

MEMORANDUM

on the legal environment of Landsbanki Íslands hf. as a consequence of the reorganisation and winding-up measures now in place pursuant to Act on Financial Undertakings, No. 161/2002, as amended by Act No. 44/2009.

I. Preface

1. This Memorandum was prepared by the Winding-up Board of Landsbanki Íslands hf. (“Landsbanki”) for the purpose of clarifying the legal environment that applies to Landsbanki in the reorganisation and winding-up measures (the “Procedure”) now in place.
2. The Memorandum focuses mainly on the relevant Articles of Act on Financial Undertakings, No. 161/2002, as they were amended by Act No. 44/2009 (the “Amendment Act”), adopted by the Icelandic Parliament on 15 April 2009. Furthermore the Memorandum covers the many practical rules of conduct and procedure found in the Act on Bankruptcy etc., No 21/1991 (the “Bankruptcy Act”), applicable to the Procedure, where deemed necessary, by special provisions in the Amendment Act.
3. Unless specifically stated in this Memorandum, no opinion is given on the Winding-up Board but rather an attempt is made to provide an explanation of the aforesaid legislation as applied or applicable to Landsbanki and of affairs that the Winding-up Board believes are matters of fact. Official translations of the Amendment Act and the Bankruptcy Act are available online¹ for further reference and application. It is recommended that copies of those Acts be used as reference in parallel to reading this Memorandum.

II. Prior legislative amendments

4. For the sake of continuity, it is necessary to provide a brief description in detail of the relevant parts² of the two previous legislative amendments adopted by the Icelandic Parliament following the collapse of the three major banks in Iceland in early October 2008. On 7 October, Act No. 125/2008 was adopted (the “Emergency Act”) and on 14 November Act No. 129/2008 was adopted (the “November Amendment”).
5. Among other things the Emergency Act allowed the Icelandic Financial Supervisory Authority (the “FME”) to take over the control of a financial enterprise by assuming the powers of the shareholders’ meeting and the board of directors, automatically dismissing the board. Furthermore the FME was allowed to appoint a special five-member board, a resolution committee, and to grant that committee all the powers of the board of directors.

¹ For the Amendment Act see <http://eng.vidskiptaraduneyti.is/laws-and-regulations//nr/2911> and for the Bankruptcy Act see <http://eng.domsmalaraduneyti.is/laws-and-regulations/english/nr/6570>. Furthermore, other acts that are, or might be, referred to in this Memorandum should be available on <http://eng.vidskiptaraduneyti.is/laws-and-regulations//nr/1254>.

² Although important, a recitation of various matters, such as the split of the banks, is not considered relevant for the specific purpose of this Memorandum.

The main role of the committee was to supervise the handling of assets and to conduct, and continue, the licensed business operations of the financial enterprise in question under the continued auspices of the FME. On October 7 the FME appointed a Resolution Committee for Landsbanki.

6. It must also be mentioned that the Emergency Act included a provision whereby claims for deposits, as defined in the Act on Deposit Guarantees and Investor Compensation Scheme, were granted priority status according to Article 112, paragraph 1 of the Bankruptcy Act.
7. Following the events in October it became apparent that, in order to protect the assets of the banks from individual creditor action resulting in an inevitable risk of asset depreciation, ultimately for the benefit of all creditors and creditor equality, a period of respite had to be established. This was done by adopting the November Amendment on 14 November. The November Amendment included provisions that allowed a period of moratorium for financial enterprises of up to 24 months, generally based on the respective Articles of the Bankruptcy Act, but with some exceptions further described in the November Amendment³.
8. On 5 December 2008 Landsbanki was granted a moratorium by the order of the District Court of Reykjavik. Simultaneously, and following a special consent of the FME, the Court approved the appointment of Mr. Kristinn Bjarnason, Advocate to the Supreme Court, as a moratorium Assistant to Landsbanki (the “Appointee”) with specific fiduciary duties to the Court and the creditors of Landsbanki. The moratorium was originally granted until 26 February 2009. On 3 March 2009, the Court extended the period of moratorium until 26 November 2009.
9. A moratorium, as defined in the Icelandic legislation, is a reorganisation measure which is intended to preserve or restore the financial situation of the entity in question⁴. Furthermore a moratorium clearly affects any pre-existing rights of creditors since it allows suspension of payments, suspension of enforcement measures and reduction of claims. In the case of Landsbanki and the specific rules applied to its moratorium pursuant to the Amendment Act (cf. Temporary Provisions II.1 and II.2) a claims process is put in place via the rules of Chapters XVII and XVIII of the Bankruptcy Act⁵ and other sections of this Act. Accordingly creditors must file their claims and cannot initiate any individual enforcement measures (cf. further Articles 116 - 118 of the Bankruptcy Act).

³ Both the Emergency Act (Act no. 125/2008) and the November Amendment (Act no. 129/2008) are available in an official English translation here <http://eng.vidskiptaraduneyti.is/laws-and-regulations/nr/1254>.

⁴ It has come to our attention that the definition and use of “moratorium” in some English translations of the relevant Icelandic legislation is inconsistent. This is merely a matter of variation in translation, as the original and authentic text of the Icelandic legislation always refers to the same word, the same measure and the same meaning (the Icelandic term *greiðslustöðvun*). Examples of such inconsistency in translation can be found in the English versions of Article 99 of Act no. 161/2002, Temporary Provision II.1 of the Amendment Act, Article 2 of the November Amendment and Article 10 of the Bankruptcy Act.

⁵ Temporary Provision II.2 includes a reference to Article 102 of the Amendment Act. According to provisions in paragraphs 3 and 4 of Article 102, Chapters XVII and XVIII are among those that apply to the moratorium.

III. Introduction to the Amendment Act – specific characteristics

10. Due to the enormity of the crisis in the autumn of 2008, changes to the Icelandic legal framework were necessary. Thus, following the adoption of the November Amendment, work began on a more extensive and complete revision of the framework surrounding financial enterprises in this context.
11. In the process of structuring the bill of legislation that later was adopted as the Amendment Act, the above-mentioned legislative amendments had to be considered for the sake of coherence and continuity. The reorganisation and winding-up regime that had already been put in place was, for obvious and inevitable reasons, used as a platform for the Amendment Act. Following this approach was also intended to avoid jeopardising the international recognition of the moratorium already obtained.
12. There are four characteristics of the Amendment Act that must be mentioned in this introduction and in this context:
 - a) The Amendment Act was intended not to overthrow the reorganisation measures, respite and asset protection already acquired, or the regime already established, and seemingly approved by the banks' creditors in general. Thus the moratorium status was allowed, to continue, with practical modifications to the rules applying to it (as further described below)⁶, and it was deemed necessary that the resolution committees should continue to operate as interim boards of directors, responsible for asset management and maximisation of assets for the benefit of all creditors⁷.
 - b) The dedicated moratorium applying to the banks is based on the same function and same procedural rules as winding-up measures would in general follow. As a direct consequence of the moratorium and thus a direct consequence of a Court order to initiate that process, this moratorium shall automatically, upon expiration, result in winding-up procedures with the same function and the same rules, handled by the same parties, unless the moratorium has already resulted in full payment of all liabilities and the subsequent removal of any reorganisation measures according to further provisions in Article 103 a, paragraphs 1 and 2 of the Amendment Act⁸.
 - c) Although it is specifically stated in Article 101, paragraph 1 of the Amendment Act⁹ that the estate of a financial undertaking (enterprise) “may not be subjected to bankruptcy proceedings in accordance with general rules” it was considered both practical and beneficial in various areas to integrate many parts of the Bankruptcy Act as applicable to the Procedure as further described below.

⁶ This is a result of Temporary Provisions II.1 and II.2 of the Amendment Act. In the first sentence of Temporary Provision II.2 the provisions of certain Articles of the Amendment Act are made to apply to the moratorium.

⁷ The specific role of the Resolution Committee according to the Amendment Act will be discussed below.

⁸ The moratorium can also result directly in the other exit routes described in Article 103a, paragraphs 3 to 5 of the Amendment Act.

⁹ References to the specific numbers of articles of the Amendment Act are those referred to in each article as eventual numbers once integrated into the complete Act on Financial Undertakings, No. 161/2002.

d) The Amendment Act grants the District Courts the power to appoint, upon a written request by the resolution committees, administrators (winding-up boards) to handle all aspects of the Procedure not entrusted to the resolution committees. Due to the fact that the Appointees for the banks (all of whom were experienced attorneys and external to the banks prior to their engagement as Appointees) had already been approved by the courts and in order to both utilise the valuable knowledge obtained by the Appointees and to maintain recognition of the procedures in the United States and Canada, it was deemed necessary that the Appointees would automatically become members of the winding-up boards whereas the Courts would appoint the other members.

13. Partly due to these considerations, the Amendment Act includes Temporary Provisions that apply to Landsbanki and other financial enterprises that had already entered into some parts of the regime previously established. It should be borne in mind that those Temporary Provisions prescribe some derogations from the general rules of the Act.
14. In short, Landsbanki is now in a state of a dedicated moratorium governed by a set of rules that also govern winding-up procedures and such winding-up procedures are an automatic consequence of the moratorium once that has expired. As already mentioned, and for the purpose of this Memorandum, this procedure is collectively referred to as the Procedure.
15. In the case of Landsbanki the regime described above has been approved by the District Court of Reykjavik when it accepted a request from the Resolution Committee, based on the Temporary Provisions of the Amendment Act, and appointed the Winding-up Board for Landsbanki on 29 April 2009.

IV. The entities in charge of the Procedure

16. Landsbanki is now effectively governed by two entities, namely the Resolution Committee and the Winding-up Board. Due to a derogation provided for in sections II.3 and II.4 of the Temporary Provision, those entities share the powers that would generally be allocated to the Winding-up Board of a financial enterprise. The Resolution Committee has the power and authority to handle certain tasks according to section II.3 of the Temporary Provisions and the Winding-up Board has the power and authority to handle all other aspects of the Procedure not entrusted to the Resolution Committee.
17. Notwithstanding the above, both the Resolution Committee and the Winding-up Board have the same fiduciary and trustee obligations towards creditors and for the safeguarding of the general interests of the bank. Generally speaking, these are the same obligations which rest on liquidators under the general rules of the Bankruptcy Act, cf. in particular Articles 75-84 and 122-130 of the Bankruptcy Act (cf. Article 101, the last sentence of paragraph 4 and Article 103, paragraph 1 of the Amendment Act).
18. *The Resolution Committee* has the obligation to maximise the final returns and to look after the day-to-day management of the bank for this purpose, cf. Temporary Provision II.3 of the Amending Act. The committee:

- a) administers the banks' authorised activities under the auspices of FME (cf. Article 9, paragraph 4 of the Amendment Act);
 - b) continues to serve as Landsbanki's Board of Directors (cf. Article 101, second sentence of paragraph 4 of the Amendment Act);
 - c) assesses Landsbanki's assets once the time limit for submission of claims has passed for the purpose of determining whether the bank's assets are sufficient to cover its obligations (cf. Article 102, first sentence of paragraph 5 of the Amendment Act);
 - d) works towards obtaining the highest possible value for the bank's assets, i.e. ensuring that assets are handled in the most cost-effective manner, that claims are collected and no rights are lost that could be of value, that monetary assets are both secure and return the highest interest possible and all other reasonable steps are taken in maximising value (cf. Article 103, paragraphs 1 and 2 of the Amendment Act); and
 - e) convenes and directs creditors' meetings, as deemed suitable, to present the measures taken by the Resolution Committee and invite proposals from creditors as appropriate (cf. Article 103, paragraph 3 of the Amendment Act).
19. If creditors or other parties with interests at stake are of the opinion that measures taken by the Resolution Committee are in opposition to the principal obligations listed above, or if other disputes arise concerning measures of the Resolution Committee, these may be referred to a District Court pursuant to the rules of Articles 166-179 of the Bankruptcy Act (cf. Article 102, paragraph 4 of the Amendment Act (with reference to Part 5 of the Bankruptcy Act)). This also applies to any disputes that may arise concerning measures of the Winding-up Board.
20. *The Winding-up Board* handles all tasks of the Procedure not entrusted to the Resolution Committee. As already stated, the Winding-up Board has clear fiduciary and trustee obligations towards creditors and for the safeguarding of the general interests of the bank (cf. Point 17 above).
21. One of the main tasks of the Winding-up Board is to handle the claims process, issuing local and international notices to creditors inviting them to lodge their claims and setting a specific time limit (deadline) for that purpose¹⁰. This process is governed by the relevant rules of the Bankruptcy Act, in particular Articles 85-88 of the Bankruptcy Act (cf. Article 102, paragraph 2 of the Amendment Act).
22. Following the expiration of the time limit for submission of claims, the Winding-up Board must compile a list of the claims submitted and decide whether to recognise individual claims or not (claims processing). This includes determining priority of claims. The priority is in general governed by the rules of the Bankruptcy Act, Articles 109-115, with

¹⁰ The time limit in Landsbanki's case has been set at 30 October 2009.

the exception that deposit claims as defined in the Act on Deposit Guarantees and Investor Compensation Scheme, have the priority status described in Article 112, paragraph 1 of the Bankruptcy Act (cf. Article 103, paragraph 3 of the Amendment Act).

23. Should a claim be rejected, in part or in whole, the creditor in question must be verifiably notified of that. A creditor meeting shall be convened for the purpose of reviewing the list of claims submitted¹¹. In general only those creditors that have lodged their claims within the set deadline are entitled to attend the meeting, cf. further Articles 125-130 of the Bankruptcy Act (cf. Article 101, the last sentence of paragraph 4 and Article 103, paragraph 1 of the Amendment Act).
24. Creditors may oppose a decision of the Winding-up Board on any claim submitted. All objections must be registered and the board shall endeavour to resolve the disputes as further described in Article 120 of the Bankruptcy Act. Disputes that cannot be resolved by the Winding-up Board shall be referred to the District Court pursuant to Article 171 of the Bankruptcy Act (Article 102, paragraph 4 of the Amendment Act (with reference to Part 5 of the Bankruptcy Act)).
25. As the Winding-up Board handles all other aspects of the Procedure not allocated to the Resolution Committee a recitation of the board's tasks for the purposes of this Memorandum is not to be considered exhaustive. Other tasks of the Procedure handled by the Winding-up Board include:
 - a) resolving any litigation and/or individual creditor action against the bank according to Article 116 of the Bankruptcy Act (cf. Article 102, paragraph 4 of the Amendment Act (with reference to Chapter XVIII of the Bankruptcy Act)) – see further Points 9 and 28;
 - b) handling voiding of the bank's previous measures (reversal of dispositions) as applied in Chapter XX (Articles 131 – 148) of the Bankruptcy Act¹² (cf. Article 103, paragraph 4 of the Amendment Act¹³);
 - c) conducting a forensic audit exercise (together with the Resolution Committee);
 - d) conducting various exercises in asset recovery on an international level (together with the Resolution Committee);

¹¹ Such a meeting will be held on 23 November 2009.

¹² It has come to our attention that there is a mismatch in the English translation of the Amendment Act on one hand and the Bankruptcy Act on the other regarding Chapter XX of the Bankruptcy Act. In Article 103, paragraph 4 of the Amendment Act referral is made to the rules that „apply to reversal of dispositions [...] under bankruptcy proceedings“ but in the English translation of the Bankruptcy Act those rules are referred to as „rescission of measures taken by a bankrupt...“. This is merely a matter of variation in translation, as the original and authentic text of the Icelandic legislation always refers to the same set of words and the same set of rules (the Icelandic term *riftun ráðstafana þrotamanns*). For the purposes of this memorandum the English term „voiding of measures“ is used as a direct translation of the respective Icelandic term.

¹³ It is not evident that Landsbanki's assets will be sufficient to meet all its obligations in full, thus these rules of the Bankruptcy Act are applicable to Landsbanki.

- e) examining any mutual agreements that might be in place and deciding whether to continue or discontinue any such agreements, based on the needs of day-to-day operations as further described in Articles 89–98 of the Bankruptcy Act (cf. Article 102, paragraph 1 of the Amendment Act); and
 - f) handling set-offs and other matters relating to claims against the bank in any context as further described in Articles 99-108 of the Bankruptcy Act (cf. Article 102, paragraph 1 of the Amendment Act)¹⁴.
26. Further to the above, the Winding-up Board handles distribution of monies to creditors according to the provisions and conditions set in Article 102, paragraph 6 of the Amendment Act.
27. Finally, the Winding-up Board handles the conclusion of the Procedure as described in Article 103 a of the Amendment Act. This includes full payment of all obligations and liabilities or reaching composition with creditors once assets have been recovered and maximised according to Article 103, paragraph 2 of the Amendment Act, and all claim disputes dealt with.

V. Creditor status

28. As previously stated (Points 9 and 25a above), the provisions of Chapter XVIII (Articles 116 – 121) of the Bankruptcy Act apply to the Procedure (cf. Article 102, paragraph 4 of the Amendment Act¹⁵). This includes certain principal rules and remedies against individual creditor action further described in Article 116-118 of the Bankruptcy Act, namely that:
- a) legal proceedings may not be brought against the bank unless expressly authorised by law or in the case of a criminal proceeding (cf. Article 116, paragraph 1 of the Bankruptcy Act);
 - b) a legal action brought against the bank, in which a verdict has not yet been handed down upon the entry into force of the Act (22 April 2009), may proceed (cf. Article 116, paragraph 2 of the Bankruptcy Act);
 - c) demands for enforcement, such as attachment, impoundment, injunction, etc., may not be applied against the bank (cf. Article 116, paragraph 3 of the Bankruptcy Act);
 - d) creditors must submit their claims as provided for in Article 117 of the Bankruptcy Act to be included in disbursement of the estate; and

¹⁴ As stated in Article 102, Paragraph 1 of the Amendment Act, the provisions of Article 99, paragraph 1 do not apply and therefore claims do not automatically fall due despite the moratorium or the resulting winding-up procedure.

¹⁵ There is a misplacement of words in the provided English translation of Article 102, paragraph 4 of the Amendment Act where the text “Provisions of Chapter XVIII of the Act and Part 5 of the [Bankruptcy Act]...” should in fact read “Provisions of Chapter XVIII and Part 5 of the [Bankruptcy Act]...” as the original text of the official Icelandic legislation.

- e) if a claim is not submitted against the bank within the time limit provided for so doing it shall be cancelled against the bank, unless specific exceptions apply as referred to in Article 118 of the Bankruptcy Act (points 1 – 6).
29. Furthermore, and as previously stated (Point 25b above), provisions of Chapter XX of the Bankruptcy Act apply regarding voiding of measures (also referred to as reversal of dispositions or rescission of measures) (cf. Article 103, paragraph 4 of the Amendment Act). In most cases the applicability of those provisions has a retroactive effect on previous individual creditor action, notwithstanding even the previous consent of the debtor in question (Landsbanki).
30. For the purposes of this Memorandum special attention is given to Article 138 of the Bankruptcy Act¹⁶. According to that Article any attachment of an asset which becomes part of Landsbanki's estate shall be cancelled. The same applies to any enforcement action establishing a lien upon an asset of the bank. This serves the same purpose as the provision in Article 116, paragraph 3 of the Bankruptcy Act, but is intended to cover individual creditor action predating the entry into force of the Procedure.
31. The above-mentioned provisions (Points 28–30) serve to uphold creditor equality and the generally recognised principles the Procedure relies on. Based on this foundation, the intention is to ensure that the same rules apply to the winding-up of all the bank's assets, wherever they are located, and that the same rules apply to all the bank's creditors, without regard for their status or origin.
32. Both the Winding-up Board and the Resolution Committee must convene creditors' meetings as deemed suitable in order to account for the actions taken in the Procedure, according to Article 79 of the Bankruptcy Act (cf. Article 103, paragraph 3 of the Amendment Act). Further provisions on creditors' meetings are in Articles 125 – 130 of the Bankruptcy Act (cf. also Article 101, last sentence of paragraph 4 of the Amendment Act).
33. Creditors can make proposals on measures in the Procedure. Furthermore creditors representing a total of 20% of votes may demand that a creditors' meeting be held. A decision by a creditors' meeting may be binding for the Winding-up Board and/or Resolution Committee if the meeting is attended by creditors who control at least 1/3 of votes (as defined in the Bankruptcy Act) and the decision of all parties attending the meeting is unanimous. This is, however, subject to major exceptions, such as, if the decision is contrary to law, dishonourable, impossible to implement or contrary to the interests of other creditors not attending the meeting, cf. for details Article 127 of the Bankruptcy Act.

¹⁶ Article 138 is part of Chapter XX of the Bankruptcy Act, specifically referred to in Article 103, paragraph 4 of the Amendment Act (referred to as "reversal of dispositions" in the translation of the Amendment Act and as "rescission of measures" in the translation of the Bankruptcy Act). See also Footnote no. 12 above.

34. As previously stated, Part 5 of the Bankruptcy Act, Articles 166 – 179 apply to the Procedure (cf. Article 102, paragraph 4). Among other things those provisions allow creditors to refer to the courts specific matters of dispute pursuant to detailed rules of the Act. This relates directly to the principle of equal treatment of creditors, as all of the bank's creditors are provided with measures to exercise their right to take action in the Procedure. As a result of these provisions, and the direct reference to Part 5 of the Bankruptcy Act in the Amendment Act, the Procedure is, and will be until its eventual conclusion, subject to the supervision of the Icelandic Courts.

VI. Chronological overview of the Procedure

35. Following the description of the general aspects of the Procedure a brief overview of the chronological order is provided. It must be borne in mind, however, that many parts of the Procedure might be an ongoing part of it, without any specific chronological reference. Furthermore it is still not possible to estimate when, and in exactly what manner the Procedure will conclude. The current overview of the situation is as follows:

15 April 2009. The Amendment Act adopted by the Icelandic Parliament.

22 April 2009. The Amendment Act enters into force pursuant to presidential approval and official publication.

29 April 2009. Pursuant to a written request by the Resolution Committee, the District Court of Reykjavík appoints the Winding-up Board and selects Supreme Court Attorneys Halldór H. Backman and Herdís Hallmarsdóttir to serve on the board alongside Kristinn Bjarnason (the Appointee).

30 April 2009. A Notice to Creditors and an invitation to lodge claims is published in Iceland. International publication initiated and conducted. The time limit to lodge claims is set for 6 months following the initial publication, i.e. 30 October 2009. The Winding-up Board starts to process claims submitted.

30 April 2009. Procedure continues in other areas. Resolution Committee continues to administer the assets and run day-to-day operations. Winding-up Board starts preparations for the claims process and initiates other parts of the Procedure entrusted to it (as further discussed in Chapter IV above).

April 2009 and onwards. Creditors' meetings are convened as needed to inform creditors of the operations and procedural decisions.

30 October 2009. The time limit to submit claims expires at midnight. Subsequently the Winding-up Board compiles a list of all claims submitted and continues to process claims.

23 November 2009. Open creditors' meeting in Reykjavik. Main topics of the agenda: (i) The Winding-up Board will present a list of all claims submitted and disclose decisions on

those claims that have already been processed at that time,¹⁷ offering creditors the possibility to challenge those decisions¹⁸. (ii) Further disclosure of the Winding-up Boards ongoing operations. (iii) The moratorium Appointee will present his report according to Articles 13 and 14 of the Bankruptcy Act. (iv) The Resolution Committee will present its report on assets and operations. The meeting will be postponed and convened again once the Winding-up Board has concluded its claims processing¹⁹.

26 November 2009. A hearing in the District Court of Reykjavik addressing the moratorium and possible continuation of that status. Creditors have access to the hearing.

November/December 2009. Disputes regarding processed claims handled and referred to the Icelandic Courts as needed. The Winding-up Board can start distribution of available funds towards creditors with undisputed priority claims.

Mid-year 2010 (estimated). Litigation regarding disputed claims from the November 23 meeting before the Icelandic Courts should be concluded and judgments delivered, allowing the Winding-up Board to start distribution of available funds towards creditors with resolved and recognised claims eventually payable according to priority ranking (cf. Article 102, paragraph 6 of the Amendment Act).

Year 2010. Open creditors' meeting re-convened in Reykjavik to address the claim processing by the Winding-up Board is continued, addressing other claims and disputes that might arise pursuant to the Winding-up Board's decisions in that regard. Other creditors' meetings held as needed or appropriate. Continued operations in other areas.

5 December 2010. Moratorium ends by an order from the District Court (or sooner as the case may be). Winding-up procedures continue automatically upon such an order.

2010 and onwards. The Procedure continues with the main goals of maximising assets and recovery, possibly allowing for a composition with creditors at later stages.

2011 (estimated). All claim disputes have been dealt with and the list of all claims is final and conclusive. Clearer indication of the continuation of the Procedure available.

Unknown. Conclusion of the Procedure (see Chapter VII below).

VII. Conclusion of the Procedure

36. As the Procedure nears its end, the Winding-up Board will be faced with three alternatives in concluding the Procedure (cf. further Article 103 a of the Amendment Act):

¹⁷ The Winding-up Board will prioritise claim processing so the most significant priority claims (deposits) can be addressed in the November meeting. This should facilitate a final conclusion by the Icelandic Courts in those matters around mid-year 2010.

¹⁸ The Winding-up Board has been made aware that several unsecured creditors have the intention of challenging depositor priority before the Icelandic Courts, pursuant to Articles 166–179 of the Bankruptcy Act.

¹⁹ This is considered unavoidable due to the foreseeable volume of claims submitted.

- a) full payment of all obligations (cf. Article 103 a, paragraphs 1 and 2);
- b) seeking composition with the creditors (cf. Article 103 a, paragraph 3); or
- c) should neither the first or the second option be available, filing for ultimate bankruptcy and liquidation (cf. Article 103 a, paragraphs 4 and 5).

VIII. Epilogue

- 37. The purpose of this Memorandum is to provide practical information on the Procedure and a clearer picture of the legal environment that applies to Landsbanki and both the Winding-up Board and the Resolution Committee. It is recommended that any reader of this Memorandum simultaneously examine both the Amendment Act and the Bankruptcy Act.

Reykjavík, 7 July 2009.

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