

**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 9<sup>th</sup> day of October  
2008

and

**IN THE MATTER** of the Humble Petition  
of Michael Simpson as Liquidator  
provisionally of Kaupthing Singer &  
Friedlander (Isle of Man) Limited dated the  
12<sup>th</sup> day of November 2008

and

**IN THE MATTER** of the Court Order  
dated the 9 April 2009

and

**IN THE MATTER** of the Humble Petition  
of Michael Simpson and Peter Norman  
Spratt as Joint Liquidators Provisionally of  
Kaupthing Singer & Friedlander (Isle of  
Man) Limited of Sixty Circular Road,  
Douglas, Isle of Man dated 22nd April 2009

**FIRST AFFIDAVIT OF KENNETH CLIVE MCGREAL**

I, KENNETH CLIVE MCGREAL, of Douglas, being sworn make oath and say as follows:-

1. I am the Financial Controller of the Treasury, Isle of Man Government and am duly authorised by the Treasury Minister, Mr A R Bell, to swear this affidavit.
2. Where they refer to factual matters directly within my knowledge the contents of this Affidavit are true. The other matters to which I depose in this Affidavit, I verily believe to be true to the best of my knowledge, information and belief.
3. I swear this Affidavit to update the Court in connection with the scheme of arrangement pursuant to s.152 Companies Act 1931 ("the Act") to be proposed to the creditors of Kaupthing Singer & Friedlander (Isle of Man) Limited ("KSFIOM") in accordance with the Order of 9 April 2009 made in the matter of Kaupthing Singer & Friedlander (Isle of Man) Limited (in provisional liquidation) and The Treasury of the Isle of Man ("the Scheme Proceedings").
4. On 8 April 2009, Judgment was handed down by High Court of Justice in London in the matter of Kaupthing Singer & Friedlander Ltd (in administration) and in the matter of Newcastle Building Society and others v Kaupthing Singer & Friedlander (Isle of Man) Limited (Case No. GLC 228/08). A true copy of the approved Judgment (neutral citation number [2009] EWHC 740 (Ch)) is now produced and shown to me marked "KCM1". The Court in that case found in favour of KSFIOM. I understand from the Liquidators Provisional that the Judgment was initially embargoed and advocates for the Treasury only received a copy on Thursday 16 April 2009.
5. On Monday 20 April 2009, the Treasury obtained a copy of the first Progress Report of the Administrators of Kaupthing Singer & Friedlander Ltd (in administration), which has been made available to creditors on the website: [www.kaupthingsingers.co.uk](http://www.kaupthingsingers.co.uk) . There is now produced and shown to me marked "KCM2" a true copy of the said Progress Report.
6. At pages 17 and 18 of the Progress Report, under the heading "*Estimated Outcome for Creditors*", the Administrators gave their first public indication of the likely level of the first dividend to be paid to creditors and of the likely overall dividend level. They state that "*It is currently estimated that the first distribution will be a minimum of 10p in the £.*" and that "*On the basis of current forecast recoveries from the banking book,*

*prudent estimates of realisations from other assets, and based on the maximum estimates of unsecured claims, and current market conditions not deteriorating, the Administrators currently estimate that total distributions should be a minimum of 50p in the £."*

7. In light of the foregoing, whilst cognisant of the caveats contained in the Progress Report, Treasury have decided to propose an improved Scheme of Arrangement to Creditors.
8. The principal changes to the economic terms of the proposed Scheme of Arrangement will be as follows:
  - a. The Top-Up Payment will be paid in two tranches (rather than the three previously proposed):
    - i. on the First Distribution Date, the Treasury shall pay to the Company for the benefit of that Protected Depositor a Top-Up Payment such that the total amount received by that Protected Depositor shall, when aggregated with the Pari Passu Distribution payable to the Protected Depositor on the First Distribution Date, be equal to the lower of (i) that Protected Depositor's Protected Scheme Claim and (ii) £35,000 (thirty-five thousand pounds) in the case of an individual (or £14,000 (fourteen thousand pounds) in any other case);
    - ii. on the Second Distribution Date, the Treasury shall pay to the Company for the benefit of that Protected Depositor a Top-Up Payment which shall, when aggregated with (i) the Pari Passu Distribution received by the Protected Depositor on or prior to the Second Distribution Date and (ii) any Top-Up Payment previously received, be equal to the lower of (iii) that Protected Depositor's Protected Scheme Claim and (iv) £50,000 (fifty thousand pounds) in the case of an individual (or £20,000 (twenty thousand pounds) in any other case).

This will ensure that all Protected Depositors receive their DCS equivalent entitlements within one year, rather than two.

- b. Treasury will further defer its "catch-up" dividend from 60p/£ (as previously proposed) to 70p/£. Accordingly, the Treasury will receive no payment under the Scheme until all Scheme Creditors have been paid at least 70% (seventy per cent.) in the pound on the amount of their Allowed Scheme Claims.
9. I believe the revised proposed Scheme of Arrangement will offer to many of the creditors of KSFIOM an even better outcome than under the previous proposed

Scheme of Arrangement and that no creditors are disadvantaged these changes to the economic terms of the Scheme.

Taken and sworn at Douglas

this 23<sup>rd</sup> day of April 2009 :

Before me: *K Mansell* :

A Commissioner for Oaths :

KAREN MARGARET MANSELL  
COMMISSIONER FOR OATHS

*Kem'feal'*

Dated

2009

Serial No. CP 2009/

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Limited and the Financial Supervision  
Commission dated the 9<sup>th</sup> day of October 2008

and

**IN THE MATTER** of the Humble Petition of  
Michael Simpson as Liquidator provisionally of  
Kaupthing Singer & Friedlander (Isle of Man)  
Limited dated the 12<sup>th</sup> day of November 2008

and

**IN THE MATTER** of the Court Order dated the  
9 April 2009

and

**IN THE MATTER** of the Humble Petition of  
Michael Simpson and Peter Norman Spratt as  
Joint Liquidators Provisionally of Kaupthing  
Singer & Friedlander (Isle of Man) Limited of  
Sixty Circular Road, Douglas, Isle of Man dated  
22nd April 2009

**AFFIDAVIT OF KENNETH CLIVE  
MCGREAL**

HM Attorney General  
Douglas



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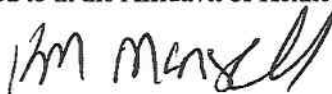
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**AFFIDAVIT OF KENNETH CLIVE MCGREAL**

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This is the exhibit marked "KCM1" and referred to in the Affidavit of Kenneth Clive McGreal sworn  
this 23<sup>rd</sup> day of April 2009 before me:



KAREN MARGARET MANSELL  
COMMISSIONER FOR OATHS





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**AFFIDAVIT OF KENNETH CLIVE MCGREAL**

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This is the exhibit marked "KCM2" and referred to in the Affidavit of Kenneth Clive McGreal sworn  
this 23<sup>rd</sup> day of April 2009 before me:



KAREN MARGARET MANSELL  
COMMISSIONER FOR OATHS

