

**IN THE HIGH COURT OF JUSTICE OF THE ISLE OF MAN
CHANCERY DIVISION**

**IN THE MATTER of THE COMPANIES
ACT 1931**

and

**IN THE MATTER of KAUPTHING
SINGER & FRIEDLANDER (ISLE OF
MAN) LIMITED**

and

**IN THE MATTER of THE JOINT
PETITION OF KAUPTHING SINGER &
FRIEDLANDER (ISLE OF MAN)
LIMITED and THE FINANCIAL
SUPERVISION COMMISSION dated
the 9th day of October 2008**

and

**IN THE MATTER of the Court Order
dated 9th October 2008**

THIRD AFFIDAVIT OF MICHAEL SIMPSON

I, **MICHAEL SIMPSON**, of Sixty Circular Road, Douglas, Isle of Man IM1 1SA being sworn make oath and say as follows:-

1. I am one of the duly appointed Joint Liquidators Provisionally of Kaupthing Singer & Friedlander (Isle of Man) Limited and I make this Affidavit on behalf of myself and my Joint Liquidator Provisionally, Peter Spratt.
2. Where I refer to factual matters directly within my knowledge the contents of this Affidavit are true. The other matters to which I have deposed in this Affidavit I verily believe to be true to the best of my knowledge, information and belief.
3. In this Affidavit I will use the following abbreviations for ease of reference:-

"DCS"

- the Depositors Compensation Scheme
(the Scheme set up by Tynwald to

provide some compensation to depositors of a deposit taking business licensed in the Isle of Man (with certain exceptions) in the event of the default of the deposit taker.

"FSC"

the Financial Supervision Commission.

"Mr Lovett's Fourth Affidavit" -

the Fourth Affidavit of David C Lovett of AlixPartners Limited, sworn on 13th February 2009.

"the Company"

-

Kaupthing Singer & Friedlander (Isle of Man) Limited.

"Scheme Manager"

-

The Scheme Manager of the DCS which is the FSC.

"the Treasury"

-

The Treasury of the Isle of Man Government.

4. In my Second Affidavit in this matter I set out my initial views upon the proposed Scheme of Arrangement (the "proposed Scheme") for the assistance of the Court and the Creditors of the Company at the hearing on 29th January 2009.
5. At the said hearing on 29th January 2009 the Petition was further adjourned, until 19th February 2009, to enable the Treasury to address certain issues identified by the Court as being fundamental to the question of whether the proposed Scheme should be allowed to proceed.
6. On the 13th February 2009 I was served with the following documents, which seek to address the issues identified by the Court:-
 - i) the Third Affidavit of Alan Robert Bell, the Treasury Minister, sworn on 12th February 2009 ("Mr Bell's Third Affidavit");

- ii) Mr Lovett's Fourth Affidavit, which exhibits the current draft framework of the proposed Scheme;
 - iii) the Affidavit of Gabriel Moss QC, sworn on 12th February 2009.
7. At paragraph 12 of my Second Affidavit I explained that I did not have sufficient information regarding the timing of the funding of the DCS to make a comparison as to the potential advantages of the proposed Scheme over a combined Liquidation/DCS arrangement. Accordingly, after the last hearing, I wrote to the FSC in its capacity as Scheme Manager, seeking clarification as to the likely quantum and timing of any funding of the DCS. I produce a copy of my letter as **Exhibit MS/1**. I received a reply to my letter from the FSC, a copy of which I produce as **Exhibit MS/2**.
8. The letter from the FSC has been helpful in providing information both as to the funding regime of the DCS and an approximation from the Scheme Manager as to the timing of potential distributions under the DCS. The letter states *"...that the best approximation of the Scheme Manager under all the present circumstances is that it might make a distribution of £75million by May (including assumed dividend income [from a liquidation] and using half of other available funds) with a further £66 million by early November (including assumed borrowing from the Treasury and using the remaining half of the funds). You will note from the above to a large extent the figures depend upon the stance adopted by the Treasury/Government."* On this basis it appears to me that, when combined with the timing of an initial dividend to all creditors in a liquidation should a winding up order be made, that in excess of £160 million would be available to be distributed to creditors by 31st May 2009, followed by a further £66 million by 30th October 2008 under the DCS (in total £226million). This would compare to the timing of a proposed initial payment under the proposed Scheme in July or August which we understand from initial estimates we have been provided with by AlixPartners might consist of c. £212million of funds.
9. The payment profile provided by the FSC does contain the caveats that:-
- (a) amounts and percentages may vary if claims are greater or lower than the assumptions used; and

- (b) the timing of payments will be advanced significantly if the Scheme Manager is able to obtain Court directions or indemnities to permit all available funds to be directed to an event of default relating solely to the Company and that the amounts payable will be improved if the Scheme Manager is able to borrow greater funds at an earlier date.

10. With regard to the contents of Mr Lovett's Fourth Affidavit and the draft framework for the proposed Scheme, I would make the following comments, again for the benefit of the Court and the creditors of the Company:-

- a. As indicated in my Second Affidavit, the subrogation of the Top Up Funding until all other creditors have received a dividend of at least 60% appears to provide a benefit to creditors with full or partial claims outside the DCS. The impact of that subordination will vary in accordance with the amount of Top Up Funding required under the proposed Scheme (ie. the amount being subordinated) and the timing of when the 60% threshold will be reached.
- b. In paragraph 14 of Mr Lovett's Fourth Affidavit, there is reference to the timetable exhibited to his previous affidavit. I note that an amended timetable has not been produced and I question whether allowance should be made in the timetable for the following issues:-
 - i. As referred to in Mr Moss's affidavit, under English procedures, since 2002 it has been usual practice to notify creditors of the proposals for convening meetings prior to the convening hearing. Whilst this may not be applicable or required in the Isle of Man, it would seem to me that it would assist in managing the risk of a subsequent challenge at the hearing to sanction the proposed Scheme and represents best practice in this regard. I also raise the issue as to whether it would be helpful to follow the English Practice Statement if recognition of the proposed Scheme is subsequently to be sought in an English Court. It may be that this procedure does no more than introduce an additional step to be achieved within the proposed timeline rather than materially altering the timing of

the key steps set out in the timetable attached to Mr Lovett's earlier affidavit

- ii. Similarly I believe that it will be necessary to seek recognition of the proposed Scheme in an English Court, given that material assets of the Company are situated within that jurisdiction. Although I do not believe that this should materially impact the timeline proposed by Mr Lovett, it will require the proposed Scheme to be approved in both jurisdictions before it can come into force.
- c. In paragraph 15 of Mr Lovett's Fourth Affidavit, there is reference to the expectation from the Treasury that the proposed Scheme will contain provision to assist the Treasury in the management of risk associated with the proposed Scheme and to discharge its duties to the Isle of Man taxpayer. This was not referred to in Mr Lovett's Third Affidavit and it is unclear to me what may be envisaged in this regard. I believe that it is important that this is clarified as a matter of some urgency in order to be able to ascertain whether or not it will have any material impact upon the terms or implementation of the proposed Scheme.
- d. Exhibit DCL2 to Mr Lovett's Fourth Affidavit summarises the purpose of the proposed Scheme and its key provisions. I would make the following comments :-
- i. It is proposed that claims in non-sterling currencies will be translated into sterling at 9th October 2008. In a liquidation, claims would be converted into sterling as at the date of the winding up order. Given recent movements in exchange rates, this proposal will have differing impacts on individual creditors, depending on the currency involved. Potentially, this may mean that creditors who are adversely affected by this aspect of the proposed Scheme may seek to challenge the proposed Scheme at a later date.

ii. It appears to me that the ability to deliver the proposed Scheme is dependant upon Tynwald approval to the Top Up Funding and obtaining the requisite approvals, by number of creditors and value of claims of those voting, at the Scheme meetings, for each class of creditor. I note that it is proposed that there will be two classes of creditor, Protected Creditors and Non-Protected Creditors. I believe that it is not possible to comment at this stage as to the likelihood of the necessary votes being obtained.

11. With regard to the contents of Mr Bell's Third Affidavit and the draft framework for the proposed Scheme, I would make the following comments, again for the benefit of the Court and the creditors of the Company:-

a. Mr Bell states that it is the Treasury's intention to delay imposing an interest charge in respect of the Top Up Funding until all depositors have been repaid in full. I note from Exhibit DCL2 to Mr Lovetts Fourth Affidavit that the Top Up Funding is to be paid to Scheme Creditors in return for an assignment of Scheme Creditors' allowed claims. I assume therefore that the Treasury will obtain "reimbursement" of the Top Up Funding it provides, by standing in the shoes of those Scheme Creditors from whom it has taken an assignment. In either a Liquidation or the proposed Scheme, creditors will not receive interest on their claims accruing after 9 October 2008 until such time as all creditors (not just all depositors) have been paid in full. However, if the Top Up Funding is to be treated in a different manner, for example as borrowing taken on by the Company, it would seem to me that this raises the prospect that the Company is taking on additional liabilities than it would in a combined Liquidation/DCS scenario.

b. I note that the Treasury has indicated that it is meeting the costs being incurred by its advisors currently in preparation of the documentation for the proposed Scheme. The Joint Liquidators Provisionally and their staff and advisors have incurred and are continuing to incur costs in respect of queries raised by the Treasury's advisors and in reviewing and commenting on the proposed Scheme, which subject to


the consent of by the Court, will be met out of the assets of the Company.

- c. The Treasury has indicated that under the proposed Scheme, it is willing to subordinate its unsecured claim in the amount of approximately £10.7 million until all creditors have been repaid in full. On the assumption that the Treasury will not offer to subordinate its claim in a Liquidation, this represents a benefit to all creditors in the proposed Scheme.

- 12. Finally, there is produced as **Exhibit MS/3** a letter from Hilde Bartlett, a depositor, which is addressed to Mr John Spellman but was forwarded to me on the 6th February 2009 under cover of an email from Mrs Barlett. Mrs Barlett is not a Noticed Party to these proceedings as she has never entered any appearances to date notwithstanding that she did give notice of an intention to appear prior to the initial inter partes hearing in October 2008. I believe it proper to bring her letter to the attention of the court and the other parties.

Taken and sworn at Douglas
This 18th day of February 2009
Before me:-

:
:
:
:
:
:




A Commissioner for Oaths :

Serial No. CP 2008/94

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THE ISLE OF MAN**

CHANCERY DIVISION

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**IN THE MATTER of KAUPTHING
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PETITION OF KAUPTHING SINGER &
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LIMITED and THE FINANCIAL
SUPERVISION COMMISSION dated
the 9th day of October 2008**

and

**IN THE MATTER of the Court Orders
dated 9th October 2008**

THIS IS THE PAPER WRITING REFERRED TO AS "MS/1" IN THE ANNEXED
THIRD AFFIDAVIT OF MICHAEL SIMPSON
SWORN BEFORE ME

THIS 18TH DAY OF FEBRUARY 2009

K. Surridge

Katrina Mary Surridge
Commissioner for Oaths

KAUPTHING SINGER & FRIEDLANDER (ISLE OF MAN) LIMITED

On 9th October 2008 the High Court of Justice of the Isle of Man made an Order appointing Michael Simpson of PricewaterhouseCoopers Liquidator Provisionally of Kaupthing Singer & Friedlander (Isle of Man) Limited, pending the hearing of a Petition to wind it up, which is due to be heard on 19th February 2009. Peter Spratt of PricewaterhouseCoopers LLP was subsequently appointed as Joint Liquidator Provisionally on 20th November 2008.

11th February 2009

Mr John Aspden, Chief Executive
Financial Supervision Commission
PO Box 58
Finch Hill House
Bucks Road
Douglas
Isle of Man
IM1 3DF

Dear Mr Aspden

Re: Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSFIOM")
Depositor's Compensation Scheme ("DCS")
Financial Supervision Commission ("FSC")

As you are aware, the hearing of the Joint Petition of the FSC and KSFIOM seeking an Order of Court winding-up KSFIOM has been adjourned until 19th February 2009, to allow for consideration of the Treasury's proposed Scheme of Arrangement under Section 152 of the Companies Act 1931 ("the Scheme").

At the last Court hearing, Counsel for the Treasury informed the Court that the Scheme seeks to provide an alternative to a traditional liquidation (alongside the DCS), primarily to enable a quicker distribution of funds to creditors, and in particular those creditors that would otherwise be entitled to a payment under the DCS.

I believe that it is important to understand how the DCS would operate if a Winding-Up Order was to be made, as the differences between the DCS and the Scheme are likely to be material to the Court, the creditors and any prospective Administrator of the Scheme in any consideration of a further application to adjourn the Winding-Up Petition.

In order for the Court and others to assess whether the Scheme represents a better outcome for creditors than a DCS / Liquidation, I believe that they need to understand how the DCS might respond if it is triggered in respect of KSFIOM. As I stated in my Second Affidavit submitted to the Court on 28th January 2009, I do not have sufficient information regarding the timing of the funding of the DCS in order to make any comparison. However, I am of the view that the FSC, as Scheme Manager, may be in a position to provide further comment to the Court and the interested parties on this issue, prior to, or at, the hearing on 19th February 2009.

In order to be able to draw some sort of comparison between the proposed Scheme and the DCS / Liquidation, I would invite your comments on this subject generally, and in particular upon the following issues (all of which are based upon an assumption that the DCS would immediately be triggered should a Winding-Up Order be made on 19th February 2009):-

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Registered in the Isle of Man No 3519
Registered Office: Samuel Harris House, 5-11 St Georges Street, Douglas, Isle of Man, IM1 1QB

- For the period ending on 23rd October 2009, can you advise as to the amount of funds that, in your view, would be available to pay compensation to eligible deposit holders of KSFIOM, and when the DCS might expect to actually pay compensation to eligible deposit holders during that period? In very broad terms, how much cash is likely to be available to be paid out to eligible depositors of KSFIOM during this period?
- For the period from 23rd October 2009 to 31st December 2011, can you advise as to the amount of funds that, in your view, would be available to pay compensation to eligible deposit holders of KSFIOM and when the DCS might expect to actually pay compensation to eligible deposit holders in that period? Again, it would be helpful if you could set out, in broad terms, the amount of cash that is likely to be available to be paid out to eligible deposit holders of KSFIOM in this period.
- By what date do you consider it probable that eligible deposit holders of KSFIOM are likely to have received their full entitlement under the DCS? (My team has recently had discussions with the proposed Scheme Administrator of the DCS, who indicated that a rough estimate had been carried out which indicates that all eligible deposit holders of KSFIOM are likely to have been paid their full entitlement under the DCS by December 2011). Is this an estimate which should be brought before the Court, and if so, what considerations may affect the quantum / timing of this?
- In your view, is there any material difference in respect of the funding available (both in relation to quantum and timing) for eligible deposit holders eligible under the DCS with claims of less than £20,000.00, as compared to those with claims between £20,000.00 and £50,000.00?
- Must eligible depositors be paid pari passu out of the funds available in the DCS? If so, is it possible to vary such a requirement, whether under the existing regulations or otherwise?
- The Scheme proposes that the Treasury (in its role as provider of "top-up funding") will subordinate its claims against KSFIOM until all creditors have received 60% of their claim. Is there, in your view, any basis under which the DCS could agree to a similar subordination of its right to claim against KSFIOM?
- What is the impact of the date of 31st March 2009 upon the quantum of the levies that might be raised against the banks during 2009? How will this impact upon the timing of the funding available to meet the claims of eligible depositors of KSFIOM under the DCS?

It seems to be that you are in the best position to provide answers to the matters set out above, and, as a party to the Winding-Up Petition, it would seem appropriate for your responses to be put before the Court prior to 19th February 2009, although I appreciate that you may be simply unable to answer some of the queries that I have raised.

Yours sincerely

Michael Simpson
 Joint Liquidator Provisionally
 KSFIOM

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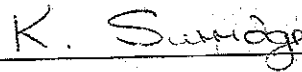
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PETITION OF KAUPTHING SINGER &
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LIMITED and THE FINANCIAL
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IN THE MATTER of the Court Orders
dated 9th October 2008

THIS IS THE PAPER WRITING REFERRED TO AS "MS/2" IN THE ANNEXED
THIRD AFFIDAVIT OF MICHAEL SIMPSON
SWORN BEFORE ME

THIS 18TH DAY OF FEBRUARY 2009



Katrina Mary Surridge
Commissioner for Oaths



Financial Supervision Commission

P.O. Box 58, Finch Hill House, Bucks Road, Douglas, Isle of Man, IM99 1DT

Mr M Simpson
Joint Liquidator Provisionally
Kaupthing Singer & Friedlander (Isle of Man) Ltd
PO Box 197
Samuel Harris House
5-11 St Georges Street
Douglas
Isle of Man IM99 1SN

Contact: John Aspden
Your Ref:
Date: 16 February 2009

Dear Mr Simpson,

Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSFIM")
Depositors' Compensation Scheme ("DCS")
Financial Supervision Commission ("the Commission")

I write further to your letter of the 11th February 2009 which raised a number of queries in relation to the operation of the DCS. For convenience I am answering the bullet points in the order shown in your letter.

1. In the event a Winding-Up Order is made before the 31st March 2009¹, the Scheme Manager would be in a position to levy approximately £9.6million for both financial year 2008/09 and 2009/10 in the total sum of c.£19million arising from bank levies. The second source of income stems from Treasury funding (pursuant to DCS Regulation 12A (1)), which on present information available, we believe should be somewhere in the region of between £70million/£92million. For the purposes of this response, we are adopting the lower figure of £70m. Having liaised with you, we are also assuming a dividend income of £31million into DCS through assigned claims. In broad terms therefore the DCS should have available to it the sum of £141million for the period ending on 23rd October 2009.

The question as to when the DCS might actually pay the compensation to eligible deposit holders ("DCS Claimants") is somewhat dependent upon the impact of the Treasury funding clause (DCS Regulation 12A). If it is assumed that Treasury pay to the Scheme Manager the sum of £70million (the lower estimated amount) within say one month of the date of activation, the Scheme Manager would seek an indemnity from Treasury to protect itself from the potential ramifications of a later default prior to the 23rd October 2009. In the event there was a further default then there is a possibility that sums in excess of £80million² would be required to be paid pursuant to the calculations under DCS Regulation 12A (1) but would thereafter be

¹ See answer to question 7 for an explanation of the relevance of this date.

² I.e the remaining sums from the £150m Treasury payment [DCS Regulation 12A]



INVESTORS IN PEOPLE

capped by the overall amount capable of being provided by Treasury, namely £150million (DCS Regulation 12 A (2)). In the event that an indemnity from Treasury was not available to the Scheme Manager (or in the event Treasury did not decrease its exposure under 12 A by a commensurate reduction in the 12 A (2) cap), the Scheme Manager would need to consider at the relevant time, what sum it is reasonable for him to pay out given his knowledge at the material time of all the surrounding circumstances concerning the local and global financial situation etc. It is therefore not possible to provide a precise figure but at least for the purposes of a response to your letter, I suggest that the Scheme Manager may consider an immediate distribution of half of the available funds with perhaps a later dividend of the remainder immediately after the 23rd October 2009 (assuming no other substantial default – i.e. in excess of a call of approximately £80million on Treasury per 12 (A)). There is also a possibility the Scheme Manager may make an application to the Court pursuant to Section 16 B. For your information in the event that the DCS is activated under the current Regulations, the Scheme Manager has determined to take specialist Counsel's opinion on this point - but I can confirm the above represents the Scheme Manager's current position.

To summarise therefore, the best approximation of the Scheme Manager under all the present circumstances is that it might make a distribution of £75million by May (including assumed dividend income and using half of other available funds) with a further £66million by early November (including assumed borrowing from Treasury and using the remaining half of the funds). You will note from the above to a large extent the figures depend on the stance adopted by Treasury/Government.

In addition to these sums, the Scheme Manager also has the ability to borrow on such terms as it thinks fit (pursuant to DCS Regulation 6 (3)(b)). Any borrowing of course needs to be in the context of the ability of the DCS to obtain funds on suitable terms; this is again a Treasury/Government policy issue but may well be forthcoming in light of the Treasury/Government support for the proposed Scheme of Arrangement ("SoA") To provide more detailed information we attach an analysis prepared by KPMG (essentially the analysis you refer to at point 3) relating to funding for the entire DCS period. Note this is based upon a number of assumptions and utilises a £70million payment sum from Government (available immediately) and assumes a loan of £21 million and dividend payments from you.

2. Funding for the period 23rd October 2009 to 31st December 2011 will flow from the following sources:-
 - i. Bank levies c.£9.6million per annum – April 2010 and April 2011;
 - ii. Funds received from the liquidator in relation to claims assigned to the DCS;
 - iii. Any further borrowing available to the Scheme Manager – most likely source being Treasury/Government. Again the payment profile set out in the attached analysis will hopefully assist.

3. Current best estimate 31st December 2010 (see attached analysis).

CHIEF EXECUTIVE

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4. This is not a straight forward question and in the event the DCS is activated, the Scheme Manager has determined to take Counsel's opinion on this specific point and possibly seek Court directions. In broad terms the issue is as follows:-
- i. It may be argued that the monies paid in by Treasury pursuant to DCS Regulation 12 A are for a specific purpose, namely only to pay those individuals who have in excess of £20,000.00 in their account(s) with KSFIOM. Alternatively it may be argued that the mechanism provided by Treasury is essentially a mathematical calculation based on a certain profile of claimants. If the former argument is postulated, there is a cogent argument that the Scheme Manager should segregate these funds and pay out to the claimants only in the £20,000 - £50,000 bracket to the exclusion of all others (i.e individuals with more than £20k on deposit). If the latter assumption is followed, then there is an argument that the Treasury funds should be paid to all depositors (therefore including individuals and "non-individuals").
 - ii. There is also an argument that the actual intention of the 12 A payment was to provide a source of funding to all individuals (to the exclusion of non-individuals) but it is considered this would likely require an amendment to the DCS Regulations.
 - iii. In conclusion this issue may be resolved having taken further specialist legal advice, or alternatively Court directions pursuant to Regulation 16 B or alternatively a further amendment to the Regulations. It is intended to resolve this matter whilst the claims process is underway so as not to give rise to delay.
5. DCS Claimants are paid pari-passu to their DCS entitlement inter alia pursuant to DCS Regulation 11 (4) which requires so far as reasonably possible, that payments are in the same proportion for each DCS Claimant. Unless all depositors were paid out in full or the DCS Regulations were further amended, it is our opinion that a pari-passu approach must be adopted.
6. In relation to the question of subordination, we consider that DCS Regulations work in a different manner to the SoA. In essence, Treasury funding (and for that matter bank levies) are effectively subordinated to 100% until those claiming in the DCS have been paid their full DCS entitlement. We consider monies are only returned to Treasury and or participating deposit takers after the DCS entitlement has been paid in full to DCS claimants. I am advised that from a Government and taxpayer perspective, Government is providing funding to the DCS to facilitate earlier payment and there are no provisions in the regulations for postponing subordination in a DCS. Further Government plays no part in the liquidation or management of the DCS if the company is placed in default. In order to manage its risk, the Government would seek repayment of its funding once all liabilities under the DCS are extinguished in full, i.e. all depositors eligible for cover have been paid.

This year's financial year end for the DCS is the 31st March 2009. In the event the DCS is not activated before this date, a figure of approximately £9.6million would not be capable of being levied on participating deposit takers for the year 2008/2009. This is likely only to be relevant in relation to cash flow for the 1st calendar year of any liquidation. Unless a loan for an equivalent amount is received from Treasury/Government this will negatively impact upon the

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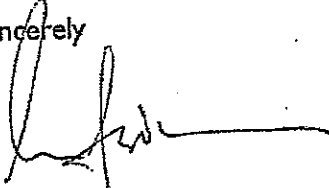
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timing of the provision of funding available to meet DCS claims. In this connection I note from Minister Bell's affidavit dated 12 February 2009 that it is Treasury's intention (subject to Tynwald approval) to advance to the DCS additional funds sufficient to ensure that the passing of the current financial year end would have no impact upon the DCS administrator's ability to make the anticipated payments.

Yours sincerely



JOHN R ASPDEN
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DCS – possible payments profile

Prepared for the Scheme Manager by the Scheme Agent (designate).

The assumptions set out in this document form the basis for setting out this illustration of how and when the DCS might pay compensation. The assumptions are matched as closely as possible to those used to illustrate the effects of the proposed Scheme of Arrangement

12 February 2009

Assumptions - claims

- The following profile of claims has been adopted:
 - All individuals with deposits < £125,000
 - All joint holder with deposits < £250,000
 - All trusts with deposits < £250,000
 - All companies with deposits < £100,000
 - No claims from insurers

Outcomes - claims

On the basis of the assumptions, the total deposit base on which compensation would be calculated.	£246m
The compensation due calculated on the basis of the depositor data made available is:	
Individual/Joint £0 to £20k/£40k compensation	117m
Individual/Joint £20/£40k to £50k/£100k compensation	70m
Other compensation	23m
Total compensation payable	£210m

Note - On the available data the maximum compensation liability for all potential claims is estimated at £252m.

Assumptions - funding

- Dividend flows as per SoA
 - Period ended 23 October 2009 – 12.5% (estimated to be available in May 2009)
 - Year ended 31 December 2010 – 22.5% (in two distributions)
- Government contribution to £20k-£50k band requested in Month 1
- Two bank levies either side of 31 March 2009
- Loan funding available up to level of support available to SoA.

Note: It is acknowledged that loan funding from Treasury has not been agreed or discussed. For the purpose of this example it is assumed that similar funding arrangements to the SoA would be available on appropriate terms

Outcomes - funding

	31 May 2009	23 October 2009	31 May 2010	p/e 31 December 2010
Dividend on £246m at 12.5%	31m			
Dividend on £246m at 7.5%			18m	
Dividend on £246m at 15.0%				37m
Government top up	70m			
Levies	19m		10m	
Government loan		21m	4m	
Total available	£120m	£21m	£32m	£37m

Payment profile

This profile assumes that the Scheme Manager take a prudent view that a proportion of the funds available for the payment of compensation must be retained until 23 October 2009 in the event of a event of default.

It is assumed that the impact of a liquidation distribution through the Scheme Manager (the case if all claims have been successfully assigned) or direct to depositors will be the same.

It is assumed that there is no restriction on the use of funds derived from liquidation distributions.

	31 May 2009	30 October 2009	31 May 2009	31 December 2010	Total
Source - Distribution	31		18	37	86
Source - Levy	9	10	10		29
Source - Top-up	35	35			70
Source - Loan		21	4		25
Total Amount available for payment	£75m	£66m	£32m	£37m	£210m
Percentage of compensation	36%	31%	15%	18%	100%

Payment profile

These amounts and percentages will vary if claims are greater or lower than the assumptions.

The timing of the payments will be advanced significantly if the Scheme Manager is able to obtain Court directions or indemnities to permit all available funds to be directed to this event of default.

The amounts payable will be improved if the Scheme Manager is able to borrow greater funds at an earlier date.

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ACT 1931**

and

**IN THE MATTER of KAUPTHING
SINGER & FRIEDLANDER (ISLE OF
MAN) LIMITED**

and

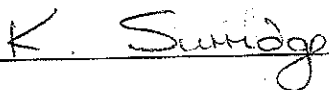
**IN THE MATTER of THE JOINT
PETITION OF KAUPTHING SINGER &
FRIEDLANDER (ISLE OF MAN)
LIMITED and THE FINANCIAL
SUPERVISION COMMISSION dated
the 9th day of October 2008**

and

**IN THE MATTER of the Court Orders
dated 9th October 2008**

THIS IS THE PAPER WRITING REFERRED TO AS "MS/3" IN THE ANNEXED
THIRD AFFIDAVIT OF MICHAEL SIMPSON
SWORN BEFORE ME

THIS 18TH DAY OF FEBRUARY 2009



**Katrina Mary SurrIDGE
Commissioner for Oaths**

8 Florence Close, Yateley, Hants. GU46 6PH
Tel: 01252 876182 email: hilde.bartlett@yahoo.co.uk

Mr John Spellman
Director Financial Services

By Email

6th February 2009

Dear Mr Spellman,

Ref: Kaupthing Singer & Friedlander IoM

After attending the Treasury Select Committee Hearing last Tuesday, it has become clear to me that the SoA route is not the route that is most suited to me personally, nor for the majority of the depositors. It would not gain us very much but would stand to lose us rather more. **As a high investor with £2.6mill at stake (my life's work, I am 70 years of age), I would like to make it quite clear that I am against the Scheme of Arrangement as it currently stands.**

Furthermore, I am also against a liquidation at the meeting on 19th February.

My suggestion in its place is that the IoM pursues the action of obtaining a loan from the British Government to cover the shortfall and continues trading **while it fights its corner with the British Government, the FSA in the UK, the FSC in the IoM, who after all are at the bottom of this tragedy.**

When I deposited my money in 2006, I had no idea that the company was connected to Kaupthing. The singer & Friedlander name and the reputation were recommended to me as a solid, dependable bank of long standing. I therefore deposited my money in good faith, relying on the various **Regulating Authorities** to have done their job correctly. Little did I suspect what has come to the fore now. And to be singled out by the British Government and excluded from the rescue packages that other banks have received is just despicable. **I am a British citizen living in Britain, having paid my full tax due on the money that is in Kaupthing and am let down by both the relevant Governments. This includes pushing the Icelandic Government to honour its responsibilities on the Parental Guarantee.**

Has anyone thought of, that, if these shortfalls were to be spread amongst all the parties involved, it would be more affordable for each? After all, every party can be accused of negligence in this affair.

Yours sincerely,

Hilde Bartlett

Serial No. CP 2008/94

IN THE HIGH COURT OF JUSTICE OF
THE ISLE OF MAN

CHANCERY DIVISION

IN THE MATTER of THE COMPANIES
ACT 1931

and

IN THE MATTER of KAUPTHING
SINGER & FRIEDLANDER (ISLE OF
MAN) LIMITED

and

IN THE MATTER of THE JOINT
PETITION OF KAUPTHING SINGER &
FRIEDLANDER (ISLE OF MAN)
LIMITED and THE FINANCIAL
SUPERVISION COMMISSION dated
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and

IN THE MATTER of the Court Orders
dated 9th October 2008

THIRD AFFIDAVIT OF MICHAEL
SIMPSON

CAINS Advocates Limited
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15/19 Athol Street
DOUGLAS
Isle of Man