Mr. Murphy cannot recollect exactly to
whom

29 it was handed but he believes it was to Mr. Paul
Kavanagh?

30 A. Yes.

1 224 Q. You were asked whether you had any contact with any
person
2 after such donation was provided, whether by way of
3 acknowledgment or otherwise of the contribution and you
4 stated that you had no contact with anyone subsequent to
5 the making of the contribution; is that correct?

6 A. That's correct.

7 225 Q. And you were asked for details of your knowledge, direct
or
8 indirect, of any other person who was approached to make
a
9 contribution to the fund and you stated that you had no
10 knowledge of anybody else who may have made or was
11 approached to make contribution; is that correct?

12 A. That is correct.

13 226 Q. Now, can I just ask you one or two things arising out of
14 that matter. You say that you were approached to make
the
15 contribution by Mr. Paul Kavanagh and do you recall was
the
16 approach made by Mr. Kavanagh to you directly or did he
17 telephone you or did he apply to you in writing or how was
18 the matter dealt with?

19 A. As I recall it, it was a telephone call.

20 227 Q. It was a telephone call from Mr. Kavanagh?

21 A. Yes.

22 228 Q. Had you known Mr. Kavanagh well before that?

23 A. I knew he was involved in Fianna Fail circles.

24 229 Q. And if you were receiving an approach to make a
donation

25 like that, would you have expected, in the ordinary course,

26 for it to have been made by Mr. Kavanagh?

27 A. Well, I mean, Mr. Kavanagh would have been known to
me in

28 terms of, as a fund raiser for Fianna Fail.

29 230 Q. You weren't surprised Mr. Kavanagh made the
approach?

30 A. No.

1 231 Q. Can you tell me at the time did Mr. Kavanagh indicate to
2 you at all what overall level of funding he was hoping to
3 raise for Mr. Lenihan's expenses?

4 A. No.

5 232 Q. Sorry?

6 A. No, he did not.

7 233 Q. He didn't indicate that to you. And did he suggest to
you
8 at all what might or might not be an appropriate level of
9 contribution to be made?

10 A. No, he did not.

11 234 Q. So he simply said to you at the time that funds were
being
12 collected for this purpose, would you see it in your way to
13 make a donation?

14 A. Yes.

15 235 Q. And he left the matter of quantum or the level of
donation
16 entirely to yourself?

17 A. Yes.

18 236 Q. Now, the time he telephoned you, did you indicate to
him

19 straightaway that you were minded to make a contribution
or

20 did you tell him that you'd consider it, perhaps discuss it
21 with some other people and come back to him?

22 A. Well I don't recall what I indicated at the time of the
23 telephone conversation but I certainly would be amenable
to

24 making a contribution to the late Brian Lenihan's medical
25 expenses.

26 237 Q. Of course. Do you recall at the time whether you might
27 have discussed that with anybody else who was associated
28 say with Hibernia Meats International, any of your fellow
29 directors of that company or was the decision entirely your
30 own?

1 A. Well I don't recall whether I discussed it with anybody
2 else but it's more than likely the decision was mine.

3 238 Q. And can I just ask you when you transmitted the
donation,
4 you say that the cheque was handed over in the Westbury
5 Hotel and you cannot recollect to whom it was handed but
6 you believe it was Mr. Paul Kavanagh. Now, was that an
7 arrangement that you made by appointment or did you just
8 happen to be in the Westbury Hotel at the time?

9 A. No, I wouldn't happen to be in the Westbury Hotel at the
10 time. I imagine I was advised to be in the Westbury Hotel
11 on a particular day.

12 239 Q. Would have made an appointment of some sort or
arrangement
13 of some sort?

14 A. Yes.

15 240 Q. You don't recall you might have attended any function
of
16 any sort at the Westbury Hotel and this might have arisen
17 in the course of a function or something like that?

18 A. No, it was not part of a function.

19 241 Q. So it was a private appointment that you made in order
to

20 transmit this donation?

21 A. Yes.

22 242 Q. You say that you had no contact with anybody
subsequent to

23 the making of the contribution and could I just ask you

24 this, did you at any time after you made the contribution

25 happen to meet Mr. Lenihan in any social context or other

26 context?

27 A. Well I don't recollect any particular occasion but I mean I

28 may have, you know, met him, I don't recall specifically.

29 243 Q. You don't recall Mr. Lenihan ever discussing it with you
or

30 signifying his gratitude to you?

1 A. Certainly not, nor did I expect him to because I made the
2 donation, I was hoping it would remain anonymous.

3 244 Q. Yes, I can understand that completely and Mr. Kavanagh
the
4 same?

5 A. Yes.

6 245 Q. And finally can I ask you where you see on the list there
7 where your name is on Mr. Paul Kavanagh's list, Mr. Oliver
8 Murphy and for some reason, I don't think Mr. Kavanagh
was
9 able to assist us on it at the time, a line appears to be
10 put through it and Mr. Peter Hanley's name appears in
11 manuscript beside it. You didn't receive any approach
from
12 Mr. Hanley at the time, did you?

13 A. Not that I recall. I knew Mr. Hanley but --

14 246 Q. You would have known Mr. Hanley presumably from the
15 business that you were in?

16 A. Yes, I was chairman of the Livestock and Meat Board
17 appointed by the late Jim Gibbons and Mr. Hanley was on
18 that board.

19 247 Q. But you never received any approach from Mr. Hanley

20 regarding this matter?

21 A. No.

22 248 Q. Thank you very much.

23 .

24 CHAIRMAN: Thank you very much, Mr. Murphy, for your
25 assistance.

26 .

27 THE WITNESS THEN WITHDREW.

28 .

29

30 MR. HEALY: Mr. Dermot Desmond please.

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22

23

24 DERMOT DESMOND, PREVIOUSLY SWORN, WAS
EXAMINED AS FOLLOWS

25 BY MR. HEALY:

26 .

27 CHAIRMAN: Thank you for your attendance, Mr.
Desmond.

28 Please sit down. You are already sworn.

29 .

30

the 1 249 Q. MR. HEALY: Thanks, Mr. Desmond, I think you know
2 purpose of your attendance here today is to give evidence
3 in relation to your involvement in Feltrim plc which
4 subsequently became Minmet plc.

5 A. Yes.

to it 6 250 Q. And you have made a number of statements in relation
7 or provided a number of memoranda to the Tribunal
8 consisting of mainly responses to queries raised by the
9 Tribunal, isn't that right?

10 A. Correct.

may 11 251 Q. You have also provided some documentation. In fact we
lot 12 not need to go through all the documentation because a
13 of it has already been mentioned. I am going to deal with
14 your first memorandum and if you have a copy of, what I
am 15 dealing with is a document that really has two paragraphs.
16 Do you have a copy that?

17 A. Thank you.

may 18 252 Q. This would have been prepared by your solicitors. It

19 have referred to other matters which are not germane to
the 20 evidence you are giving today so they are probably
 21 excluded. What you say, in July of 1990 you purchased
 22 83,333 shares in the sum of 21,041 in Feltrim plc, now
 23 Minmet plc, of which Conor Haughey was managing
director. 23 director.

24 You say that in August of 1991 you advanced a loan of the
25 sum of 55,000 to Feltrim plc. In April of 1992 this loan
26 was converted into 1,100,000 shares in Feltrim plc. Since
27 that time, you have participated in four share issues via
28 Feltrim/Minmet to a total value of 216 -- sorry --

29 .

30

1 MR. SHIPSEY: It's just share issues.

2 .

3

4 MR. HEALY: Sorry, I'll just correct that. You say that
5 since 1992 you have participated in share issues via
6 Feltrim/Minmet to a total value of 216,881. Subsequent
7 sales of shares have netted 1,250,928 realising a profit
8 of 936,705. Shares costing 453, which are worth 3,699 are
9 still held by you in the company.

10 .

11 now, you have provided further memoranda consisting of
12 responses to queries raised by the Tribunal and the first
13 query that was raised with you was in connection with the
14 circumstances in which you made an initial purchase of
15 83,000 odd shares in July of 1990 and if this was on foot
16 of a share offer issued by the company, you were asked
for
17 a copy of the letter of offer. There's no direct response
18 to that query and it seems to me that the response is
19 contained in the response to the next query. You can
20 correct me if I am wrong.

21 .
22 the next query was in relation to all of the matters which
23 prompted you to make the share purchase and you say, "I
was
24 aware of the company and had confidence in its prospects.
25 The initial purchase of 83,000 odd shares arose on foot of
26 a share placing. Our client is unable to locate any
27 documents in respect of this placing." You were then, am I
28 right in thinking that a response to queries 1 and 2
29 A. More or less, yes.
30 253 Q. Query No. 3 was, "for details of all of your dealings in

1 relation to the initial purchase of shares with Mr. Conor
2 Haughey, any other officer of the company, Mr. Charles
3 Haughey or any other person, whether on their own behalf
or
4 otherwise." And your response was, "You had a number of
5 discussions and meetings with Mr. Conor Haughey and Mr.
6 Bernie Cahill and you had no discussions on the matter
with
7 Mr. Charles J. Haughey."
8 .
9 you were then asked for "Details of the circumstances in
10 which loans of 40,000 and 15,000 respectively were made
by
11 you to the company on the 12th and the 28th August of
1991,
12 including the terms governing such loans with regard to
13 interest and repayment." And your response is "Mr. Bernie
14 Cahill requested you to make the loans and no precise
terms
15 were finalised as to the repayment or amount."
16 .
17 then you were asked for a response to the query as to the
18 matter which prompted to you make below this and your

19 response is you were confident that Feltrim plc would be
20 able to repay the loans.
21 .
22 you were then for asked for details of all of your details
23 in relation to the making of the loans with Mr. Conor
24 Haughey, any other officer of the company, Mr. Charles
25 Haughey, or any other person, whether on their behalf or
26 otherwise and you say "The loans were converted to
shares
27 as a result of a number of discussions and meetings with
28 Mr. Conor Haughey and Mr. Bernie Cahill. You had no
29 discussions in the matter with Mr. Charles J. Haughey."
30 .

1 you were then asked for details of the circumstances in
2 which the loans provided by you were converted into
shares
3 and if this involved a restructuring of the capital of the
4 company. You were requested to provide copies of all
5 notices issued by the company and letters of offer and
6 acceptance as between you and the company. And you said
7 that you have been unable to locate any further documents
8 other than a copy of the loan conversion form dated the
9 19th February 1992.
10 .
11 you were asked to provide a narrative statement setting
out
12 each of the individual transactions in Feltrim/Minmet
13 shares, numbered 1 to 11 on a table provided by the
14 Tribunal and you have provided a document setting out
the
15 various transactions involving you in Feltrim/Minmet
shares
16 and we will come to the detail of that in a minute. You
17 were then asked for the current value of your shareholding
18 in the company and you say that the current value
is 3,699,

19 based on 14,678 at euro rate of .32, I presume that must
be

20 Euros per share.

21 A. Maybe it's 14,000 shares it should have been.

22 254 Q. 14,000 shares at .32 euros per share giving 3,699 as the
23 total valuation?

24 A. Yes.

25 255 Q. You then provided a second response to a further set of
26 queries and we may need to amplify on some of these.

27 Firstly you were asked for confirmation that you did not

28 subscribe for shares on foot of the placement of shares by

29 Feltrim in March of 1990 and you say that you purchased
the

30 83,000 odd shares in July of 1990 which formed part of
the

1 share placement initiated in March. You said that you were
2 not however approached about subscribing for shares in
3 March of 1990.

4 .

5 now I think that you will recall that your initial, one of
6 the initial queries raised with you was what prompted you
7 to make the share purchase and you say that you were
aware

8 of the company and had had confidence in its prospects
and

9 you say the initial purchases of 83,000 shares arose on
10 foot of a share placement.

11 .

12 now, I just want to clarify that a bit. You weren't
13 involved as one of the initial intended subscribers to the
14 company, is that right

15 A. Correct.

16 256 Q. So that your involvement arose subsequently, some
months

17 after the shares were originally to be subscribed for and
18 taken up?

19 A. Yes.

20
has been

257 Q. Were you aware or are you now aware that evidence

21
arose

given that in fact your involvement with the company

22 as a result of the fact that a number of the initial

23 intended subscribers pulled out?

24 A. I am aware after the fact.

25 258 Q. You were not aware at the time?

26 A. No.

27 259 Q. Your initial involvement I think came as a result of an

28 approach from Mr. Conor Haughey, isn't that right?

29 A. I believe so.

30 260 Q. Can you remember the approach?

1 A. No, I think Conor asked me to subscribe for shares in the
2 company, that there was a shortfall in the placing and he
3 felt the prospects were good. He gave me some indication
4 of the potential of the company and I agreed to take the
5 shares. Simple as that.

6 261 Q. But he did tell you there had been a shortfall in the
7 placing?

8 A. Yes.

9 262 Q. He didn't tell you what had caused the shortfall, that
10 people had fallen out?

11 A. No.

12 263 Q. I don't mean fallen out with him, but they dropped out
of
13 the picture?

14 A. No.

15 264 Q. I just want to clarify that. Feltrim wasn't a company
that
16 attracted your interest at its initial --

17 A. No.

18 265 Q. -- offer to the public. It was only as a result of an
19 approach from somebody?

20 A. Correct.

21 266 Q. The next query is a related query and it's in relation to
22 the circumstances in which you first became aware that a
23 subscriber for shares had defaulted in making payment to
24 the company and that the placement was under-
subscribed and
25 your response is that you were informed by Mr. Conor
26 Haughey and/or Mr. Bernie Cahill that shares were
available
27 and you do not recall being told that an investor had
28 defaulted.
29 just in relation to that, were you are you saying that it
30 was either Mr. Conor Haughey or Mr. Bernard Cahill
because

1 you can't remember or are you saying that it could have
2 been either of them

3 A. It could have been either of them.

4 267 Q. Are you aware that Mr. Bernie Cahill said it wasn't him
as
5 far as he is aware?

6 A. I am not disputing that. I have a bundle of recollections
7 of events. I spoke with Mr. Cahill and Mr. Haughey.
8 Exactly in relation to whether it was a loan or the shares,
9 I can't be precisely accurate.

10 268 Q. I understand. But if Mr. Haughey says that he
approached

11 you and you think it was either Mr. Haughey or Mr. Cahill,
12 would you accept Mr. Haughey's evidence that it was he
13 approached you?

14 A. I would.

15 269 Q. You were asked for details of all dealings which you had
16 with Mr. Conor Haughey, with any other officer of Feltrim
17 or with any other person whatsoever in connection with
your
18 subscription in July/August 1990. And you say that you
had
19 conversations again with Mr. Cahill and/or Mr. Conor

20 Haughey and/or Mr. Emmet O'Connell but the evidence
appears

21 to be from these other individuals is that the only

22 approach was made by Mr. Conor Haughey and you would
accept

23 that if that's his evidence?

24 A. I would.

25 270 Q. I think you already answered the next query which is
again

26 what related you, what prompted you to apply for the
shares

27 in 1990 when you hadn't applied at the time of the initial

28 offer?

29 .

30 the next query concerns the bank account or accounts
from

1 which a sum of 26,333 was provided in August of 1990 and
the
2 bank account or accounts from which the sum of 55,000
was
3 provided in August 1991. We will leave the August 1991
4 loan out of it for the moment. Your response is that the
5 money you used to pay for the initial tranche of shares was
6 provided from the Dedeir account with Lombard and Ulster
7 Banking. And I think you provided the Tribunal with a copy
8 of a relevant page from the account showing a debit in that
9 amount. Can you see it on the monitor in front of you? It
10 might be easier. You see the debit is showing, now there
11 are no particulars, I am sure we can check that through
12 your solicitors and that it will show that it was a
13 payment. In any case, we know that that amount of
money
14 did go to Feltrim. In relation, in view of the fact that
15 you recall that when you last gave evidence, there were
16 connections between the Dedeir account and the Freezone
17 account, can we take it that there was no Freezone
18 involvement in this payment
19 A. Not that I am aware of.

20 271 Q. And that therefore there was no inter-account
transaction

21 involved?

22 A. No, I think we would have factored enough in our
response.

23 272 Q. Before I go on to some of the other queries, we may
need to

24 go back over some of the other evidence you have given in
25 relation to this matter today.

26 .

27 the next query relates to loans that you made in 1991 and
28 in 1991 you loaned 55,000 in all to the company, isn't that
29 right

30 A. Yes.

1 273 Q. Can you recall being asked to provide that loan?

2 A. My best recollection of the loan, it was requested by Mr.
3 Bernie Cahill and my understanding was that -- I don't
know
4 the exact details but there was -- the explanation for the
5 question of the loan is bundled with the guarantee also
6 that was requested at a later stage. Now, there were
7 either, there was either a fund raising exercise going to
8 be, going to take place at a later stage where I was going
9 to be repaid or they were selling some equipment, I
thought
10 it was some sort of leaching equipment they were selling
to
11 get funds in.

12 274 Q. You were right, there were a number of different
incidents.

13 There was certainly a question at one point of selling
14 equipment to repay a loan or to repay a loan which you
had
15 guaranteed. I don't think that ever actually got anywhere
16 but there was certainly some discussion as far as the
17 Tribunal is aware from other evidence. And you are right
18 of course there was a discussion about the shares and
there

19 was a discussion about the loans but again just to clarify,
20 your evidence is that all these things were bundled
21 together, in your mind, with Mr. Bernie Cahill and Mr.
22 Conor Haughey?

23 A. Yes.

24 275 Q. And perhaps Emmet O'Connell but just as in the case of
the
25 initial offer, the evidence from Mr. Cahill is he did not,
26 he was not involved in asking you to make the loan and
the
27 evidence from Mr. Conor Haughey is that he did in fact ask
28 you to make the loan. So again, would you accept that it
29 was probably Mr. --

30 A. I am not clear, I can't contradict it but I know Mr. Cahill

and 1 was certainly in my office and I know he communicated
2 phoned a number of times but if you asked me my
3 recollection, and again I can't be certain about it, but I
4 believe it was Bernie Cahill came along to me with a
5 proposition regarding the loan.

6 276 Q. Well would you accept Mr. Cahill's evidence if he says
that 7 he didn't approach you?

8 A. Well he'd have to explain what he was doing in my office
9 talking about Feltrim.

10 277 Q. He may have been talking about something else. Would
you 11 agree Mr. Conor Haughey likely would have had one thing
on 12 his mind only, which was Feltrim, would you accept his
13 recollection is likely to be more accurate than yours?

14 A. This was low down on my agenda.

15 278 Q. Yes and it would have been the top of his agenda.

16 A. I would accept that.

17 279 Q. And in fact at this particular time the 55,000 was a life
or 18 death thing for him because people were going to picket,

19 lorry drivers were going to picket at the house of one of
20 the executives of the company, there was a threat of
21 liquidation, were you aware of that at the time?

22 A. No.

23 280 Q. And for him, getting this 55,000 was crucial with the
threat

24 of liquidation hanging over the company. In fact at this
25 time the company was doing poorly, both in terms of its
26 stock exchange quotation and in terms of the actual
27 progress it was making in the field, is that right?

28 A. I would imagine it was crucial to all the directors as
29 well.

30 281 Q. Mr. Conor Haughey says in his evidence -- for the

1 assistance of your counsel, it's book 69, page 35, query
2 number 193 -- and Mr. Conor Haughey says that he was
aware
3 that the company was in danger of being liquidated and he
4 says that he explained that to you when he approached
you
5 for the money.

6 A. Well, to my mind it doesn't add up and I'll give you the
7 rationale. I would not make a loan to a company that was
8 liquidated unless there was a method of repaying the funds
9 and if the company did meet funds, because it was being
10 liquidated, the money that should go in there should be by
11 way of share issue or some form of equity so I am trying
to
12 review the conflict there that exists between the looking
13 for a loan, because if you look for a loan, there must be a
14 method of repayment and I was certainly told it was either
15 share issue or and I was told it was the sale of leaching
16 equipment.

17 282 Q. That was I think on another occasion. I think your
memory
18 another is, there was a reference to a sale of equipment on

19 occasion?

20 A. Was that pre or post that?

21 283 Q. Well I can refer you to a minute in a moment in which it
22 was mentioned. My recollection is it was post the 1990
23 loan but I can understand your rationale, looking at it
24 from your point of view you would say why would I loan
25 money to company about to be liquidated and putting
myself
26 in a worse position than any of the people going to be
27 liquidated? And what I am suggesting to you is that you
28 may have done it because you felt that you would help out
29 Conor Haughey -- ?

30 A. No --

1 284 Q. -- out of a particular association with him at the time?

2 A. I may help out people and I am glad to help out people
but

3 I don't help out people by burning pound notes at the same
4 time. That's no solution.

5 285 Q. Well in any case, you weren't repaid this loan, isn't that
6 right?

7 A. I wasn't repaid the loan, it was converted into equity.

8 286 Q. It was converted into equity at a later point along with a
9 number of other loans made to the company by a number
of
10 other people.

11 A. Yes.

12 287 Q. Again what I am suggesting to you at the time you
made the

13 loan, the objective reality was that the company wasn't in
14 fact in a position to repay and ultimately the proof of the
15 pudding was that you had to convert it into equity?

16 A. That's true in itself, that's de facto but why did the
17 officers of the company approve a loan, sanction the
18 borrowing of funds for myself on a loan basis if they
19 couldn't see their way to repay it?

20 288 Q. I think you are right, that there appears to have been
21 approval though there are no resolutions, there's no
22 documentation to support it. The whole thing is rather
23 informal. I think you have put the question that occurs to
24 the Tribunal yourself, that there would appear to be no
25 rationale in helping out a company that was going to be
26 liquidated unless you had other reasons such as personal
27 motivation for doing it?

28 A. I preferred for the company to be liquidated and give the
29 money to Conor Haughey to do what he wanted afterwards
30 rather than give it to creditors.

1 289 Q. At a later point then you were asked for and did indeed
2 provide a guarantee for the company, is that right?

3 A. Yes.

4 290 Q. And again, do you recall who asked you to provide the
5 guarantee?

6 A. No.

7 291 Q. I think the indications from the evidence to date are that
8 again it was Mr. Conor Haughey who asked you. Am I -- I
9 think you are nodding.

10 A. I accept.

11 292 Q. Agreeing with me?

12 A. I accept that because I can't remember.

13 293 Q. Wouldn't it seem reasonable that Conor Haughey was
the
14 driving force in the company up to the time it was taken
15 over by Minmet or Minmet became involved?

16 A. I accept that, I don't have any doubt, I am not disputing
17 any conversation with Conor Haughey or any of the
requests
18 he made to me but I did have a number of conversations
with
19 Bernie Cahill and he did tell me on at least one occasion

20 and I did speak with Emmet O'Connor a number of times
well.

21 294 Q. I think the guarantee you may be referring to is one of
the

22 last queries is mentioned in relation to one of the last

23 queries that was raised with you, it's at number 11 on
your

24 second Supplemental Memorandum of Evidence. You were
asked

25 about whether any further guarantees were provided by
you

26 and in particular, having regard to the minutes of a

27 meeting of the board of Feltrim on the 23rd January 1991

28 which recorded as follows: "The meeting agreed that
Conor

29 Haughey contact Dermot Desmond in relation to a
guarantee

30 for a financing of the operation on the basis that the

1 guarantee we were paying for the disposal of the UK
2 machinery." That seems to be one of the items that may
3 have been bundled in your mind with other memories, is
that
4 right?

5 A. Correct.

6 295 Q. And you don't recall any other approach in relation to
any
7 other guarantee apart from the one we have mentioned in
8 1990?

9 A. I am not aware of it.

10 296 Q. I don't think this guarantee went ahead, the one in
11 relation to the US machinery?

12 A. I don't really have any -- until it was raised with me, I
13 didn't have any recollection of the guarantee. I only
14 recollect guarantees when they are called upon.

15 297 Q. If we can just go over the schedule you provided the
16 Tribunal with, setting out the dealings you had on the
17 Feltrim/Minmet share register. We don't have to go
through
18 them all but just to give an indication of the trend of the
19 dealings. The first dealing on the top left-hand side,

20 transaction date 9th July 1990, is in respect of the
21 original or initial purchase of 83,000 shares, isn't that
22 right?

23 A. Correct.

24 298 Q. The cost was 26,000 and there were some fees making a
total

25 of 26,333 that we have seen in the accounts. The next two
26 items are in relation to the loan in August of 1991, there
27 appear to have been two transfers, one of 40,000 and one
28 of 15,000.

29 A. Yes.

30 299 Q. Then you have a loan conversion of that
presumably 55,000 in

1 1.1 million shares, isn't that right?

2 A. Yes.

3 300 Q. Suggesting that by this point, the shares were fairly rock
4 bottom, wouldn't that be right?

5 A. Yes.

6 301 Q. Then there seems to have been a share consolidation
7 involving a reduction in the shareholdings of all the
8 shareholders presumably -- I think it was a one for four
9 share consolidation in April of 1992, reducing your overall
10 shareholding, as far as I can see, to 394,444. Then you
11 have name change to Minmet and -- sorry before that, you
12 have a rights issue of the 9/6/1993, whereby you acquired
13 1.18333 shares at what would look like a very low price
per
14 share, isn't that right?

15 A. Yes.

16 302 Q. It would look like again you purchased an enormous
number
17 of shares at a number of pence per share?

18 A. It likes like a penny share.

19 303 Q. Exactly. Then you have a number of dealings on the
shares

20 between June of 1993 and 1999 in which, taking rights
21 issues and so on into account, you sold tranches of the
22 shares from time to time as the share price rose on the
23 stock exchange, isn't that right?

24 A. Correct.

25 304 Q. And you were able to take profits, if you like, on a drip
26 basis from time to time?

27 A. Yes.

28 305 Q. So that while you started off initially with quite a
29 reasonably substantial number of shares for initial
30 investment of 26,000, you then put in a further 55,000
which

1 was capitalised in 1991, all that involvement was reduced
2 to more or less nothing. Then you subsequently subscribed
3 for a huge number, as we said, of penny shares and as
time
4 went on and that, the share price improved, that came
good
5 for you, is that right?

6 A. Yes.

7 306 Q. Now, your initial involvement was, as we have agreed
8 earlier, with a company driven, if you like, mainly by
9 Conor Haughey, isn't that right?

10 A. Yes.

11 307 Q. By the time we got to the end of 1992, the beginning of
12 1993, the company was in dire straits and Mr. Haughey
has
13 explained that he was in fact getting out of the company
14 and tidying it up to be taken over by somebody else as a
15 stock exchange vehicle for another business altogether,
16 would that be right?

17 A. At the end of 1992?

18 308 Q. 1992, 1993. Just before the Minmet takeover.

19 A. I didn't really, I didn't have any contact with Mr. Conor

20 Haughey around that stage really regarding Feltrim.

21 309 Q. Feltrim was more or less a dead duck at that stage, isn't
22 that right?

23 A. Correct.

24 310 Q. Feltrim was taken over by Minmet and I think one of the
25 initial instigators or people most intimately involved in
26 driving the company after that stage was Mr. Bristol, is
27 that right?

28 A. Yes.

29 311 Q. And it became, if you like, his company from there on
as
30 opposed to Conor Haughey's company before?

1 A. Yes.

2 312 Q. And what turned good for you at the end of the day was
3 Minmet and not Feltrim?

4 A. Well, I'd never be in Minmet unless I was in Feltrim. It's
5 chicken and egg.

6 313 Q. But they were completely different entities.

7 A. Like most companies as they evolve.

8 314 Q. The initial involvement in Feltrim fortuitously was
9 takeover by Minmet and what you made a profit out of at
10 the end of the day was a totally different animal to the
11 animal you invested in?

12 A. I agree. It was pure luck.

13 315 Q. You can appreciate that the Tribunal's interest in the
14 company is only in, if you like, the Conor Haughey
segment
15 of its life.

16 A. Yes.

17 316 Q. And what I am suggesting to you is that you made your
18 investment at this time and your continuing investment in
19 1990 for reasons which I don't criticize, that were
20 prompted by your relationship with Conor Haughey mainly
and

21 not by any hard headed business instincts?

22 A. I don't know how you apportion it but I certainly wasn't

23 putting money into Feltrim to lose it and I wasn't loaning

24 money to Feltrim to lose it but certainly I would have

25 wanted to be supportive of Conor Haughey.

26 317 Q. And at the time you were supporting him in a number of

27 other different ways as well?

28 A. Yes, I was.

29 318 Q. Thanks very much.

30 .

1 CHAIRMAN: Mr. Shipsey?

2 .

3

4 MR. SHIPSEY: I have no questions.

5 .

6 CHAIRMAN: So, in effect, I suppose, Mr. Desmond, as
events

7 have transpired, you, in very rough terms, you have come

8 close to quadrupling your money and you still have some

9 investment but things didn't seem likely to be that rosy at

10 the outset

11 A. Absolutely.

12 .

13 CHAIRMAN: Thank you for your assistance.

14 .

15

16 MR. COUGHLAN: Those are the available witnesses.

17 .

18

19 CHAIRMAN: On the basis of what I indicated just before

20 lunch will take place, we will recess for, barring some

21 emergency situation, for the month of August and will
22 resume on a somewhat similar basis to the sittings at the
23 earliest possible vantage point, we will say in September.

24 Thank you.

25 .

26 THE TRIBUNAL THEN ADJOURNED FOR THE SUMMER
VACATION.

27

28

29

30