

Forsætisráðuneytið

Minnisblað

Viðtakandi: Ríkisstjórn Íslands
Sendandi: Forsætisráðherra og fjármálaráðherra
Dagsetning: 19.02.2009
Málsnúmer: FOR09010138
Bréfalykill:

Efni: Ráðning alþjóðlegra fjármálaráðgjafa fyrir ríkið í tengslum við endanlegt uppgjör á milli nýju og gömlu bankanna.

1. Val á alþjóðlegum fjármálaráðgjöfum og öðrum sérfræðingum.

Í minnisblaði sem samþykkt var í ríkisstjórn þann 10. fyrra mánaðar var gerð tillaga um að undirbúin yrði ráðning alþjóðlegs fjármálaráðgjafa fyrir ríkið í tengslum við endanlegt uppgjör á milli nýju og gömlu bankanna. Verkefnið sem um er að ræða er annars vegar ráðgjöf vegna þeirra samninga sem þurfa að eiga sér stað milli ríkisins, f.h. nýju bankanna, og kröfuhafa gömlu bankanna í tengslum við lokauppgjör. Í annan stað er ætlunin að nýta sér sérþekkingu þessara aðila varðandi fyrirkomulag og mögulegar lausnir í tengslum við uppgjörið. Þar koma ýmsar leiðir til greina, allt frá því að vera einföld lokagreiðsla til flókins fjármálagjörnings sem taki tilliti til framtíðarafkomu af rekstri nýju bankanna. Það er samdóma niðurstaða þeirra sem komið hafa að viðræðum við tilboðsgjafa að leggja til við ríkisstjórnina að ganga til samninga við ráðgjafarfyrirtækið Hawkpoint vegna þekkingar þess og reynslu. Eftir viðræður við fulltrúa stjórnvalda hljóðar tilboð Hawkpoint upp á 200.000 sterlingspund (um 32 m.kr.) á mánuði. Rétt að taka fram að rætt hefur verið um að nýju bankarnir myndu bera þennan kostnað að mestu leyti vegna mikilla hagsmuna sem þeir hafa af niðurstöðu þessara mála. Gert er ráð fyrir því að verkefnið hefjist nú þegar og verði lokið innan þriggja mánaða. Fram hefur komið að jafnframt þurfi að leita eftir lögfræðilegri ráðgjöf vegna þeirra samninga sem hér um ræðir. Slík lögfræðileg aðstoð þyrfti einnig að koma erlendis frá vegna þess hve sérhæft verkefnið er, en innlend lögfræðileg þarf einnig að koma til. Ekki hefur verið skilgreint hvaða kostnað það muni hafa í för með sér, en hann verður að líkum mun minni en kostnaður við fjármálaráðgjafann. Fjármálaráðuneytið hefur jafnframt ákveðið að ráða Þorstein Þorsteinsson, rekstrarhagfræðing og fyrrverandi framkvæmdastjóra við Norræna fjárfestingabankann, sem sérstakan fulltrúa ríkisins til að sinna framangreindu verkefni. Verkefni hans verður að vinna með hinum alþjóðlegu fjármálaráðgjöfum og tryggja samráð við nýju bankana og aðra, eftir atvikum, um samningsgerðina.

2. Verkstjórn og vinnubrögð.

Gert er ráð fyrir því að verkefnið verði unnið með eftirfarandi hætti:

- Fjármálaráðuneytið stýrir samningum fyrir hönd ríkisins og allra nýju bankanna þannig að tryggt sé að jafnræðis sé gætt milli kröfuhafa gömlu bankanna og þeir allir meðhöndlaðir á sama hátt.
- Fjármálaráðuneytið mun nýta sér aðstoð færustu erlendu ráðgjafa og tryggja þannig að beitt verði viðurkenndum alþjóðlegum verklagsreglum og viðmiðunum við samningagerðina.
- Við samningagerðina skal gæta fullrar sanngirni þannig að eðlilegt verð komi fyrir þær eignir sem nýju bankarnir taka yfir frá gömlu bönkunum.
- Náið samráð og samvinna verði við skilanefndir gömlu bankanna, ráðgjafa þeirra og kröfuhafa og hugmyndir þeirra að lausnum teknar til faglegrar skoðunar. Þetta á einnig við um hugmyndir um mögulega aðkomu kröfuhafanna sem eignaraðila í nýju bönkunum.
- Samningaviðræðurnar verði opnar og gangsjærjar og þess gætt að upplýsingaflæði milli aðila verði fullnægjandi

- Tekið verði tillit til fjárhagsstöðu hinna nýju banka þannig að þeir verði færir um að greiða umsamið verð fyrir eignirnar og að sem mest jafnvægi verið í eigna- og skuldastöðu þeirra.

3. Markmið ríkisins með framangreindu verklagi.

Markmið ríkisins með ráðningu alþjóðlegra fjármálaráðgjafa og framangreindu verklagi að öðru leyti eru að:

- Lágmarka kostnað íslenska ríkisins og þar með skattgreiðenda af falli bankanna þriggja og uppbyggingu nýrra banka..
- Tryggja að á Íslandi verði starfandi traust bankakerfi að samningum loknum.
- Hraða uppgjöri við gömlu bankana eftir því sem kostur er.
- Koma til móts við væntingar kröfuhafa eftir því sem við verður komið.
- Viðhalda og byggja upp alþjóðlegt traust á Íslandi með því að ná niðurstöðum úr samningaviðræðunum sem ásættanlegar eru fyrir alla aðila.
- Stuðla að því að aðgangur íslenskra lántakenda að erlendum lánamarkaði komist í betra horf.

Tillaga:

Lagt er til að gengið verði til samninga við ráðgjafafyrirtækið Hawkpoint um að vinna að samningsgerð milli gömlu og nýju bankanna undir stjórn fulltrúa íslenskra stjórnvalda. Einnig verði tryggð lögfræðileg ráðgjöf vegna samningsgerðarinnar. Samhliða verði athugað hvernig rétt sé að deila kostnaði vegna þessara verkefna á milli nýju bankanna. Fjármálaráðherra gangi frá þessum samningum fyrir hönd stjórnvalda.

19. MAR. 2009

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HAWKPOINT

N/Thor/03/008

PRIVATE & CONFIDENTIAL

17 March 2009

Direct Line: 020 7665 4568

paul.baines@hawkpoint.com

The Ministry of Finance
Republic of Iceland
IS-150 Reykjavik
Iceland

For the attention of Indridi Thorlaksson

Dear Sirs

ENGAGEMENT LETTER

We write to confirm the basis upon which Hawkpoint Partners Limited ("Hawkpoint") is appointed to advise The Ministry of Finance of Iceland (the "Client") in connection with the restructuring of the capital of the "New Banks" in the context of the Creditors of the "Old Banks" (the "Transaction").

Hawkpoint's services in relation to the Transaction (where appropriate in conjunction with your other advisers) (the "Engagement") will comprise:

- a) Assisting you in reviewing and analysing work undertaken by Deloitte and Oliver Wyman in respect of the assets and liabilities of the New Banks and the implications of the same for Creditors of the Old Banks and the discussions with them.
- b) Providing you with tactical and strategic advice in respect of the restructuring of the capital of the New Banks as it relates to the negotiations with the Creditors of the Old Banks.
- c) Assisting you in discussions with the Resolution Committees and Creditors of the Old Banks and their advisers, assisting you in preparing materials for Creditor meetings and advising you on the content of such communications (based upon information to be provided by the Government of Iceland).
- d) Assisting you in establishing and then implementing a negotiation process with the Resolution Committees and Creditors of the Old Banks and their advisers.
- e) Advising you on the financial terms of proposals to be made to Creditors of the Old Banks, advising on the financial terms of proposals made by Creditors and on the basis upon which the capital restructuring of the New Banks may be achievable.
- f) Advising you in respect of the design and development of financial instruments to be issued in connection with the capital restructuring of the New Banks.

- g) In conjunction with your legal advisers, assisting you in identifying a process which sets out the appropriate legal steps necessary for effecting the restructuring (however, for the avoidance of doubt we will not be providing you with legal advice).
- h) Providing advice to you, as necessary, in your liaison with the International Monetary Fund and external governmental authorities relevant to the restructuring of the New Banks.
- i) Providing input, as necessary, in respect of public communications in relation to the New Banks' financial positions and capital restructurings.

It is understood that Hawkpoint shall only undertake the provision of other services to the Client by express written agreement.

Hawkpoint's fees (plus, if applicable, VAT) will be a Retainer Fee of £200,000 per month (pro rata for part thereof) commencing on 1 March 2009 for the period up to the date upon which arrangements with the creditors of the Old Banks are implemented in definitive form. The Retainer Fee will be payable on a monthly basis on the 15th day of the month to which it relates.

Hawkpoint shall assign a team consisting of approximately ten members to deliver the services specified. The team shall include Paul Baines, Andrew Speirs, Charles Williams, Andrew Lynn (the "Key Team Members"). Descriptions of these Key Team Members have been provided to the Client separately in a document entitled "Safeguarding the banking interests of Iceland", dated 17 February 2009. Each of the Key Team Members shall work sufficient time to enable Hawkpoint to deliver its services. In the event that any of these individuals is unable to continue to provide the requisite services, Hawkpoint may, with the consent of the Client (not to be unreasonably withheld or delayed), substitute one or more of the Key Team Members with an individual of suitable experience. Hawkpoint recognises the importance of this mandate to the Client and shall respond promptly to queries raised by the Client in relation to the proposed Transaction. In any event, where practical, Hawkpoint shall hold a weekly meeting with the Client or the "Tripartite Group".

Irrespective of the outcome of the Engagement the Client will also reimburse Hawkpoint for its costs and expenses as set out in paragraph 7 of the attached Terms of Engagement.

The Engagement will be subject to the attached Terms of Engagement. For the purposes of paragraph 2 of the attachment, the individuals authorised to give instructions are each of Thorsteinn Thorsteinsson and Indridi Thorlaksson and such persons as these individuals may directly specify in writing to Hawkpoint for this purpose.

For the purposes of the Conduct of Business Rules of the Financial Services Authority we have classified you as an Eligible Counterparty within the meaning of those rules. You will therefore not be entitled to the protections afforded to Customers by the FSA's Conduct of Business Rules (other than those relating to customers' interests, conflicts of interest, relationship of trust and communications with clients).

When we conduct designated investment business with or for you, you may be acting as an agent or intermediary. You will, however, be liable as principal on all obligations to us notwithstanding that you may be acting as agent or intermediary vis-à-vis a third party. If notwithstanding the foregoing, you identify a principal for whom you are acting, you and not your principal will be our client for all purposes (including the purposes of FSA rules) and you will remain liable as principal as set out in the preceding sentence.

Please confirm your acceptance of this letter and the attached Terms of Engagement by signing and returning the enclosed duplicates of both this letter and the Terms of Engagement. We look forward to working with you.

Yours faithfully

A handwritten signature in black ink, appearing to read "Paul Baines". The signature is fluid and cursive, with the first name "Paul" and the last name "Baines" clearly distinguishable.

Paul Baines
Managing Partner

For and on behalf of
Hawkpoint Partners Limited

We hereby confirm our understanding of and agreement to the terms of the agreement constituted by this letter and the attached Terms of Engagement, and consent to being treated as an Eligible Counterparty.

Authorised signatory for and on behalf of

The Ministry of Finance of Iceland

Name... *Indridi H. Jonsson*

Date... *18/3/09*

HAWKPOINT'S TERMS OF ENGAGEMENT

1. ROLE OF HAWKPOINT

Hawkpoint will carry out the services set out in the Engagement Letter and will not be obliged to provide any other advice or services unless it expressly agrees to do so. Hawkpoint will not have any responsibility or liability in respect of any services or advice provided to the Client by persons other than Hawkpoint. It will not be responsible for providing or reviewing specialist advice (such as on legal, regulatory, accounting or taxation matters) or services which the Client has agreed to, or would usually procure, nor will it be responsible for conducting any due diligence, financial or other investigation except to the extent (if any) specifically agreed in the Engagement Letter. Hawkpoint will rely wholly on the Client's commercial assessment in making any recommendations. The commercial assessment as to whether or not the Client decides to enter into the Transaction is a decision that can only be taken by the directors and/or shareholders of the Client.

Any advice rendered by Hawkpoint, unless otherwise agreed in writing by Hawkpoint, is solely for the Client's benefit and must be kept confidential. Such advice may not be relied on by the Client other than for the purposes of the Engagement and neither may such advice or the fact that Hawkpoint is acting as adviser be disclosed nor any announcement made in connection with the Engagement or Transaction unless there is a legal or regulatory obligation to disclose or announce it (in which event the Client will use all reasonable endeavours to consult with Hawkpoint as to the terms of such announcement prior to the making of such announcement) or unless otherwise agreed in writing by Hawkpoint. Such advice may not be used or relied on by any third party without Hawkpoint's prior written consent.

2. AUTHORITY AND INFORMATION

Hawkpoint is entitled to assume that its instructions in relation to the Engagement have been properly authorised by the Client if they are given by a director or senior executive of the Client or by any of the persons referred to in the Engagement Letter. The Client undertakes to ensure that it and the parties connected with it retain all the authorisations and comply with all laws and regulatory requirements relevant to the Engagement and/or the Transaction. Hawkpoint is authorised by the Client to take such steps as it considers necessary to comply with relevant laws or regulations and/or to complete the Engagement including acting through agents.

To enable it to carry out its Engagement, the Client will provide Hawkpoint with all material information in its possession relevant to the Engagement. The Client may also supply information to third parties in connection with the Engagement and/or the Transaction or publish information in the form of announcements or documents. Hawkpoint will rely on the Client to check that any information supplied to Hawkpoint and/or third parties or otherwise published or to be published (including but not limited to any offer document or response document in relation to any takeover bid) is information that the client is legally entitled to provide for the purpose for which it is to be used and without breaching any obligation owed by the Client to a third person or otherwise infringing any legal, regulatory or equitable rights of any third person or duties whatsoever and that it is true, fair, complete and accurate and not misleading in any material respect, and in the case of any offer document or response document in relation to a takeover bid, complies with any relevant offer or response document rules. If the Client discovers that this is not the case it will notify Hawkpoint immediately. The Client shall ensure that all statements and documents made and/or published by it or on its behalf in connection with the Transaction (including any offer document or response document published in relation to a takeover bid) will only be made or published after consultation with Hawkpoint. To the extent that Hawkpoint notifies the Client that any information to be published (including any offer document or response document in relation to any takeover bid) will not comply with legal or regulatory requirements (including any relevant offer or response document rules), the Client will take all necessary steps to comply with such legal or regulatory requirements and provide such information as Hawkpoint may reasonably request to confirm such compliance.

Further, Hawkpoint will be entitled to assume (and will assume) that issues which may be material for disclosure or otherwise in the context of the Engagement and/or the Transaction will promptly be brought to its attention and will provide its services only on the basis of information disclosed to it.

All confidential information which Hawkpoint receives from the Client or its advisers in connection with the Engagement will be kept confidential unless:

- (i) such information is required by the Client's other professional advisers or Hawkpoint's advisers or agents in connection with the Engagement in which case Hawkpoint may disclose such information to such persons;
- (ii) its disclosure is required by law or any regulatory or governmental body (including the UK Listing Authority) to which Hawkpoint is subject (whether or not the requirement for information has the force of law). If such disclosure is required, Hawkpoint will, to the extent that it is not illegal or contrary to any regulatory requirement to which Hawkpoint is subject, notify the Client as soon as possible of any disclosure that Hawkpoint intends or is required to make in order to provide the Client with an opportunity, if it deems it appropriate, to contest the provision of such disclosure by Hawkpoint;
- (iii) the information has become public through no fault of Hawkpoint; or

- (iv) its disclosure is required pursuant to any policy of insurance or for the purposes of any litigation or other process of dispute resolution between the Client and Hawkpoint or Hawkpoint and a third party assisting in connection with the Engagement.

3. DATA PROTECTION

For the purposes of the Data Protection Act 1998 ("the Act") and Directive 95/46/EC ("the Directive"), Hawkpoint acts in relation to the Engagement as a "data processor" as the same is defined in the Act and the parties agree that:

- (i) Hawkpoint shall only process personal data in accordance with the Client's instructions;
- (ii) Hawkpoint shall ensure that appropriate technical and organisational measures are taken by it against unauthorised or unlawful processing of the personal data and against accidental loss or destruction of or damage to personal data; and
- (iii) the Client shall be solely responsible for ensuring its compliance with the Act and the Directive.

4. CONFLICT OF INTERESTS

Hawkpoint confirms that at the date of this Agreement it has no other interests, relationships and/or arrangements that give rise to a conflict of interest in relation to the Engagement and that, other than with the Client's prior written consent (not to be unreasonably withheld or delayed), it shall not agree to act for any other person during the Engagement if to do so would conflict with the interests of the Client in respect of the Engagement.

The Client agrees that Hawkpoint does not have a duty to disclose any matter which comes to its notice (or the notice of any other Hawkpoint Person) in the course of its business if doing so would constitute a breach of duty owed to other persons.

5. CLAIMS

It is possible that during the course of the Engagement or afterwards, a third party may make allegations or bring a claim against Hawkpoint or any director, member, officer, employee, representative or agent of Hawkpoint (each "an Hawkpoint Person"), or that an Hawkpoint Person may incur a loss, liability, cost, expense or damages directly or indirectly arising out of or in connection with the Engagement and/or the Transaction (a "Claim").

To the extent permitted by law, the Client agrees promptly and fully to indemnify each Hawkpoint Person against all Claims (including the amount of any tax charges on any amounts payable under the indemnity) including any costs or expenses involved in investigating, preparing for or defending the Claim (whether or not any Hawkpoint Person is a party to proceedings), except to the extent that the Claim is finally and judicially determined to have arisen out of the gross negligence or wilful default of an Hawkpoint Person.

No Hawkpoint Person will be liable to the Client or any party connected with it or be the subject of any claim from the Client, or any Party connected with it, save again to the extent that the liability is finally and judicially determined to have arisen out of the gross negligence or wilful default of that Hawkpoint Person or out of any breach by that Hawkpoint Person of its duties or obligations under the Financial Services And Markets Act 2000 or under the regulatory system (as defined in the rules of the Financial Services Authority).

Save in the event of fraud or wilful default on the part of a Hawkpoint Person, the maximum aggregate liability of Hawkpoint and of all Hawkpoint Persons to the Client or any party connected with the Client in respect of all or any Claim(s) arising directly or indirectly out of or in connection with the Engagement shall not in any event exceed £3.0m.

Where you agree or have agreed to exclude and/or limit the maximum amount of the liability of any of your other advisors in connection with the subject matter of this agreement (the "Limitation of Liability") then the maximum aggregate amount of the liability of any and all Hawkpoint Persons for any loss, damage, cost or expense incurred by you by reason of or arising out of the carrying out by any Hawkpoint Person of its obligations and services under this agreement ("Losses") shall not exceed the aggregate amount for which such Hawkpoint Person(s) would otherwise have been liable after deducting any amount which such Hawkpoint Person(s) would have been entitled to recover pursuant to the Civil Liability (Contribution) Act 1978 or otherwise in respect of such Losses, but is prevented from doing as a result of the Limitation of Liability.

This paragraph 5 is in addition to any rights which any Hawkpoint Person may have at common law or otherwise including, but not limited to, any right of contribution.

In turn, Hawkpoint agrees to keep the Client informed of the progress of any relevant Claim, to consult the Client about the handling of any such Claim and to have regard to any reasonable request the Client may make in connection with any such Claim.

Any Hawkpoint Person may enforce the terms of, or avail himself of the exclusions and limitations contained in, this paragraph 5 in accordance with the Contracts (Rights of Third Parties) Act 1999, provided only that any such person shall (i) give reasonable prior written notice thereof to Hawkpoint specifying in such detail as is reasonably available to him at that time the nature of the potential claim, before he seeks to enforce his rights; (ii) consult with, and take reasonable notice of the representations of, Hawkpoint in relation to the matter in question; and (iii) take such action as Hawkpoint may reasonably request in relation to the matter in question and/or permit Hawkpoint (at its option) to

conduct any action in relation thereto on his behalf and provided that, as a condition to any such person enforcing the terms of, or availing himself of the exclusions and limitations contained in, this paragraph 5, such Hawkpoint Person shall, if so requested by Hawkpoint, enter into a direct agreement with Hawkpoint and the Client to the effect that paragraph 10 (Governing Law) shall apply to him in respect of the matter in question.

Notwithstanding that the terms of this paragraph 5 may be or become enforceable by a person who is not a party to this agreement, the terms of this agreement or any of them may be varied, amended or modified or this agreement may be suspended, cancelled or terminated by agreement in writing between Hawkpoint and the Client or this agreement may be rescinded (in each case), without the consent of any such third party.

Save as expressly provided in this paragraph 5, no term of this agreement shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a third party, but this does not affect any rights or remedy of a third party which exists or is available apart from under that Act.

6. USE OF E-MAIL AND PROMOTIONAL MATERIALS

Unless the Client provides written notice to Hawkpoint to the contrary, Hawkpoint is authorised by the Client to communicate in connection with the Engagement and/or the Transaction with all persons involved in the Engagement and/or the Transaction and their directors, officers, partners, employees, representatives, advisers or agents, by means of electronic mail, including the Internet, in addition to more traditional means of communication.

Unless the Client provides written notice to Hawkpoint to the contrary, Hawkpoint is authorised by the Client to refer to the Transaction for its marketing purposes. This may include use of the Client logo in financial promotions placed by Hawkpoint, mailshots sent by Hawkpoint, the Hawkpoint website and printed materials published by Hawkpoint. The Client shall if requested assist Hawkpoint by providing Hawkpoint with relevant information to ensure accurate reproduction of the Client's logo. This could include a bromide with Pantone colour references or a high-resolution electronic copy.

The Client consents to the inclusion of its name in listings of the clients of Hawkpoint such as Crawford's Directory of City Connections.

7. FEES, COSTS AND TERMINATION

Irrespective of the outcome of the Engagement the Client will also reimburse Hawkpoint on demand for all reasonable out of pocket costs and expenses incurred in connection with the Engagement, including but not limited to the fees and expenses of its advisers, plus a cost recovery equal to three per cent. of the fee billed to the Client to cover research and library services, communication and accommodation costs. These amounts will be reimbursed together with any VAT charged in respect of such expenses which Hawkpoint is unable to recover.

Fees and reimbursement of costs and expenses should be paid direct into our bank account in accordance with the payment instructions set out on the relevant invoice and within seven days of receipt of the invoice by the Client.

In the event of late payment to Hawkpoint the Client shall pay interest on the sum due at a rate equivalent to 2 per cent. per annum above the base lending rate of The Royal Bank of Scotland Plc from the date on which payment was due until the date of receipt of payment in full of the principal amount and the interest thereon.

Hawkpoint or the Client may terminate the Engagement by written notice without liability, but without prejudice to any accrued rights or liabilities. The fee provisions of the Engagement Letter and paragraphs 1 (as to the confidentiality obligations contained in the second paragraph thereof) 3, 5, 7, 10 and 11 of this attachment to the Engagement Letter shall survive any such termination.

8. REPORTING

If Hawkpoint has carried out an order in the course of its designated investment business on behalf of the Client, it will send the Client a notice in a durable medium confirming the execution of the order and such of the trade confirmation information as is applicable no later than the first business day following that execution. In instances where Hawkpoint receives confirmation of the execution of an order from a third party, the Client shall be provided with the notice no later than the first business day following receipt of the confirmation from the third party.

In addition, Hawkpoint shall make periodic reports to the Client where it is managing investments on behalf of the client. The report shall be in a durable medium unless the statement is provided by another person. The periodic statement must be provided to the Client once every six months unless the Client requests that the periodic statement be provided quarterly.

9. RISK FACTORS

Hawkpoint will provide services to the Client in connection with designated investments. Below follows a summary of the risks which may arise to the Client if it enters into such transactions following the receipt of investment advice from Hawkpoint:

- (i) The Client should have the financial ability and willingness to accept the risks and lack of liquidity associated with investments of the type described herein.

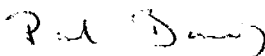
- (ii) The Client may be committing its assets to investments of an illiquid nature in companies whose shares or debt instruments are not quoted or dealt in on any stock exchange. Such investments are likely to involve a high degree of risk.
- (iii) Investments in unquoted companies can be difficult or impossible to realise and, as there is no available market for them, it may not be possible to establish their current value at any particular time.
- (iv) The success of the investments depends on the ability of Hawkpoint to locate, select, develop and realize appropriate trading opportunities. There is no guarantee that suitable investments will or can be acquired or that investments will be successful.
- (v) Hawkpoint will face competition in providing advice concerning the Client's assets.
- (vi) Hawkpoint may not always be in a position to protect the Client's interests effectively.
- (vii) The business of the entities in which the Client's assets will be invested may be adversely affected by global or local economic, political, environmental or other factors beyond the control of those entities and Hawkpoint.
- (viii) The Client may be exposed to currency exchange rate movements because investment may be sourced from more than one currency.
- (ix) Any tax legislation and its interpretation or legal or regulatory regimes in relation to the investments may be subject to change.
- (x) In certain circumstances, more particularly referred to in this Agreement, the Client may be required to indemnify Hawkpoint for liabilities, costs and expenses arising in connection with services to the Client.
- (xi) Members or employees of Hawkpoint who are responsible for investment decisions may change from time to time.

10. GOVERNING LAW

The Engagement Letter and these terms are governed by and should be construed in accordance with English law and the parties agree that any disputes in connection with their relationship shall be governed by English law. Hawkpoint and the Client irrevocably submit to the non-exclusive jurisdiction of the English courts to settle any disputes in connection with any matter arising out of the Engagement Letter and/or these terms.

11. DEFINITION

References in these terms of engagement to the "Engagement Letter" mean the covering letter accompanying these terms. Words defined in the Engagement Letter have the same meaning in these terms.


For and on behalf of
Hawkpoint Partners Limited


For and on behalf of
The Ministry of Finance, Republic of Iceland

Date: 17/3/09

Date: 18/3/09