

Your Honour,

We refer to the proposed Scheme of Arrangement (“**SOA**”) outlined by the Isle of Mann Government (“**IOM**”) in its affidavit submitted to this Court on 13th February 2009.

This letter has been drafted with input from, and on behalf of, the undersigned so called high value depositors (“**HVDs**”) representing £23,000,000 worth of deposits held by 50 account holders, located in 24 countries in the Kaupthing Singer and Friedlander Isle of Man Limited (“**KSF IOM**”). These depositors have reviewed the SOA submission, drafted and agreed upon this document in 36 hours - not an insignificant consideration. Further to this, we note that we have not had the benefit as the IOM has, of additional time, to review the proposed SOA and prepare a more formal response with input from an even broader group of HVD’s. We are firmly of the view that had we so had the benefit of additional time, this letter would be submitted on behalf of depositors representing an even greater share of the total depositor credit value.

As the Court considers the issues before it, we ask that that the Court seriously consider our views on the deeply flawed structure of the SOA, and the inherent negative consequences for us flowing from an implementation of such SOA, as they are expressed below.

1. **General Comments**

- 1.1. As drafted, the SOA does not deliver on any of the repeated promises made by the IOM that the SOA will be advantageous for >50k depositors as compared to liquidation.
- 1.2. It is clear from the IOM's affidavit, that the IOM is in fact contributing no additional funding to the SOA. This is in spite of the IOM substantially benefiting from the considerable revenues derived from its banking business over many years.
- 1.3. Furthermore, the affidavit clarifies that the IOM is in fact not prepared to support depositors 100% (as other governments have done), in spite of public proclamations to the contrary.
- 1.4. The IOM's affidavit proposes that the IOM itself acts as the SOA manager. In light of all of the circumstances leading up to this Court hearing, we have serious and reasonably justifiable concerns over the ability and integrity of the IOM acting as SOA manger. Furthermore, as we and various other depositor's have consistently indicated, the IOM itself may be the subject of future legal action in connection with the current circumstances, and as such this likely conflict of interest alone ought to preclude the eligibility of the IOM as the SOA manager.
- 1.5. The SOA is grossly inadequate in its clarity on how payouts for >50k depositors will be implemented, or how these will affect joint accounts, etc. It is clear that no sensitivity analyses, or risk analyses has been performed. Furthermore, the SOA does not provide an accurate indication as to time frames. We would have expected that these would constitute crucial factors of any serious evaluation of the SOA.
- 1.6. The consequence of the fact that no interest has accrued since 08 October 2008, has in effect resulted in the >50k depositors subsidizing <50k depositors.
- 1.7. The (presumably unintended) consequence of implementing the proposed SOA would be that non sterling account holders' deposits will shrink 20% instantly. The discriminatory effect of the SOA thus deserves deeper analysis and consideration.
- 1.8. It is our further comment that the SOA runs contrary to the global trend of government level response to distressed debt, that is to issue bonds.

2. Considering our above (brief) analysis of a few of the shortcomings of the proposed SOA, and in the context of the current proceedings, it would be our strong preference rather to have KSFiom placed in liquidation, than the current SOA implemented. This way we could focus on PWC litigating for the balance of our money.
3. HOWEVER we would be prepared to reconsider our above stated position if the following issues are adequately and immediately addressed:
 - 3.1. Develop an “Enhanced SOA” which leaves open the possibility of liquidation at a later date. In addition to the conditions specified in Clause 3.2 below, such an Enhanced SOA should:
 - 3.1.1. Provide quantitative and substantive evidence that any depositors falling within the “>50k” category, as well as any institutional depositors, will benefit financially from such an Enhanced SOA over liquidation. This implies that the IOM would itself contribute by way of cash, not loans.
 - 3.1.2. Provide detailed, quantitative evaluations of risk and sensitivity analysis for any depositors falling within the “>50k” category.
 - 3.1.3. Provide detailed timetabled payment schedules.
 - 3.1.4. Provide clarity on how payouts will be implemented.
 - 3.1.5. Provide clarity on the ability to sell KSFiom as a whole in the next year should a positive outcome from the current proceedings concerning Kaupthing Singer and Friedlander United Kingdom (“KSFUK”) and Ernst and Young occur, both in circumstances of a liquidation and under an Enhanced SOA.
 - 3.2. The conditions upon which we would support a liquidation AND an Enhanced SOA are as follows:
 - 3.2.1. The liquidator is appointed the SOA manager, with powers to inquire and sue.
 - 3.2.2. The SOA manager should not be IOM and under no circumstances should the IOM be empowered to administer depositor’s money.
 - 3.2.3. All of our legal rights are reserved and safeguarded, including that PWC be fully empowered to litigate any such claims against the FSC/FSA and any Bank Directors as have arisen or may in future arise.
 - 3.2.4. Improved conditions for non sterling account holders
4. Many of us are having difficulty seeing the immediate prospect of a KSFUK resolution. However, we would be prepared to consider further reasonable adjournment or delays if there was positive news on clarification of London monies between the UK Administrators and Joint Provisional Liquidators, which could result in interested financial institutions moving forward with an acquisition (thus facilitating a potential better rate of recovery and overall deal than simple liquidation and DCS which will immediately preclude any institutional interdiction thereafter).
5. We furthermore note that in the instance of any further adjournment in accordance with the above principles, the “Early Payments Scheme” would need to be enhanced, and must deal with any hardship issues by an enhancement to the Early Payments Scheme.

Signed

DEPOSITORS

1	Kenneth and Sheelagh Liebenberg	Africa
2	Alistair Lees	Barbados
3	Katie Harrigan	Barbados
4	A.Bellingham	UK
5	AH	Germany
6	AD	UK
7	AM	UK
8	David Morrison	uruguay
9	Dr Rob and Mrs Wendy Sindall	
10	Gabriel Columb	saudi Arabia
11	George and Kathleen Siddall	Barbados
12	GM	UK
13	Ian and Rebecca Wilson	UK
14	Ian And Sue B, Nottingham UK	UK
15	IH, Australia	australia
16	Ian Walters	hong Kong
17	JF	
18	JA	Spain
19	Julienne and Stuart Arden-Rose	China
20	Kate and Matt Taylor	Georgia
21	KG and CAG	Ireland
22	LB	Africa
23	Liz and Theo Kailas	
24	Liz Plummer	Gibraltar
25	Lou Huckvale	Bahrain
26	Margaret de Noblet	France
27	Martin Willingale	USA
28	MM	Dubai
29	MS	Turkey
30	NV	UK
31	Odd G. Estrand	Switzerland
32	Oriel Sullivan-Alon	
33	Peter Wilkins	Greece
34	Robert & Pat Coates	UK
35	RS	UK
36	S. Emery	caledonia
37	Sally-Anne Hardy	France
38	Sarah Greenhous	UK
39	SB, Egypt	egypt
40	Simon Bessant	
41	SJA and MA	Middle east
42	Stuart Mcdonald	Singapore
43	TA & BA	Switzerland
44	WJM ans SHM	Portugal
45	BBSB	australia