



Kaupthing Singer & Friedlander (Isle of Man) Limited Early Payment (No. 2) Scheme

Circular letter to Depositors

On 17 February 2009, Tynwald, the Isle of Man Parliament, approved the Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSF IOM") Early Payment (No. 2) Scheme and agreed that up to £94 million could be released from the Isle of Man Government's Reserve Fund to make payments of up to £10,000 to eligible depositors.

The original KSF IOM Early Payment Scheme was approved by Tynwald in January 2009 and authorised Treasury to make a payment of up to £1,000 to eligible account holders of KSF IOM. The Early Payment (No. 2) Scheme is effectively an enhancement to the original scheme and increases the maximum advance payment from £1,000 to £10,000.

I am pleased to be able to provide more information about the KSF IOM Early Payment (No. 2) Scheme and to let you know how you can apply for a payment. The enclosed Guidance Notes should answer your questions about the new scheme. However, if you need more information please contact Isle of Man Treasury on either the telephone helpline (01624 685858) or the e-mail helpline: ksfdepositors@gov.im.

The original Early Payment Scheme and the enhancement which is now being implemented reflect the Isle of Man Government's commitment to fair treatment for depositors. Following the approval of the (No. 2) Scheme, Government has committed total funding of £105 million to help depositors before a more comprehensive solution can be implemented. The Isle of Man Government continues to work towards a solution that will provide the maximum benefit to depositors.

**Hon Allan Bell MHK
Treasury Minister
Isle of Man Government**

27 February 2009

**Kaupthing Singer & Friedlander (Isle of Man) Limited
Early Payment (No. 2) Scheme**

Application Form

If you wish to apply for a payment, please complete the following information and then sign, print name and date in the space provided to confirm your acceptance of the terms and conditions set out in the Application Form and Memorandum of Assignment:

The "Account Holder"

(Include the names of all joint accounts holders)

Account Holder Address

Interpretation

In the application form and Memorandum of Assignment —

"Account Holder" means—

- (a) except in the case of an account held in the name of trustees, a person legally and beneficially entitled to the proceeds of the deposit in that account;
- (b) in the case of an account held in the name of trustees, a person legally entitled to the proceeds of the deposit in that account;

but excludes any persons falling within any of the categories of ineligible persons in paragraph 5 of Government Circular No. 04/09 and summarised in the KSF IOM Early Payment (No. 2) Scheme Guidance Notes;

"Advance" means the sum which the Treasury is willing to advance to each Account Holder pursuant to the KSF IOM Early Payment (No. 2) Scheme which is the lesser of (i) £10,000 (ten thousand pounds sterling); and (ii) an Account Holder's Bank Claim, in each case reduced by any payment made to the Account Holder by Treasury in respect of the KSF IOM Early Payment Scheme;

"Aggregate Early Payment" means the total sum paid to any particular Account Holder pursuant to the KSF IOM Early Payment Scheme and the KSF IOM Early Payment (No. 2) Scheme;

"Alternative Repayment Rights" means all of the Account Holder's title to, interest in and right to receive, whenever arising, a payment in respect of his Bank Claim by all or any of (i) a Liquidation Dividend; (ii) a DCS payment; and/or (iii) a payment under a Scheme of Arrangement;

"Assignment" means the Memorandum of Assignment attached hereto;

"Assignment Figure" means the lesser of (a) £10,000; and (b) the cumulative total of the Advance and any payment to the Account Holder under the KSF IOM Early Payment Scheme;

"Assignment Figure Shortfall" means, the shortfall in the amount of the Treasury's recovery of the Assignment Figure from the Bank or a liquidator of the Bank, following a request for payment of the Assignment Figure;

"Bank" means KSF IOM;

"Bank Account(s)" means all bank accounts with the Bank of which an Account Holder is registered as account holder;

"Bank Claim" means the claim of any Account Holder against KSF IOM for the credit balance in the Bank Account(s) of such Account Holder with KSF IOM but, for the avoidance of doubt, shall disregard any reduction due to the assignment, if any, to the Treasury under the KSF IOM Early Payment Scheme;

"DCS" means the Isle of Man Depositors' Compensation Scheme constituted under the Compensation of Depositors Regulations 2008;

"I/We" means the Account Holder;

"KSF IOM" means Kaupthing Singer and Friedlander (Isle of Man) Limited;

"KSF IOM Early Payment (No. 2) Scheme" means the scheme introduced by way of Government Circular No. 04/09 in February 2009;

"KSF IOM Early Payment (No. 2) Scheme Guidance Notes" means the notes issued by the Treasury in February 2009 as a guide to the operation of the KSF IOM Early Payment (No. 2) Scheme;

"KSF IOM Early Payment Scheme" means The KSF IOM Early Payment Scheme introduced by way of Government Circular No. 01/09;

"KSF IOM Early Payment Scheme Assignment" means the assignment of £1,000 (one thousand pounds sterling) or less of the Bank Claim to the Treasury pursuant to the KSF IOM Early Payment Scheme;

"Liquidation Dividend" means a distribution of the assets of the Bank by a liquidator pursuant to a dividend declared in the liquidation of the Bank;

"New Owner" means any third party purchaser of all or part of the assets of KSF IOM who, upon such purchase, undertakes a liability to honour the credit balances of parties who were previously Account Holders of KSF IOM;

"Provisional Liquidators" means Michael Simpson of PriceWaterhouseCoopers of 60 Circular Road, Douglas, IM1 1SA and Peter Spratt of PriceWaterhouseCoopers LLP of Plumtree Court, London EC4A 4HT;

"Resumption of Banking" means KSF IOM resuming its banking business in whole or part, or such banking business being resumed in whole or part by a third party as a New Owner

"Scheme of Arrangement" means any scheme of arrangement sanctioned by the Court that may be entered into between the Bank and its creditors;

"Treasury" means the Treasury of the Isle of Man, a department of the Isle of Man Government, of Government Office, Douglas, Isle of Man, British Isles, IM1 3PU;

and cognate expressions shall be construed accordingly.

Request for early payment

I/We, the undersigned, wish to receive a payment of up to £10,000 from the Treasury under the KSF IOM Early Payment (No. 2) Scheme in accordance with the rules set out in Government Circular No. 04/09.

I/We acknowledge that:

- (i) the DCS is a separate statutory payment scheme from the KSF IOM Early Payment Scheme and the KSF IOM Early Payment (No. 2) Scheme;
- (ii) receipt of a payment by me/us under the KSF IOM Early Payment Scheme and/or the KSF IOM Early Payment (No. 2) Scheme does not constitute confirmation of eligibility to receive compensation under the DCS;
- (iii) a separate claim for compensation under the DCS will be required in the event that the DCS is activated; and
- (iv) the amount of any payment from the KSF IOM Early Payment Scheme and/or the KSF IOM Early Payment (No. 2) Scheme will have the effect of reducing the amount of any payment that I/we may receive from the DCS and/or from KSF IOM whether by reducing any dividend in the event of its liquidation or by reducing the account balance available for payment upon a Resumption of Banking, and/or under any Scheme of Arrangement.

I/we understand that, as part of an agreement to make a payment under the KSF IOM Early Payment (No. 2) Scheme, the Treasury requires me/us to assign some or all of my/our rights to receive payments from the DCS, and/or from KSF IOM whether by reducing any dividend in the event of its liquidation or by reducing the account balance available for payment upon a Resumption of Banking and/or under any Scheme of Arrangement, and/or from any account balance I/we may be entitled to in the event of an acquisition of KSF IOM by New Owners.

Effect of early payment

I/We agree that in the event of a payment being made to me/us under the KSF IOM Early Payment Scheme and/or the KSF IOM Early Payment (No. 2) Scheme, and in consideration for such payment, I/we will immediately assign to the Treasury absolutely all my/our title to, interest in and right to receive the first £10,000 (or such lower amount if the Aggregate Early Payment made to me/us is less than £10,000) from any sums which I/we am/are entitled from KSF IOM.

In the event that KSF IOM's banking business is not resumed, whether by KSF IOM or under a New Owner, with the consequence that the assignment above does not fully repay to the Treasury the Aggregate Early Payment, I/we agree to assign to the Treasury absolutely all my/our title to, interest in and right, when arising, to receive sufficient funds to repay the shortfall, from my/our rights in respect of my/our Bank Claim to payment:

- (i) from KSF IOM in liquidation;
- (ii) under the DCS;
- (iii) pursuant to any Scheme of Arrangement.

The terms of this assignment of current rights and agreement to assign future rights are fully set out in the Memorandum of Assignment forming part of this document whose provisions are to be decisive, in the event of any conflict with those above.

I/we further agree that we will execute any other instruments which the Treasury may reasonably require for the purpose of ensuring the foregoing assignment is given effect.

Use of information

I/we consent to the Treasury using information provided by me/us on the Account Holder Information Form and any other data provided by me/us for the following purposes:

- verifying my/our entitlement to a payment under the KSF IOM Early Payment Scheme and/or KSF IOM Early Payment (No.2) Scheme and proving my/our identity for that purpose;
- giving notice to such persons as may be necessary in connection with an assignment of my/our rights mentioned above for the purpose of enforcing the rights conferred by virtue of that assignment;
- sharing that information with:
 - the Scheme Manager and Scheme Administrator in connection with the operation or administration of the DCS;
 - the Provisional Liquidators of KSF IOM and their servants or agents;
 - any liquidator appointed in relation to KSF IOM and the liquidator's servants or agents;

- any administrator or manager in relation to a Scheme of Arrangement in respect of the assets of KSF IOM and that party's servants or agents; and
- New Owners.

Disclosure of information by KSF IOM and provisional liquidator of data and information
I/we consent to the disclosure by KSF IOM, the Provisional Liquidators or their servants or agents or any Liquidator or the Liquidator's servants or agents to the Treasury of information about my/our account with KSF IOM, so far as may be necessary for the purposes of verifying my/our entitlement to a payment under the KSF IOM Early Payment Scheme and/or the KSF IOM Early Payment (No. 2) Scheme.

Except to the extent specified above account holder information held by the Treasury will only be used for purposes connected with the KSF IOM Early Payment Scheme and/or the KSF IOM Early Payment (No. 2) Scheme.

**Kaupthing Singer & Friedlander (Isle of Man) Limited
Early Payment (No. 2) Scheme**

MEMORANDUM OF ASSIGNMENT

THIS ASSIGNMENT IS BETWEEN:

- (1) The Account Holder;
- (2) The Treasury, a department of The Isle of Man Government, of Government Office, Douglas, Isle of Man, British Isles, IM1 3PU (**the "Treasury"**).

Terms with capital letters in this Assignment have the meanings defined in the application form.

WHEREAS

- (A) The Account Holder has Bank Accounts with the Bank and is legal owner of all monies in the Bank Account(s), free of encumbrances except any assignment to the Treasury pursuant to the KSF IOM Early Payment Scheme, if applicable.
- (B) The Isle of Man Court of Justice appointed Michael Simpson of PriceWaterhouseCoopers as provisional liquidator of the Bank on 9 October 2008. Peter Spratt of PriceWaterhouseCoopers LLP was subsequently appointed joint provisional liquidator.
- (C) The Account Holder has a Bank Claim.
- (D) The Treasury is willing to make the Advance to any Account Holder with a Bank Claim provided that in consideration for the Advance such Account Holder:-
 - (a) immediately assigns to the Treasury absolutely all such Account Holder's title to, interest in and right to £10,000 (ten thousand pounds sterling) of his Bank Claim or, if less than £10,000 (ten thousand pounds sterling), the amount of money equivalent to the Assignment Figure and agrees that such amount will be paid to Treasury before any payment is made to the Account Holder; and
 - (b) agrees to assign to the Treasury such proportion of his Alternative Repayment Rights as would pass to the Treasury the right to receive a sum equal to any Assignment Figure Shortfall in the event that there is a shortfall in the amount of the Treasury's recovery of the Assignment Figure from the Bank or a liquidator of the Bank, following Treasury's request for payment of the Assignment Figure, such assignment to take effect as soon as such rights arise.
- (E) The Treasury requires the Account Holder to execute the Assignment and consent to the Bank being notified of the Assignment as a condition of the Advance.
- (F) The Treasury requires the Account Holder to waive any rights acquired under the KSF IOM Early Payment Scheme, in return for which the Treasury will re-assign to the Account Holder the rights assigned to it under the Memorandum of Assignment signed by the Account Holder in relation to the KSF IOM Early Payment Scheme.

- (G) The Account Holder will not be required to repay monies which may have already been paid by Treasury to the Account Holder under the KSF IOM Early Payment Scheme as any such payments will be taken into account in calculating the Advance payable under KSF IOM Early Payment (No. 2) Scheme.

IN CONSIDERATION OF THE MUTUAL UNDERTAKINGS CONTAINED IN THIS ASSIGNMENT THE PARTIES WARRANT AND UNDERTAKE AS FOLLOWS:

WARRANTIES:

- (1) The Account Holder warrants the correctness of (A) above and that the Account Holder has not previously assigned or charged the Account Holder's rights against the Bank in respect of his Bank Claim to the Bank or to any third party (except the Treasury pursuant to the KSF IOM Early Payment Scheme, if applicable) or granted any lien or other security in respect of the same;
- (2) The Account Holder warrants that there is a credit balance owing to the Account Holder from the Bank and that the Account Holder has no borrowings with or other debts to the Bank nor any liability to the Bank as surety for any other person;
- (3) The Account Holder warrants to be an Account Holder as defined in the application form, or, in the case of a joint account, that the co-signatory (or co-signatories) of this Assignment is the other party or are the other parties with whom the joint account is held;
- (4) The Account Holder warrants that the Account Holder is not a partner in any partnership which is indebted to the Bank;
- (5) The Account Holder warrants that the Account Holder has the right to assign the Account Holder's rights against the Bank and that the Account Holder has not already assigned any of the Account Holder's rights against the Bank (except to the Treasury pursuant to the KSF IOM Early Payment Scheme) and undertakes not to make any future assignment of such rights, other than this Assignment and any assignment that may be required in relation to any claim against the DCS if activated, without the consent of the Treasury;
- (6) The Account Holder warrants that the Account Holder has not made a previous application under the KSF IOM Early Payment (No. 2) Scheme to the Treasury;
- (7) The Account Holder warrants that the Account Holder is not subject to any bankruptcy order or similar restriction on his activities arising out of insolvency and has not made any arrangement with creditors.

UNDERTAKINGS AND ASSIGNMENTS

1. Payment by the Treasury

- 1.1 The Treasury undertakes to pay the Advance to the Account Holder's nominated bank account following receipt by the Treasury of this Assignment and the application form for payment under the KSF IOM Early Payment (No. 2) Scheme in accordance with the requirements of the Guidance Notes, in signed form and with all details required inserted in full.

2. Assignments by the Account Holder and by the Treasury

2.1 In consideration for the Advance, the Account Holder as legal owner assigns to the Treasury absolutely all of the Account Holder's title to, interest in, and right to receive £10,000 (ten thousand pounds sterling) or, if less than £10,000 (ten thousand pounds sterling), the amount of money equivalent to the Assignment Figure, which is owed to the Account Holder by the Bank and agrees that such amount will be paid to Treasury before any payment is made to the Account Holder by (i) the Bank and/or any New Owner, (ii) the liquidator of the Bank (if so appointed) (iii) the Scheme Manager (if so appointed) of the DCS, (iv) the administrators (if so appointed) of the Scheme of Arrangement.

2.2 In the event that there is an Assignment Figure Shortfall the Account Holder irrevocably agrees to assign to the Treasury absolutely all of the Account Holder's title to and interest in such further proportion of his Alternative Repayment Rights as would pass to the Treasury the right to payment of a sum equal to the Assignment Figure Shortfall.

This will take effect as an assignment of such proportion of the Alternative Repayment Rights as soon as the Alternative Repayment Rights arise and to give effect to this the Account Holder irrevocably agrees to instruct the Bank, or any liquidator, or the DCS Scheme Administrator or the administrator of a Scheme or Arrangement, as appropriate, , and irrevocably authorises the Treasury to give such instruction on the Account Holder's behalf, to pay to the Treasury before any payment is made to the Account Holder the amount of money equivalent to the Assignment Figure Shortfall, from any sums payable by them to the Account Holder pursuant to the Account Holder's Alternative Repayment Rights.

2.3 In the event that after a Resumption of Banking the Bank or a New Owner become insolvent before the Treasury is paid in full under the Assignment in 2.1 above, the Account Holder irrevocably agrees to assign to the Treasury absolutely all of the Account Holder's title to and interest in the right to payment of such additional sum payable to the Account Holder by (i) the Bank or the New Owner in liquidation; or (ii) pursuant to the DCS; or (iii) under any Scheme of Arrangement equal to any Assignment Figure Shortfall.

2.4 Upon the Account Holder signing this Assignment and in accordance with its terms:-

(a) the Treasury reassigns to the Account Holder any rights assigned to the Treasury by the Account Holder pursuant to an application under the KSF IOM Early Payment Scheme;

(b) this Assignment takes effect.

But the re-assignment in 2.4(a) shall only be effective if and to the extent that this Assignment is effective to pass from the Account Holder to the Treasury the title, interest and rights described in 2.1 and 2.2 above.

2.5 By signing this Assignment the Account Holder irrevocably authorises the Treasury to give notice of this Assignment (i) to the Bank and/or any New Owner, (ii) to the Scheme Manager (if so appointed) of the DCS, (iii) the administrators (if so appointed) of the Scheme of Arrangement, for the purpose of giving effect to this Assignment.

3. Other undertakings by the Account Holder

3.1 The Account Holder agrees to provide to the Treasury when requested by the Treasury such proof of ownership of the Bank Account as may be reasonably required by the Treasury.

- 3.2 The Account Holder agrees that the Account Holder will do nothing pending the recovery by Treasury of the Assignment Figure pursuant to the provisions of clause 2.1 above to reduce, limit or otherwise prejudice the Account Holder's rights or those of the Treasury so as to prejudice the Treasury's ability to recover the Assignment Figure under such provisions or otherwise and will, in particular but without limitation, create no legal charge, lien or assignment having priority over the Treasury's rights under or arising in consequence of this Assignment.
- 3.3 In the event that the Account Holder receives a payment (i) from the Bank or a New Owner on a Resumption of Banking; and/or (ii) in respect of the Alternative Repayment Rights, monies to which the Treasury is entitled pursuant to the provisions of clause 2.1 above, the Account Holder agrees to hold such sums on trust for the Treasury and shall pay all such sums to the Treasury as soon as reasonably practicable following receipt of those monies.
- 3.4 The Account Holder undertakes that the Account Holder will take such further steps as are necessary to give effect to the assignment contained in this document in a timely fashion.
- 3.5 Without limiting clause 3.4, the Account Holder by signing this Assignment agrees to provide without delay all necessary co-operation to the Treasury to allow the Treasury to obtain payment of any sums or claims assigned to the Treasury under this Assignment.
- 3.6 In the event that the Account Holder does not provide such necessary co-operation within 30 (thirty) days of a written demand from the Treasury to do so the Account Holder irrevocably authorises the Treasury to take such steps as are necessary to obtain payment of any sums or claims assigned to the Treasury under this Assignment on the Account Holder's behalf, including asserting any and all claims in respect of the Account Holder's Bank Claim.
- 3.7 The Account Holder gives the Treasury the same irrevocable authority as in 3.6 above to take such steps as are necessary to avoid any claim being time-barred by any applicable rules and in this case neither a written demand nor a waiting period of 30 (thirty) days shall be required before such steps are taken by the Treasury. This shall apply to all claims as are available to the Account Holder (i) against the Bank and any New Owner on a Resumption of Banking; and/or (ii) in respect of the Alternative Repayment Rights, against those liable to make payments. For the purposes of 3.6 above and 3.7 the Account Holder irrevocably authorises these parties to provide the necessary information to the Treasury as to whether a claim has been submitted and its details and irrevocably authorises the Treasury to communicate this authority to them.
- 3.8 For these purposes of 3.6 and 3.7 above, the Account Holder irrevocably appoints the Treasury as the Account Holder's agent and attorney for the purposes of lodging a proof of debt in any liquidation of the Bank, making a claim under the DCS and making a claim in the Scheme of Arrangement on behalf of such Account Holder.
- 3.9 In respect of any steps taken by the Treasury as above, the Treasury shall ensure that requests are given to the Liquidators, DCS Scheme Manager, and/or any administrator of a Scheme of Arrangement (as applicable) that any sums due from or received from such sources (after payment to Treasury of the sums due to the Treasury pursuant to the assignment herein) be remitted to the Account Holder.

4. General

- 4.1 Any failure by the Treasury to exercise or any delay in the exercise of any right or power under this Assignment shall not be deemed to be a waiver of such right or power nor shall any single or partial exercise of any such right or power prevent any further exercise of that or any other right or power. Any waiver or consent given by the Treasury under this Assignment shall only be effective if given in writing.
- 4.2 The Treasury's powers and rights under this Assignment are cumulative and are in addition to any powers and rights which the Treasury may have in law.
- 4.3. The Account Holder waives the right to be joined to any proceedings by the Treasury against the Bank for payment of the Assignment Figure, provided always that the Treasury's claim relates only to the Advance and not to any other indebtedness of the Bank to the Account Holder.
- 4.4 The Account Holder waives any rights against the Treasury and releases the Treasury from any duties arising out of the Application Form and Memorandum of Assignment signed in relation to the KSF IOM Early Payment Scheme but this shall not in itself entitle the Treasury to repayment of any monies paid to the Account Holder pursuant to the KSF IOM Early Payment Scheme.
- 4.5 The Account Holder understands that while this document is designated as an "Assignment" it contains provisions that do not strictly form part of an immediate assignment of the Account Holder's rights to the Treasury, in particular - an agreement to assign future rights and other general contractual provisions. The Account Holder agrees that these provisions shall also bind the Account Holder.

5. Assignment

- 5.1 The provisions of this Assignment shall bind the Treasury and the Account Holder and their respective successors and permitted assigns and any trustee in bankruptcy or similar. The Account Holder may not assign or transfer all or any part of the Account Holder's rights, powers or obligations under this Assignment. The Treasury without the consent of the Account Holder may transfer, assign, or subrogate its rights, powers and obligations under this Assignment to any assignee or transferee and for this purpose the Treasury may give to any potential assignee or transferee any information about the Account Holder and this Assignment which the Treasury considers appropriate provided that the Treasury procures that the person to whom the information is to be given enters into a confidentiality undertaking.
- 5.2 In the event that an Account Holder has made a claim under the DCS prior to the presentation of the application form and this Assignment to the Treasury, the application form and Assignment shall be void and of no effect.

6. **Notices**

6.1. Communications in writing

Any communication to be made under or in connection with this Assignment shall be made in writing and, unless otherwise stated, may be made by fax or letter.

6.2. Addresses

6.2.1 The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication or document to be made or delivered under or in connection with this Assignment is:

6.2.2 in the case of the Treasury;

KSF Early Payment Scheme,
PO Box 211,
Douglas,
Isle of Man,
British Isles, IM86 2TE

6.2.3. in the case of the Account Holder;

As provided by the Account Holder in an application for either the Early Payment Scheme or Early Payment (No. 2) Scheme.

7. **Law and Jurisdiction**

7.1 This Assignment is governed by Manx law and the courts of the Isle of Man have exclusive jurisdiction to settle any dispute arising in connection with this Assignment.

Each Account Holder to sign, print name and date in the space provided to confirm their acceptance of the terms and conditions set out in the Memorandum of Assignment and the application form:

	Signature(s)	Print full name(s)	Date
First account holder			
Second account Holder (for joint accounts)			
Third account Holder (for joint accounts)			
Fourth account Holder (for joint accounts)			

All account holders must sign

TREASURY USE ONLY

Signed for and on behalf of the Treasury

Authorised Signatory

Date -----