

## Submission to Legco Panel on Financial Affairs Special Meeting to be held on 30 December 2008

The Task Force re. Lehman Incident of the Hong Kong Association of Banks ("Task Force") would like to thank the Panel for the opportunity to submit further information to assist the Panel members to understand the work and position of the distributing banks ("banks") in respect of the minibond buyback. For the easy reference of the Panel members and the public, the Task Force also sets out in this paper some information previously provided to the Panel and the public.

### Background to the "buy-back" of minibonds

As a result of the global financial crisis and the unexpected collapse of Lehman Brothers (the fourth largest investment bank in the US) in September 2008, more than 30,000 retail investors in Hong Kong who have invested in Lehman minibonds and the banking industry as a whole have been adversely affected by such crisis.

In light of the unfortunate collapse of Lehman Brothers group, the Task Force was established on 2 October 2008 to facilitate member banks' discussion of common issues in endeavouring to assist affected investors of Lehman-related investment products.

On 17 October 2008, even though the banks have no legal obligation to buy the minibonds from investors, at the request of the Government, the banks agreed to buy-back the minibonds at market value. The banks listed below have been working with the Government to assist minibond investors since September 2008. It was originally expected in October 2008 that the offer process for the buy-back of the first batch of minibonds could commence in early December 2008.

A consensus on the buy-back proposal was reached on certain key understandings between the Government and the banks, including:

the banks purchase the minibonds at 'market value'. Market value would be established through the assistance of a financial adviser appointed by the Task Force;

- the banks would have the option, at their discretion, to on-sell the minibonds purchased from minibond holders or otherwise dispose of or liquidate such minibonds in an orderly manner in accordance with the terms of the minibond documentation without undue delay, with any excess above the purchase price to be returned to minibond holders;
- the buy-back is independent of any regulatory investigation in respect of the distribution of the minibonds and the buy-back would not oblige any investor to waive their right to allege a mis-selling claim;
- the buy-back offer by the banks is not an admission or implication of liability in respect of any mis-selling claim;
- there having not occurred any change or event which would prejudice materially the ability of the banks to redeem, on-sell or otherwise dispose of the minibonds or liquidate the collateral underlying the minibonds or which would be likely to have a material adverse effect on the financial condition, business, operations or prospects of the banks; and
- the banks would work closely with the Government and the Hong Kong Monetary Authority ("HKMA") and an independent financial adviser appointed by the HKMA in finalising and implementing the details of the buy-back.

The banks reiterate that the buyback has not been and is not intended to be any compensation by the banks and must not be treated as an admission or implication of any wrongdoing by the banks.

### Latest development regarding the buy-back

On 27 November 2008, the banks received from the trustee a letter dated 25 November 2008 from the

legal advisers to Lehman Brothers in the US addressed to the trustee. Claims in that letter include that the proceeds from any sale of the underlying collateral for the minibonds should be paid to Lehman Brothers before the issuer of the minibonds and in turn the investors. This is contrary to the express terms of the minibond documents. If this claim is upheld, the value of the minibonds will significantly decrease.

The extent of the banks' knowledge about the claim by Lehman's legal counsel in the US is limited to what it has received from the trustee. The banks do not have further information on Lehman's claim beyond this.

In view of the claims by Lehman Brothers, the banks have sought advice from their legal advisers about the issues arising from Lehman's claim, the merits of such claim and the potential legal proceedings involved. The banks are not able to disclose the specifics of such advice in a public forum. Making such advice public would mean that such advice would be available to Lehman and doing so may prejudice the interests of minibond holders.

Although the buyback was initiated at the request of the Government to help minibond investors, the terms of the buyback (which had been agreed by the Government, the HKMA and the banks) was always based on the premise that the buyback must be a commercially feasible exercise for the banks.

The terms of the original buyback proposal envisaged the banks disposing of the minibonds in an orderly manner after the completion of the buyback. The banks are commercial entities which must make sure that, in attempting to help minibond holders, they do not prejudice the interests of their shareholders (which include members of the public). In implementing the buyback proposal, the banks need to balance the interest of competing parties, including their shareholders and minibond holders.

Although the banks and its financial adviser had originally intended to factor in a theoretical risk of there being litigation in connection with the minibond structure in the valuation methodology of the buyback offer price, it is only when the banks received a copy of the letter from Lehman's US counsel that such theoretical risk changed into a real risk which the banks could not ignore.

The banks have therefore decided, after consultation with the Government, to delay the buy-back until the above issues have been clarified and addressed and the market value of the minibonds can be determined unless, in the meantime, the minibonds are redeemed early as a result of action taken by the trustee.

The key reasons for that decision are:

- due to the complexities of the legal issues involved and the uncertainties surrounding their outcome, the financial adviser to the banks has advised that it is impracticable to determine the market value of the minibonds under the circumstances;
- the challenge by Lehman and the issues arising therefrom are beyond the reasonable contemplation of the banks under the original buy-back proposal; and
- the banks must ensure that any deviation from the original buy-back proposal is properly considered by their respective board of directors based on all relevant information and that any such decision is consistent with the interests of their shareholders.

The trustee announced on 15 December 2008 that action was taken to terminate the minibond swap agreements between the issuer of the minibonds and Lehman Brothers. The banks have requested further information from the trustee regarding any minibond redemption process following such termination.

Since October 2008, there have been various reports and speculations on the structure of minibonds and/or issues arising from the latest development relating to the buy-back, which may not have been fully or accurately understood by the public and members of the Panel on Financial Affairs. The banks would like to take this opportunity to clarify a number of these issues.

### **Structure and the market value of the minibonds**

The buyback offer price for each tranche of minibonds was expected to be different, depending on the value of the underlying collateral and other features of each tranche. Although the banks and their financial adviser were in the final stages of determining the proposed offer price for each tranche of minibonds in the week ending 28 November 2008, such prices are no longer accurate or relevant in light of the challenge by

Lehman's lawyer.

However, given the public interest in the transparency of the buyback and the pricing process, the banks have requested its financial adviser to prepare an analysis summarising the minibond structures and pricing methodology. See Annexure 2 to this paper. This analysis deconstructs the minibonds into their component parts, rather as a mechanic might deconstruct a broken car. It was a necessary step in preparing for the buyback to fully analyse and understand the minibond tranches.

**The banks stress that, any pricing information on the minibonds reported in the financial adviser's analysis was historical data only and no longer represents the current market value (if any) of the minibonds. The banks cannot assess how much a minibond investor may recover from the proceeds of the collateral underlying the minibonds.** This will depend on, among other things, the value of the collateral, what payments are due to parties under the minibond structure and the expenses of the trustees and any receivers appointed for the liquidation of the structure. These cannot be determined at this stage.

Some Panel members have asked the banks to provide information about the underlying collateral of the minibonds. Kindly please note that all information regarding the minibond documentation and collateral underlying the minibonds has been obtained by the banks through the trustee. The trustee holds the primary source of the relevant collateral information and is therefore the proper party to provide and explain it. The banks have, however, received notices from the trustee to the investors on 17 and 21 November 2008 respectively which include some collateral information of the minibonds. The notices which have already been forwarded by the banks to their respective customers are set out in Annexure 3 to this paper. For more up-to-date and complete information about the underlying collateral, please refer to the trustee.

#### **Expenses incurred by the banks in relation to the buy-back**

Investors does not have any direct or indirect responsibility for fees and expenses incurred by the banks in relation to the buy-back.

If the buy-back of the minibonds proceeds in the future, it is the intention that the fees and expenses incurred in connection with the buy-back will be included in the calculation of the offer price at which the banks will offer to purchase the minibonds from investors and such details will be properly disclosed. The investors will only indirectly bear such fees and expenses if they decide to accept the buyback offer and sell their minibonds to the banks.

#### **Parties involved in the Lehman minibonds and their respective roles**

##### *Issuer of minibonds and Lehman - originator of the minibond structure*

As disclosed in the minibond prospectuses issued by its issuer (Pacific International Finance Limited), the issuer and certain Lehman entities are the parties involved in arranging the minibonds and putting the minibond framework together.

The banks were not involved in the preparation of the minibond legal documentation or the relevant prospectuses.

##### *Banks as the distributors of minibonds in Hong Kong*

The banks were appointed by the relevant Lehman entities to distribute the minibonds pursuant to the minibond documentation provided by Lehman. The initial role of the banks was to take orders for minibonds from investors in Hong Kong. The banks were invited to take this role by Lehman Brothers Asia Limited, the arranger of the minibonds, because of their extensive distribution networks in Hong Kong.

Unlike the issuer of minibonds, Lehman or the trustee, the banks are not a party to any of the minibond transaction documents and were not involved in the process of setting up the minibond programme. By the time the banks became involved in the minibond programme, the structure of the minibonds had already been finalised.

The claim by Lehman's legal counsel in the US is directed at the trustee towards how the minibond

transaction documents operate. As the banks are not a party to the transaction documents, they do not have the legal standing to enforce the security on behalf of the investors. Under the minibond documentation, holders of minibonds cannot take action against the minibond issuer to enforce their rights directly and any enforcement action should be taken by the trustee. The trustee is in the best position to take any action on behalf of the bondholders under the minibond documentation. The banks do not have any rights in respect of that security as distributors of minibonds.

#### *Trustee*

The role of the trustee is set out in the prospectuses for the minibonds. The trustee acts as the representative of the investors. Its major functions are to:

- hold on trust for the investors the benefit of the undertakings of the issuer. The main undertaking is the promise by the issuer to pay interest and repay principal;
- hold on trust for the investors and other transaction parties (including the swap counterparty) the benefit of the security the issuer grants over the assets which back the minibonds. This security includes the collateral;
- if necessary, take action against the issuer to enforce the issuer's undertakings, including enforcing the security that the issuer has created over the assets which back the minibonds; and
- if necessary, ensure that the proceeds of enforcement of the security are paid in the agreed order of priority to those entitled to share in those proceeds.

Information regarding the minibond documentation and collateral underlying the minibonds has been obtained by the banks through the trustee. The trustee is, however, not involved in the buyback proposal. The buyback is something undertaken by the banks only.

#### **Efforts made by the banks to facilitate early commencement of the “buy-back”**

The banks have continued liaising with the trustee regarding the status of the minibonds and the proposed steps to be taken to protect the interests of the investors. The banks have asked the trustee to exercise its discretion to protect the interests of the investors.

The banks are prepared to provide finance to the trustee of up to HK\$100,000,000 to assist it in the performance of its duty to protect the interests of the Lehman minibonds investors.

The precise terms of the proposed funding have not yet been agreed between the banks and the trustee. Accordingly, further details of the proposed funding cannot be provided at this stage. However, the banks are doing all that they can to facilitate and expedite the process.

The banks will provide further details once a consensus has been reached with the trustee.

#### **Implication of the funding on investors**

As a general principle, only the trustee has the legal standing under the minibond documentation to enforce the interests of the minibond investors and liquidate the minibonds. By providing the financing to the trustee, the banks hope to facilitate and expedite the liquidation process to realise the value of the minibonds for investors.

The banks confirm that no extra costs should be incurred for the investors solely as a result of the proposed funding. That funding will not be recoverable by the banks to the extent that the same cannot be recovered by the trustee from the liquidation of the minibonds as contemplated in the minibond documentation.

Under the minibond documentation, the trustee should only incur fees and expenses to the extent they are necessary for it to perform its role. If it needs to incur fees and expenses to be able to enforce the security and realise the value of the minibonds for investors, the banks trust that the trustee will act in accordance with the minibond documentation and in the interests of the minibond holders.

Even without this funding, the trustee has the power to borrow money from third parties and provide security to such third parties over the same security that the trustee holds for investors. It is likely that any third party that agrees to provide such funding will do so provided:

- they are paid a margin for the funding; and
- the trustee promises to repay that funding and the relevant interest from the proceeds of the security of the minibonds at or above the same level of priority of the trustee's fees and expenses - that is, before the investors receive any amounts owing to them.

The banks understand that, under the minibond documents, the trustee does not need to obtain the consent of the investors before borrowing money to assist in the enforcement process. The banks will rely on the trustee to decide whether it will obtain the prior consent of the investors before accepting the financing.

The banks will continue to assess developments with respect to the minibonds as they arise and to maintain a dialogue with all relevant parties, including their legal advisers, the trustee, the Government and HKMA.

The banks will pass on any relevant information to the investors as soon as they receive it from the trustee.

29 December 2008

**Annexure 1 - List of the distributing banks**

ABN AMRO Bank N.V.  
Hong Kong Branch

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.  
Hong Kong Branch

The Bank of East Asia, Limited

Chiyu Banking Corporation Limited

Chong Hing Bank Limited

CITIC Ka Wah Bank Limited

Dah Sing Bank, Limited

Fubon Bank (Hong Kong) Limited

Industrial and Commercial  
Bank of China (Asia) Limited

MEVAS Bank Limited

Nanyang Commercial Bank, Limited

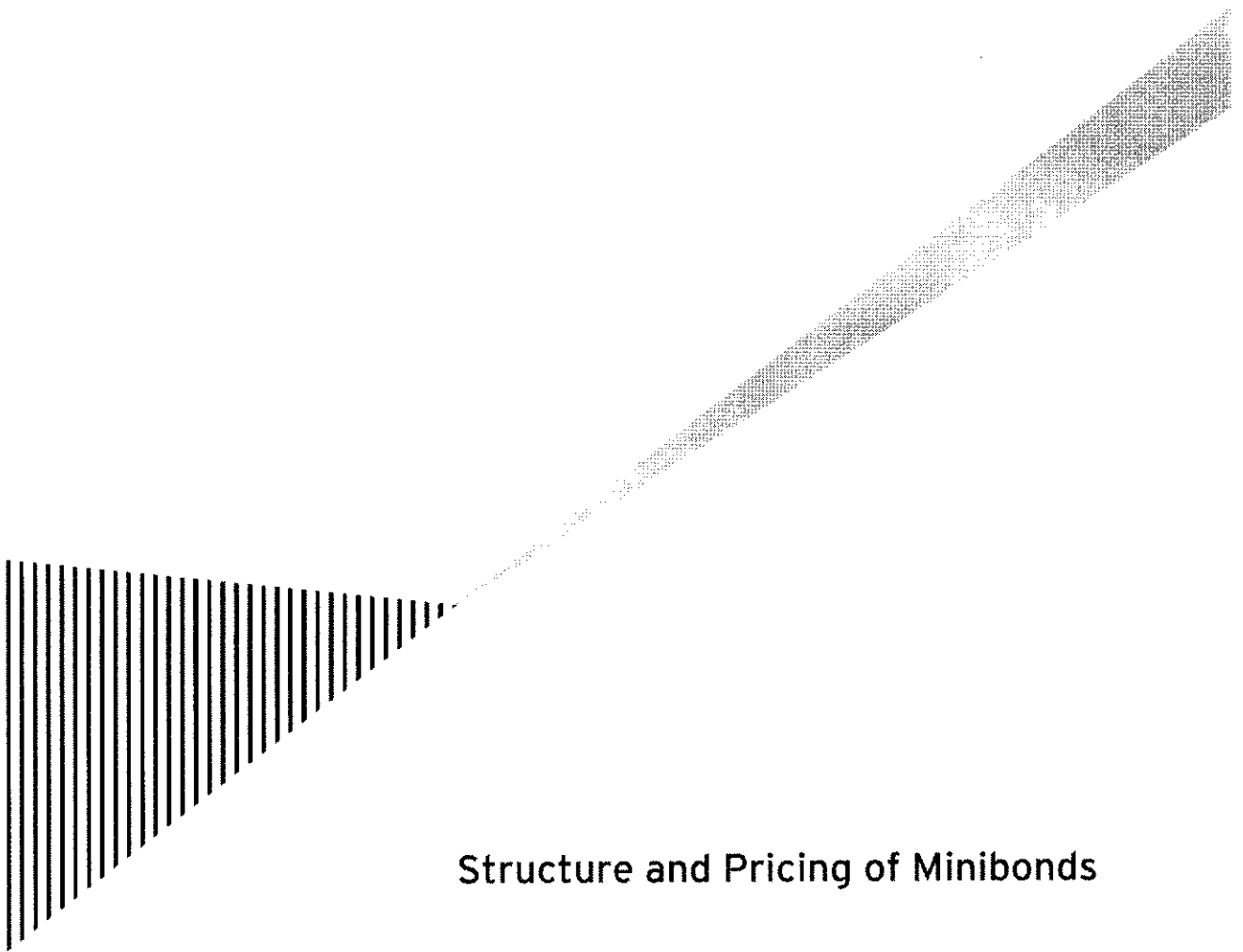
Public Bank (Hong Kong) Limited

Shanghai Commercial Bank Limited

Wing Hang Bank, Limited

Wing Lung Bank Limited

**Annexure 2 - Financial Adviser's Analysis Summarising the Structure and Pricing of the Minibonds**



## Structure and Pricing of Minibonds

29 December 2008



## **Important Notice relating to this document**

This document summarizes some of the results of work performed by Ernst & Young for the HKAB Task Force. The procedures carried out were designed in conjunction with the members of the Task Force, and governed by an engagement letter. Those procedures were designed to meet requirements of the Task Force, and not designed in anticipation of any other parties' requirements. Consequently, the results of those procedures should not be relied upon by any other parties who were not a party to the engagement letter.

## Glossary

<b>Beryl</b> .....	<b>Beryl Finance Limited</b>
<b>CCS</b> .....	<b>Cross Currency Swap</b>
<b>CDO</b> .....	<b>Collateralized Debt Obligation</b>
<b>CLN</b> .....	<b>Credit Linked Note</b>
<b>CSO</b> .....	<b>Collateralized Swap Obligation<sup>1</sup></b>
<b>EY</b> .....	<b>Ernst &amp; Young</b>
<b>FRN</b> .....	<b>Floating Rate Note</b>
<b>FTD Swap</b> .....	<b>First-to-Default Swap<sup>2</sup></b>
<b>HK</b> .....	<b>Hong Kong</b>
<b>HKMA</b> .....	<b>Hong Kong Monetary Authority</b>
<b>IRS</b> .....	<b>Interest Rate Swap</b>
<b>LBAL</b> .....	<b>Lehman Brothers Asia Limited</b>
<b>LBH</b> .....	<b>Lehman Brothers Holding Inc.</b>
<b>LBF</b> .....	<b>Lehman Brothers US Dollar Liquidity Fund institutional Reserve Accumulation Class (Lehman Brothers Liquidity Fund)</b>
<b>LBFSA</b> .....	<b>Lehman Brothers Finance S.A.</b>
<b>LBSF</b> .....	<b>Lehman Brothers Special Financing Inc.</b>
<b>LBT</b> .....	<b>Lehman Brothers Treasury Co. B.V.</b>
<b>MSJ</b> .....	<b>Mallesons Stephen Jaques</b>
<b>PIFL</b> .....	<b>Pacific International Finance Limited</b>
<b>PwC</b> .....	<b>PricewaterhouseCoopers</b>
<b>Saphir</b> .....	<b>Saphir Finance Public Limited Company</b>
<b>SFC</b> .....	<b>Securities and Futures Commission</b>
<b>SPV</b> .....	<b>Special Purpose Vehicle</b>
<b>US</b> .....	<b>United States</b>
<b>Zircon</b> .....	<b>Zircon Finance Limited</b>

The acronyms in this glossary have not been separately defined in the text.

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<sup>1</sup> The CSO represents a swap arrangement between the Synthetic CDO-level SPVs and LBSF in which the SPVs sell credit protection on a basket of between 97-194 underlying reference entities and surrender the total return of the Collateral in exchange for periodic interest payments from LBSF. The CSO offers higher yields as the periodic interest payments are passed through to the SPVs. However, the SPVs can be at risk of losing their initial investments if several credit events occur in the reference portfolio.

<sup>2</sup> In an FTD Swap, the protection seller (i.e. PIFL) will take the loss caused by the first default to occur among a pool of up to 8 reference obligations. The FTD Swap also contains an IRS or CCS which will lapse upon the credit event of the FTD Swap. Upon occurrence of the first default within the reference pool, the settlement amount for the FTD Swap is dependent on the credit event of the FTD Swap reference obligation, and the value of the underlying Synthetic CDO for Series 10-36.

## Background

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The Minibond prices presented in this document, and the analysis of the structures and risks inherent in the structures, are based on the analysis and situation on 21 November 2008. During the week ending 28<sup>th</sup> November 2008, these prices were reviewed by the Pricing Committee of the Task Force. By that date legal challenges to the stated payment priority within the Synthetic CDO underlying the Minibond structure had been received by the trustee from Weil Gotshal & Manges LLP. Accordingly, the prices presented here were approved subject to:

1. the satisfactory resolution of this legal challenge, and
2. satisfactory adjustments being made to the prices as a result of the changed circumstances (i.e. changes in the legal situation and the market situation).

The subsequent legal analysis indicated that while the payment priority provided for in the legal documentation relating to the Minibonds was clearly stated under English law, there was uncertainty as to whether that priority would be recognized by the US courts under US bankruptcy law. Further, if ultimately there was a difference of opinion between the English and US courts on this matter, there was fundamental doubt as to which view would prevail. As a consequence of this analysis, it was concluded that there is no basis for establishing a suitable discount to the Minibond price to take account of the legal risk which has materialized, and hence the buyback program and associated pricing work on the Minibonds stopped, until such time as the legal issues were resolved, and the market price could be determined.

Within this document we present the following information:

- A summary of the structure of each Minibond series (Section 1)
- The methodology adopted for pricing each Minibond (Section 2)
- A summary of the prices determined as at 21 November 2008 (Section 3)

### **Important Notice about the prices**

**When reviewing the prices it is important to consider the following points:**

1. The prices calculated were as at 21 November 2008, and took account of the market situation and legal situation as understood at that point in time. Subsequent to the 21 November 2008, the legal situation has changed (i.e. Weil Gotshal & Manges LLP have challenged the payment priority, and the FTD Swap has been terminated), and the market environment has changed. Hence, were any buyback to occur in the future, once the legal situation has been determined, then individual Minibond prices would need to be recalculated to take account of the then current market situation and legal situation.
2. The prices calculated on 21 November 2008 do not provide an indication of the Minibond values today, or any day in the future, and are consequently no longer relevant.
3. No estimate of the market value of the Minibonds has been made subsequent to 21 November 2008.

## Section 1. Structure of Minibonds

### 1.1. Overview

"Minibond" is a brand name for credit-linked notes issued by an SPV, PIFL, and distributed in Hong Kong and Macau. The Minibonds are legally structured as debentures. They were arranged and structured by LBAL, a subsidiary of LBH. Each Minibond's prospectus and advertisement was authorized by the SFC in Hong Kong.

The Minibonds were issued by PIFL, an SPV that is incorporated in the Cayman Islands. A typical Minibond structure is shown in Figure 1.1-1. PIFL has restricted operations that are governed by its incorporation documents and overseen by a trustee. For each Minibond, PIFL has one significant asset, being an investment in a Synthetic CDO, one significant liability, being the Minibond and a swap arrangement with a Lehman Brothers entity (Swap 1).

The Synthetic CDO was itself issued by another SPV, also arranged by Lehman Brothers. This SPV also has restricted operations and is overseen by a separate trustee. Apart from the Synthetic CDO liability due to PIFL, this SPV has a single significant asset, which is in the form of an FRN or investment in LBF (Collateral), and a swap arrangement with a Lehman Brothers entity (Swap 2).

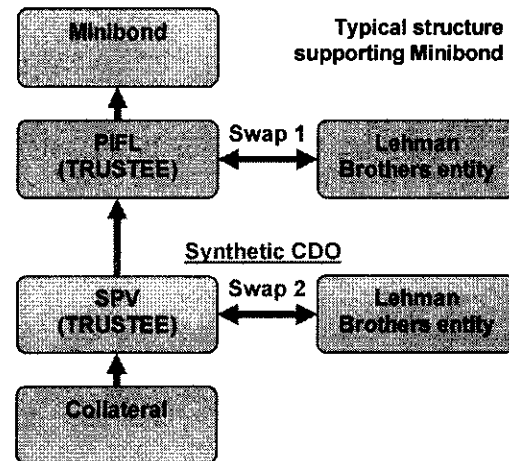


Figure 1.1-1

The two swaps in the structure were designed to sell credit protection to Lehman Brothers, and so by their nature would typically represent liabilities of the Minibond structure. As a consequence, there is a single asset in the structure, being the Collateral, and a number of liabilities.

The description of the structures included in this document summarizes information taken from the transaction documents for each structure.

## 1.2. Minibond structure

The Minibond structures can be classified into two main categories – Series 5-9 and Series 10-36. The key distinctive feature between the two categories is that for Series 5-9, there is only one SPV (Figure 1.2-1) whereas for Series 10-36, there are two SPVs (Figure 1.2-2).

Different structures have entered into different investment arrangements. In this description, we have described the first SPV arrangement as the “Minibond-level” and the second SPV arrangement as the “Synthetic CDO-level”.

Different Minibond structures by series are explained below.

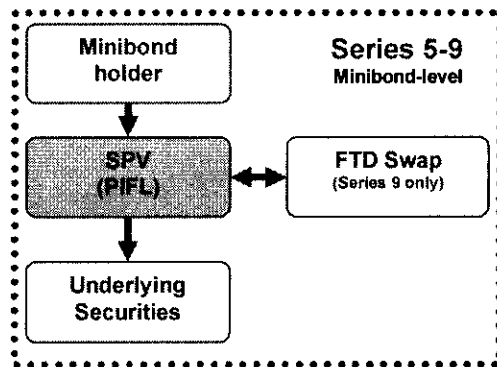


Figure 1.2-1

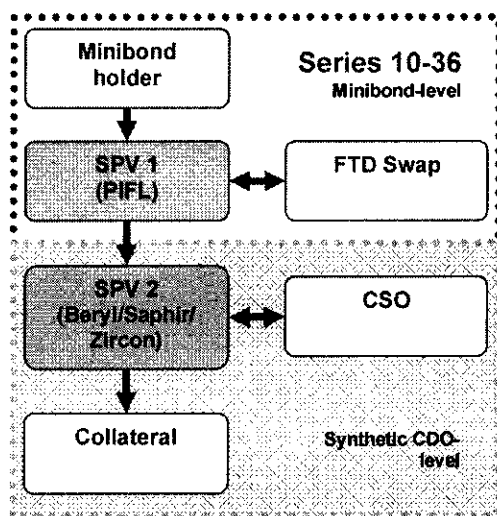


Figure 1.2-2

### 1.2.1. Series 5-9

The general structure of Series 5-9 consisted of one SPV layer – A Minibond issued by PIFL under the Secured Continuously Offered Note Programme. The Minibond principal amounts are invested in either CLNs or FRNs issued by LBT. Series 9 alone entered into an FTD Swap arrangement with a Lehman Brothers’ subsidiary, LBSF. The CLNs/FRNs are guaranteed by LBH.

Table 1.2-1 below lists the key components within Series 5-9 by tranche that impact on the pricing.

Table 1.2-1

Section ref.	Series	Tranche	Minibond-level				Underlying Securities	
			FTD Swap	Extension	No. of ref.		FRN	CLN
			IRS	option	entities			
1.2.1.1	5	1		✓	1			✓
1.2.1.1	6	1		✓	150			✓
1.2.1.1	7	A			6			✓
1.2.1.1	7	B			6			✓
1.2.1.2	9	A	✓		6	✓		
1.2.1.2	9	B			6	✓		

## Structure and Pricing of Minibonds

For Series 5, 6 and 7, the CLNs issued by LBT give exposure to the credit risks of up to 150 reference entities. Series 9 invested solely in an FRN issued by LBT and has an FTD Swap arrangement with LBSF, which is credit-linked to 6 reference entities. The FTD Swap also contains an embedded IRS or CCS.

In addition, for Series 5 and 6, there is a maturity extension option within the Minibond arrangement which allows PIFL to extend the maturity date of these 2 series. The extension options were exercised by PIFL in 2005.

The cashflow structures of the series at inception, interest payment dates, maturity and at a credit event are set out below.

### 1.2.1.1. Cashflow structure of Series 5-7 (Figure 1.2-3)

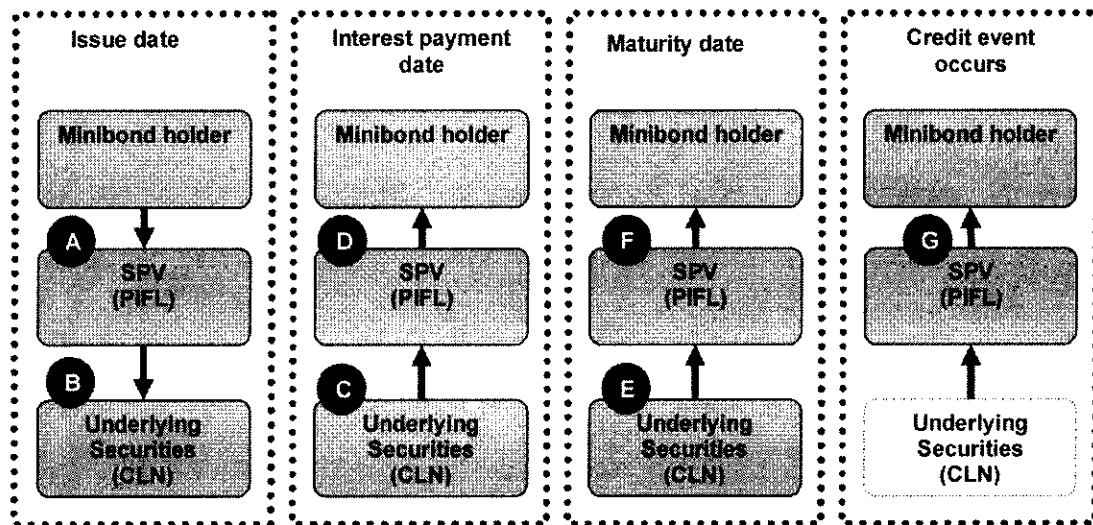


Figure 1.2-3

#### On Minibond issue date

- (A) Minibond holders purchase Minibond issued by PIFL.
- (B) The subscription proceeds received from Minibond holders are invested in Underlying Securities which are CLNs issued by LBT.

#### On interest payment date

- (C) PIFL receives CLN coupons from LBT.
- (D) PIFL pays the interest received from LBT to Minibond holders.

#### On maturity date

- (E) LBT repays the CLN principal amounts, together with accrued interest, to PIFL.
- (F) Minibond holders receive the principal amounts invested and the accrued interest.

#### Upon occurrence of a credit event

- (G) Calculation agent calculates the credit event redemption amount, which is paid to PIFL by the CLN issuer. The credit event redemption amount is paid to the Minibond holders pro rata to their holdings.

1.2.1.2. Cashflow Structure of Series 9 (Figure 1.2-4 and Figure 1.2-5)

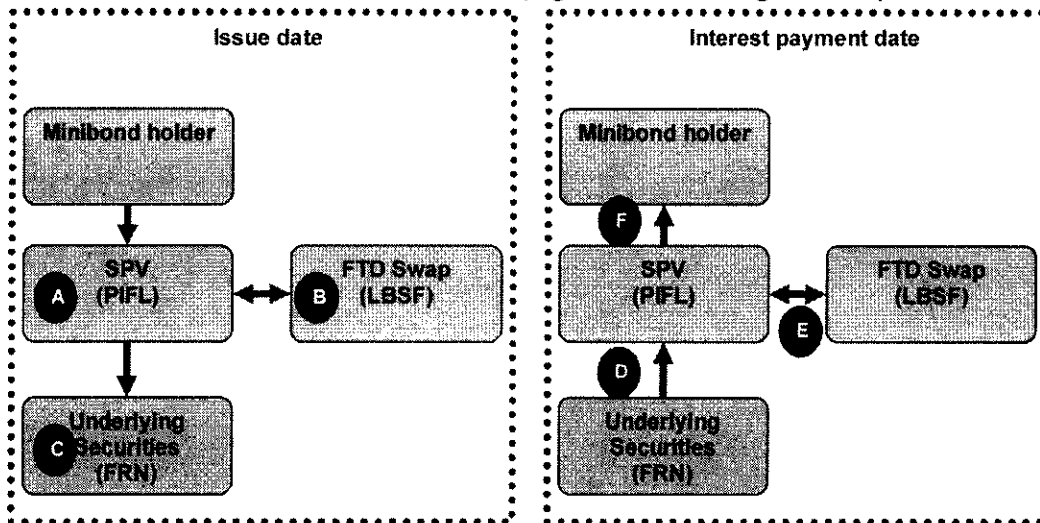


Figure 1.2-4

*On Minibond issue date*

- (A) Minibond holders purchase Minibond issued by PIFL.
- (B) PIFL enters into an FTD Swap containing an IRS/CCS and a credit derivative arrangement with LBSF. For tranche B which has an embedded CCS, the subscription proceeds denominated in HK dollars are exchanged to US dollar equivalent with LBSF.
- (C) The subscription proceeds in US dollars are invested in Underlying Securities which is an FRN issued by LBT.

*On interest payment date*

- (D) PIFL receives FRN coupons from LBT.
- (E) PIFL pays FRN coupons to LBSF and receives FTD Swap fixed rate payments from LBSF.
- (F) FTD Swap fixed rate payments are paid to Minibond holders as Minibond interest.

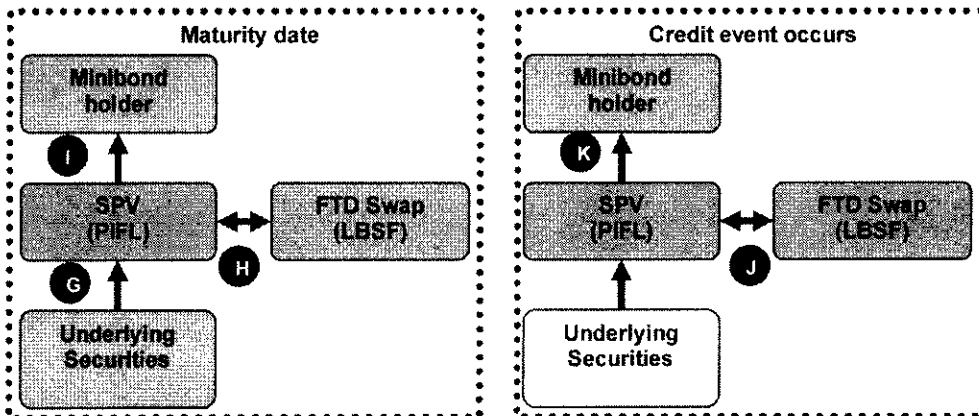


Figure 1.2-5

*On maturity date*

- (G) LBT repays the FRN principal amounts, together with accrued interest, to PIFL.
- (H) PIFL pays FRN coupons to LBSF and receives FTD Swap fixed rate payments from LBSF. For tranche B, that has an embedded CCS, US dollar equivalent of the tranche will be passed to LBSF in exchange for HK dollars.
- (I) Minibond holders receive the principal amounts invested and the accrued interest.

## Structure and Pricing of Minibonds

### Upon occurrence of a credit event

(J) PIFL delivers the FRN to LBSF and LBSF pays the credit event termination amount to PIFL.

(K) PIFL pays the credit event termination amount received to Minibond holders pro rata to their holdings.

### 1.2.2. Series 10-36

The general structure of Series 10-36 consists of two SPVs – An SPV at the Minibond-level and an SPV at the Synthetic CDO-level.

Table 1.2-2 below lists the key components within Series 10-36 by tranche that impact on the pricing.

Table 1.2-2

Minibond-level												Synthetic CDO-level	
Section ref.	Series	Tranche	IRS	CCS	FTD Swap		No. of ref. entities	Bonus interest	Extension option	CSO		Collateral	
					Inverse floater					No. of ref. entities	FRN	LBF	
1.2.2.1	10	A	✓				7			125	✓		
1.2.2.1	10	B		✓			7			125	✓		
1.2.2.1	11	A	✓		✓		1			125	✓		
1.2.2.1	11	B		✓	✓		1			125	✓		
1.2.2.1	11	C	✓				1			125	✓		
1.2.2.1	11	D		✓			1			125	✓		
1.2.2.1	12	A	✓				6			125	✓		
1.2.2.1	12	B		✓			6			125	✓		
1.2.2.1	15	A	✓				6			124	✓		
1.2.2.1	15	B		✓			6			124	✓		
1.2.2.1	16	A	✓				6			124	✓		
1.2.2.1	16	B		✓			6			124	✓		
1.2.2.1	17	A	✓				7			124	✓		
1.2.2.1	17	B		✓			7			124	✓		
1.2.2.1	18	A	✓				7			124	✓		
1.2.2.1	18	B		✓			7			124	✓		
1.2.2.1	19	A	✓				7			125		✓	
1.2.2.1	19	B		✓			7			125		✓	
1.2.2.1	20	A	✓				7			98	✓		
1.2.2.1	20	B		✓			7			98	✓		
1.2.2.1	20	C	✓				7			98	✓		
1.2.2.1	20	D		✓			7			98	✓		
1.2.2.1	21	A	✓				7			105	✓		
1.2.2.1	21	B		✓			7			105	✓		
1.2.2.2	21	C		✓			7	✓		105	✓		
1.2.2.1	22	A	✓				7			104		✓	
1.2.2.1	22	B		✓			7			104		✓	
1.2.2.2	22	C		✓			7	✓		104		✓	
1.2.2.1	23	A	✓				7			97		✓	
1.2.2.1	23	B		✓			7			97		✓	
1.2.2.1	23	C	✓		✓		7			97		✓	
1.2.2.1	23	D		✓	✓		7			97		✓	
1.2.2.1	25	A	✓				7			190		✓	
1.2.2.1	25	B		✓			7			190		✓	
1.2.2.1	25	C	✓		✓		7			190		✓	
1.2.2.1	25	D		✓	✓		7			190		✓	
1.2.2.1	26	A	✓				8			160		✓	



## Structure and Pricing of Minibonds

Minibond-level												Synthetic CDO-level	
Section ref.	Series	Tranche	IRS	CCS	FTD Swap		No. of ref. entities	Bonus interest	Extension option	CSO No. of ref. entities	Collateral		
					Inverse floater						FRN	LBF	
1.2.2.1	26	B		✓			8			160		✓	
1.2.2.2	26	C		✓			8	✓		160		✓	
1.2.2.1	27	A	✓				7		✓	155		✓	
1.2.2.1	27	B		✓			7		✓	155		✓	
1.2.2.1	27	C	✓				7			155		✓	
1.2.2.1	27	D		✓			7			155		✓	
1.2.2.1	28	A	✓				7		✓	160		✓	
1.2.2.1	28	B		✓			7		✓	160		✓	
1.2.2.1	28	C	✓				7			160		✓	
1.2.2.1	28	D		✓			7			160		✓	
1.2.2.1	29	A	✓				7		✓	190		✓	
1.2.2.1	29	B		✓			7		✓	190		✓	
1.2.2.1	29	C	✓				7			190		✓	
1.2.2.1	29	D		✓			7			190		✓	
1.2.2.1	30	A	✓				7		✓	194		✓	
1.2.2.1	30	B		✓			7		✓	194		✓	
1.2.2.1	30	C	✓				7			194		✓	
1.2.2.1	30	D		✓			7			194		✓	
1.2.2.1	31	A	✓				8		✓	175		✓	
1.2.2.1	31	B		✓			8		✓	175		✓	
1.2.2.1	31	C	✓				8			175		✓	
1.2.2.1	31	D		✓			8			175		✓	
1.2.2.1	32	A	✓				8		✓	150		✓	
1.2.2.1	32	B		✓			8		✓	150		✓	
1.2.2.1	32	C	✓				8			150		✓	
1.2.2.1	32	D		✓			8			150		✓	
1.2.2.1	33	A	✓				8		✓	145		✓	
1.2.2.1	33	B		✓			8		✓	145		✓	
1.2.2.1	33	C	✓				8			145		✓	
1.2.2.1	33	D		✓			8			145		✓	
1.2.2.1	34	A	✓				7			150	✓	✓	
1.2.2.1	34	B		✓			7			150	✓	✓	
1.2.2.1	35	A	✓				7			150		✓	
1.2.2.1	35	B		✓			7			150		✓	
1.2.2.1	36	A	✓				7			150		✓	
1.2.2.1	36	B		✓			7			150		✓	

The Minibond-level includes a Minibond with principal amounts in HK dollars or US dollars issued by PIFL under the Secured Continuously Offered Note Programme. Each of the Minibond series is linked to an FTD Swap arrangement between PIFL and LBSF. Each FTD Swap is credit-linked to a portfolio of up to 8 reference entities and is embedded with an IRS. The FTD Swap may also include an inverse floater component (see 1.2.2.3) and may also include a CCS for tranches that are denominated in HK dollars.

In addition, the following terms may also be attached to certain Minibond series.

Bonus interest arrangement derived from an equity-linked feature between PIFL and LBSFSA based on the equity price of HSBC Holdings Plc at the maturity date of the Minibond (see 1.2.2.2).

Extension option allows PIFL to extend the maturity date of the Minibond series. Upon exercise of the extension option by LBSF, PIFL can extend the Minibond's maturity date by 4 years from the

#### Structure and Pricing of Minibonds

original maturity date. The same extension of maturity date applies to the relevant Synthetic CDO and all derivative arrangements within the series' structure.

Lehman Brothers exchange option which grants LBAL the right to exchange any or all of the Minibond owned by LBAL for a pro rata amount of the relevant Underlying Securities. This effectively reduces the outstanding principal amount of the Underlying Securities and relevant derivatives arrangements within the series structure, upon a partial redemption of the series before maturity date.

Issuer call option which grants PIFL the right to redeem the Minibond from the Minibond holders before the maturity date.

The Underlying Securities of the Minibonds are Synthetic CDOs issued by an SPV, either Beryl, Saphir or Zircon. The principal amount invested in the Synthetic CDO is secured by Collateral which can be Lehman Brothers-managed liquidity fund and/or private placement FRN issued by corporations with investment grade credit ratings at issue date specifically for the Minibond structures. Each Synthetic CDO also includes a CSO entered into between the SPV and LBSF and is guaranteed by LBH.

The cashflow structures of Series 10-36 at inception, interest payment dates, maturity and at a credit event are set out below.

1.2.2.1. Cashflow structure of Series 10-36 without bonus interest arrangement (Figure 1.2-6 and Figure 1.2-7)

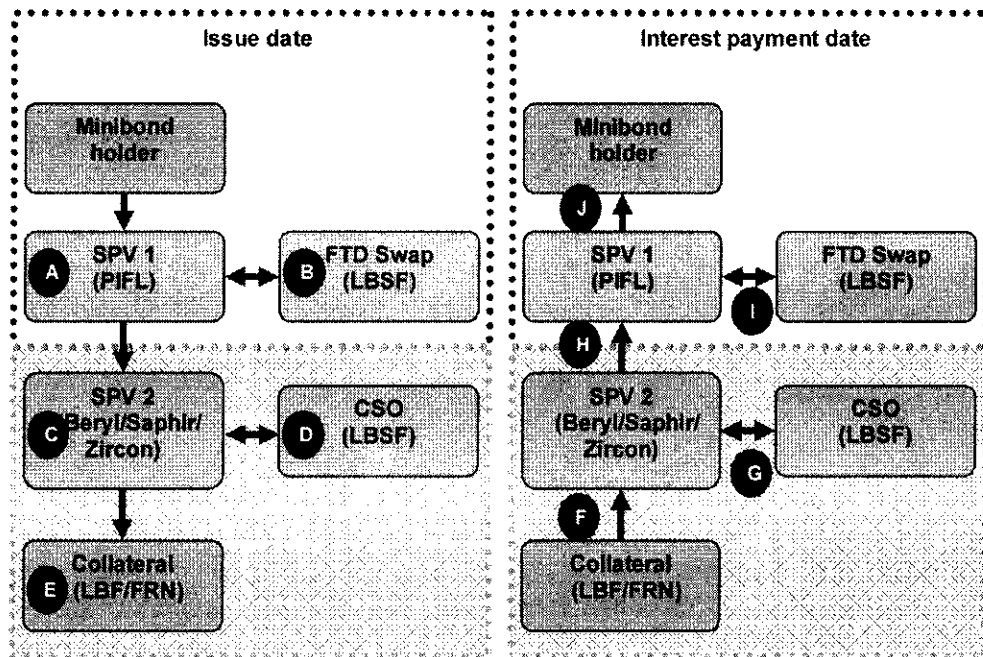


Figure 1.2-6

*On Minibond issue date*

- (A) Minibond holders purchase Minibond issued by PIFL.
- (B) PIFL enters into an FTD Swap arrangement with LBSF. For those relevant tranches that have an embedded CCS, the subscription proceeds denominated in HK dollars are exchanged to US dollar equivalent with LBSF.
- (C) The proceeds are invested in a Synthetic CDO (shaded in grey) issued by Beryl/Saphir/Zircon.
- (D) Beryl/Saphir/Zircon enters into a CSO with LBSF.
- (E) Beryl/Saphir/Zircon invests in the Collateral with proceeds received from PIFL.

*On interest payment date*

- (F) Beryl/Saphir/Zircon receives interest payments from the Collateral.
- (G) Beryl/Saphir/Zircon pays the Collateral interest payments to LBSF and receives an interest payment from LBSF, under the CSO arrangement.
- (H) Beryl/Saphir/Zircon pays the Synthetic CDO interest payment to PIFL.
- (I) PIFL pays Synthetic CDO interest payment to LBSF and receives the FTD Swap fixed rate payment from LBSF.
- (J) The FTD Swap fixed rate payment is paid to the Minibond holders as the Minibond interest.

*On maturity date*

- (K) Beryl/Saphir/Zircon redeems the Collateral principal amount plus any accrued interest or capital appreciation.
- (L) The amounts received in relation to the Collateral will be paid to LBSF in return for the Synthetic CDO outstanding principal amount plus interest.
- (M) Beryl/Saphir/Zircon pays the recorded principal plus interest to PIFL.
- (N) PIFL settles the interest payment in relation to the FTD Swap with LBSF. For relevant tranches that have an embedded CCS, the US dollar equivalent amount of the tranche will be passed to LBSF in exchange for the HK dollar equivalent amount.
- (O) Minibond holders receive the principal amounts invested and the accrued interest.

## Structure and Pricing of Minibonds

### Upon occurrence of a credit event

(P) PIFL delivers the Synthetic CDO to LBSF and LBSF pays the credit event redemption amount to PIFL.

(Q) PIFL pays the credit event redemption amount received to Minibond holders pro rata to their holdings.

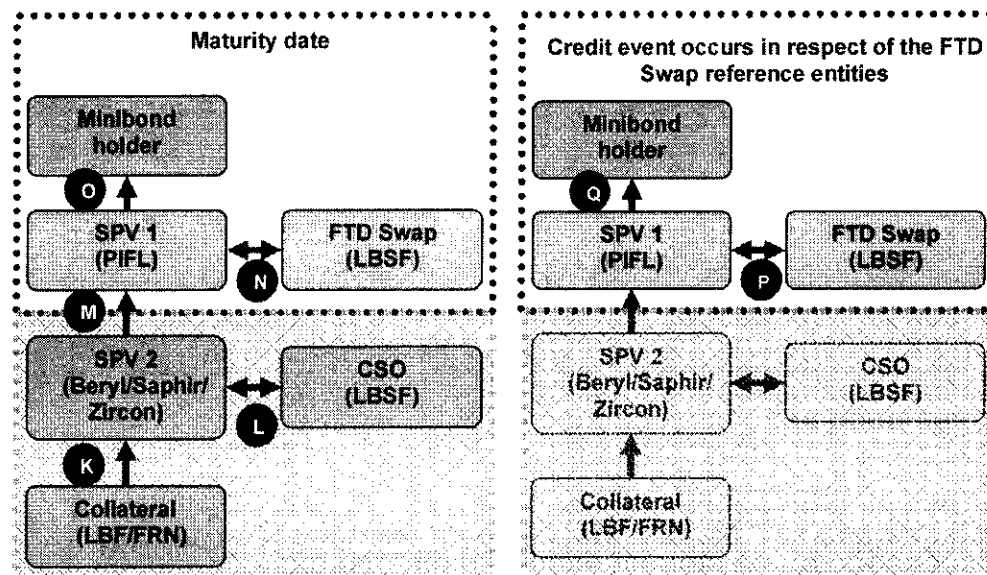


Figure 1.2-7

If sufficient credit events occur within the CSO basket's credit obligations, the resulting loss will be taken up by the Synthetic CDO through reduction of the Synthetic CDO principal. This leads to an "underlying securities default event" at the Minibond-level. Upon the occurrence of such an underlying securities default event, the Minibond will cease to bear interest and no further payment will be made in respect of interest accrued from the preceding interest payment date and the issuer will redeem the Minibond by payment of the Underlying Securities default redemption amount. The amount will be paid by using the proceeds of the sale of the Underlying Securities plus the swap settlement amounts related to the embedded IRS or CCS in the FTD Swap, minus any costs and expenses incurred.

### 1.2.2.2. Cashflow structure of Series 10-36 with bonus interest arrangement

The structure of series that have a bonus interest arrangement is similar to the structure without bonus interest except that on the maturity date, Minibond holders may receive additional bonus interest from the bonus interest counterparty. The bonus interest provides additional interest based on the equity price of HSBC Holdings Plc at the maturity date, and is calculated at the termination date, as an amount in the denominated currency equal to  $0.2 \times (\text{strike price} - \text{initial price}) / \text{initial price} \times \text{notional amount of the tranche}$ .

The bonus interest is payable only when the strike price is higher than the initial price. The strike price is the equity price of HSBC on a pre-specified date a short period before the final maturity date. The initial price is documented in the Definition of FTD Swap confirmation.

### 1.2.2.3. Cashflow structure of Series 10-36 with inverse floater arrangement

Some tranches of the Minibonds have an inverse floater arrangement at the PIFL floating interest pay leg. This inverse floating feature is calculated as a fixed rate minus a floating interest rate and is subject to a minimum rate of zero per cent.

## Section 2. Overview of Pricing Methodology

### 2.1. Introduction

The overall aim of the pricing methodology and process is to determine a market price for each tranche of each Minibond series. To achieve this aim, a methodology was proposed by EY based on the legal situation as at 21 November 2008, with input from:

- (1) The Task Force and its members;
- (2) The Government and HKMA;
- (3) MSJ; and
- (4) PwC.

The process to develop and reach a consensus on the methodology took around 6 weeks. The assumptions underlying the pricing methodology as well as the theoretical pricing model have been adjusted according to the continually changing legal and market situation during the process. For example, our original methodology included the impact of the CSO, which was subsequently removed due to the termination of the CSO by the trustee and the expectation that the consequential payment priority, as determined in the legal documentation, could be relied upon.

### 2.2. Pricing approach

Like all debt and derivative financial instruments, the value of the Minibonds is a function of the legal terms of the Minibonds and the ability of the issuer of the Minibonds, PIFL, to perform under those terms. As PIFL is an SPV, with particular assets and liabilities, it is necessary to understand and assess the market value of those assets and liabilities to determine PIFL's ability to perform under its obligations to the Minibond holders. As explained in Section 1, PIFL's single asset, for many of the series, is an investment in a Synthetic CDO that is itself issued by an SPV with limited assets and liabilities. Consequently, in addition, it is necessary to assess the market value of the underlying SPV's assets and liabilities, to determine the underlying SPV's ability to perform under its obligations to PIFL, and so the extent to which PIFL can perform under its own obligations.

As a consequence of the above analysis, the pricing methodology adopted analyzed each component in each Minibond structure and assessed the market value or estimated cost of each component. These components were then combined to determine the proposed offer price for each Minibond.

#### 2.2.1. Components of the Minibonds

The series structures are shown in more detail in Section 1. Table 2.2-1 below summarizes the components identified.

Table 2.2-1

Series	Component
5 – 7	CLN and trustee fee
9	FTD Swap, Collateral and trustee fee
10 – 36	Collateral and CSO, trustee fee at Synthetic CDO-Level FTD Swap, other features (e.g. bonus interest) and trustee fee at Minibond-level

In addition to estimating the cost or value of each component, there were adjustments made for the following items:

- (1) estimated funding cost of the Distributors;
- (2) estimated costs of the buyback, covering advisor fees, printing costs, etc; and

## Structure and Pricing of Minibonds

(3) risk discounts, covering legal risk and market risk.

The rationale for including these adjustments was to ensure that all the factors that would typically be incorporated into determining a market price were addressed.

The components and adjustments were combined as follows:

### Proposed offer price for Series 5 – 7 and 9

CLN or Collateral price  
Less, Trustee fee  
Less, Buyback costs  
Less, Funding cost

### Proposed offer price for Series 10 to 36

Collateral price  
Less, FTD Swap  
Less, CSO  
Less, Trustee fees  
Less, Buyback costs  
Less, Risk discounts  
Less, Funding cost

The above approach takes account of the expected flow of cash from the sale of underlying Collateral in the structure, the only asset, while adjusting for the cost of liabilities and expenses in the structure.

## **2.3. Collecting data for pricing the components**

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### **2.3.1. Approach**

Investment banks were approached for assistance in estimating the market value of the Minibonds, and the components. In total 5 investment banks were approached. Different responses were received from different investment banks. Some were able to assist to greater or lesser degrees, while others were unable to assist.

In addition to the investment banks, EY estimated the market value of the components and the Minibonds. Trustee fees, advisor fees, and other costs were estimated by EY through discussion with the relevant parties. The risk discounts were estimated by EY. The available data were then combined as described in the next section.

### **2.3.2. Methodology in detail**

#### *Collateral*

When the issuer of the Collateral is perceived by general market participants to be in a distressed situation, the latest traded price of issued debt was used in the Minibond pricing. This was to address the risk that market quotations available may not represent prices of actual transactions taking place. Collateral that fell into this category are the FRNs issued by MBIA and LBT-issued notes.

For non-distressed Collateral, the average of market bids obtained for the FRNs was used. For LBT the middle (i.e. median) of the prices obtained was used.

#### *FTD Swap*

If there were 3 estimated prices, the middle (i.e. median) price was used. If there were only 2 estimated prices, the more appropriate one was selected using judgment.

## Structure and Pricing of Minibonds

### CSO

No value was ascribed due to the original legal interpretation of the payment priority (i.e. before the legal challenge of Weil Gotshal & Manges LLP).

### Trustee fees

Trustee fees were estimated based on discussion with service providers. The allocation method across each tranche and each series were discussed and agreed amongst the Distributors.

### Buyback costs

Costs of the buyback, covering advisors' fees, printing costs, etc, were estimated based on the discussion with the service providers. The allocation method across each tranche and each series were discussed and agreed amongst the Distributors.

### Funding cost

Funding cost was agreed by the Distributors to be estimated at 2.5% for a 6-month period.

### Legal risk discount

As at 21 November 2008, the threat of litigation and the chance of a successful challenge to the payment priority were assumed to be remote, and consequently a 5 per cent discount to the Collateral value used was included.

### Market risk in FTD Swaps

The FTD Swaps were assumed to be terminated by 28 November 2008, which was the understanding of the planned action to be taken by HSBC on 21 November 2008. Given the short time period to termination date, the risk of a significant deterioration to the FTD Swap value was deemed low, and hence a risk discount of 0% was included for the pricing at 21 November 2008.

### Market risk in Collateral

The Collateral was assumed to be disposed of by the trustee in an orderly and controlled fashion. A reasonable length of time was expected to achieve this, which exposed the Minibond holders to the risk of price fluctuation. Given the worsening credit market in general this was considered to be a downside risk. The risk discounts for market risk applied to the principal amount of the Collateral is summarized in Table 2.2-2 below.

Table 2.2-2

Risk discount	Collateral
Nil	LBT-issued note and LBF
0.25%	Landesbank Baden-Wurtemberg
1.00%	Bayerische Landesbank and Rabobank Nederland (maturing in 2010)
2.00%	Rabobank Nederland (maturing in 2011) and Europaische Hypothekenbank S.A.
11.00%	MBIA Global Funding LLC

## Section 3. Summary of Prices - 21 November 2008

### 3.1. Introduction

The pricing methodology adopted has been described in Section 2. The results of applying that pricing methodology on 21 November 2008 are presented below in two tables.

Table 3.1-1 summarizes the Minibonds into 4 categories, based on the type of Collateral underlying the structure. This analysis has been done to show the impact that the value of the underlying Collateral has on the overall Minibond price. The underlying Collateral is the only asset in the structure. As can be seen, the series backed by Collateral issued by Lehman Brothers (Series 5-9) and MBIA (Series 15 – 18), both of which were in a distressed situation on 21 November 2008, have significantly less value than other series.

Table 3.1-2 shows the individual price calculated for each tranche.

Prices are presented as a percentage of original principal of the Minibond. For example, the price of Series 10, Tranche A was 71.89%, which means that for every US\$100 invested, the price was US\$71.89.

Table 3.1-1

Pricing Date: 21-Nov-2008				
Category	Series	Highest Price	Minibond Pricing	
			Lowest Price	Arithmetic Average
Series 5-9	5, 6, 7, 9	0.82%	0.82%	0.82%
Banks & Corporations	10, 11, 12, 20, 21, 34	78.31%	52.34%	64.03%
MBIA	15, 16, 17, 18	14.79%	11.19%	12.97%
LBF	19, 22, 23, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36	74.15%	56.03%	63.96%



# Structure and Pricing of Minibonds

Table 3.1-2

Pricing Date: 21-Nov-2008		
Series	Tranche	Minibond Pricing
5		0.82%
6		0.82%
7	A	0.82%
7	B	0.82%
9	A	0.82%
9	B	0.82%
10	A	71.89%
10	B	71.79%
11	A	78.31%
11	B	77.36%
11	C	77.43%
11	D	75.57%
12	A	71.81%
12	B	71.42%
15	A	14.79%
15	B	13.67%
16	A	13.79%
16	B	12.93%
17	A	13.14%
17	B	12.78%
18	A	11.48%
18	B	11.19%
19	A	69.12%
19	B	67.64%
20	A	58.51%
20	B	56.93%
20	C	54.07%
20	D	53.18%
21	A	55.87%
21	B	54.29%
21	C	55.38%
22	A	71.49%
22	B	70.80%
22	C	69.02%
23	A	65.37%
23	B	65.07%
23	C	66.95%
23	D	67.14%

# Structure and Pricing of Minibonds

Table 3.1-2 (continued)

Pricing Date: 21-Nov-2008		
Series	Tranche	Minibond Pricing
25	A	63.65%
25	B	64.27%
25	C	64.49%
25	D	65.21%
26	A	66.16%
26	B	65.17%
26	C	62.21%
27	A	61.27%
27	B	61.08%
27	C	61.55%
27	D	60.47%
28	A	56.82%
28	B	60.78%
28	C	57.78%
28	D	56.03%
29	A	60.28%
29	B	60.70%
29	C	61.51%
29	D	59.59%
30	A	68.03%
30	B	66.75%
30	C	64.57%
30	D	63.59%
31	A	59.74%
31	B	61.12%
31	C	59.64%
31	D	58.95%
32	A	58.95%
32	B	60.79%
32	C	59.93%
32	D	59.14%
33	A	64.48%
33	B	65.44%
33	C	62.40%
33	D	62.11%
34	A	52.34%
34	B	59.34%
35	A	73.10%
35	B	72.57%
36	A	74.15%
36	B	72.07%

## **AMENDMENT TO CORRECTED NOTICE**

**THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS. IF NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD SEEK THEIR OWN FINANCIAL AND LEGAL ADVICE, INCLUDING AS TO ANY TAX CONSEQUENCES, IMMEDIATELY FROM THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL OR LEGAL ADVISERS.**

HSBC Bank USA, National Association, as Trustee  
(the "Trustee")

### **Information Notice Relating to Details of the Underlying Securities of the Notes**

**NOTICE IS HEREBY GIVEN** to the holders of all Notes issued by Pacific International Finance Limited (the "Issuer") presently outstanding (the "Noteholders" and the "Notes," respectively) as identified in Annex A to the Corrected Notice distributed on 17 November 2008 (the "Corrected Notice Annex").

The Corrected Notice Annex contained certain inaccuracies, which are hereby corrected by replacing certain of the Corrected Notice Annex fields with the information contained in the attached Schedule I.

Noteholders who have any questions for the Trustee are invited to contact the representative of the Trustee by email at [lbnyinquiries@us.hsbc.com](mailto:lbnyinquiries@us.hsbc.com).

This Notice is given by  
HSBC Bank USA, National Association, as  
Trustee  
Dated: 21 November, 2008

## SCHEDULE I

<b>Pacific International Finance Limited Series</b>	<b>Updated Entry to the Corrected Notice Annex</b>
Series 5	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "N/A"
Series 5	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "N/A"
Series 6	"Pacific Underlying Security (NB: held by HSBC Bank plc as Custodian)" field should read "USD 4,750,000 Aggregate principal amount of 5.0% Principal Protected Notes with Credit-linked Coupon due 3/24/09 issued by Lehman Brothers Treasury Co. BV and guaranteed by LBHI under the USD 18,000,000,000 Euro Medium-Term Note Programme"
Series 6	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "N/A"
Series 6	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "N/A"
Series 7A	"ISIN" field should read " XS0180628108"
Series 7A	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "N/A"
Series 7A	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "N/A"
Series 7B	"ISIN" field should read " XS0180628107"
Series 7B	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "N/A"
Series 7B	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "N/A"
Series 9A	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "N/A"
Series 9A	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "N/A"
Series 9B	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "N/A"
Series 9B	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "N/A"
Series 10A	"Pacific Underlying Security (NB: held by HSBC Bank plc as Custodian)" field should read "USD 44,600,000 of Series 2008-6 USD 45,000,000 Floating Rate Notes issued by Saphir Finance Limited due 11/28/09"
Series 10B	"Pacific Underlying Security (NB: held by HSBC Bank plc as Custodian)" field should read "USD 44,600,000 of Series 2008-6 USD 45,000,000 Floating Rate Notes issued by Saphir Finance Limited due 11/28/09"
Series 11A	" ISIN for Collateral underlying the Pacific Underlying Security" field should read " XS0195831804"
Series 15A	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "(a) USD19,000,000 Principal amount of Euro Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange); and (b) USD 34,240,000 Principal amount of Euro Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange)"
Series 15A	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "(a) (Reg. S) US55266MBZ68 and (b) (Reg. S) US55266MCA09"
Series 15B	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "(a) USD19,000,000 Principal amount of Euro Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange); and (b) USD 34,240,000 Principal amount of Euro Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange)"

Series 15B	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "(a) (Reg. S) US55266MBZ68 and (b) (Reg. S) US55266MCA09"
Series 16A	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "(a) (Reg. S) US55266MCA09 and (b) (Reg. S) US55266MCD48"
Series 16B	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "(a) (Reg. S) US55266MCA09 and (b) (Reg. S) US55266MCD48"
Series 17A	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "(Reg. S) US55266MCG78"
Series 17B	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "(Reg. S) US55266MCG78"
Series 18A	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "(a) USD 500,000 Principal amount of Global Medium Term Notes due 2010 by MBIA Global Funding LLC (subject to exchange) Note: terms indicate further collateral to be acquired after Issue Date. Remainder of issuance proceeds of Notes held in cash until further collateral acquisition; and (b) USD 36,000,000 Principal amount of Global Medium Term Notes due 2010 by MBIA Global Funding LLC (subject to exchange) Note: terms indicate further collateral to be acquired after Issue Date. Remainder of issuance proceeds of Notes held in cash until further collateral acquisition"
Series 18A	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "(a) (Reg. S) US55266MCG78 and (b) US55266MCH51"
Series 18B	" Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)" field should read "(a) USD 500,000 Principal amount of Global Medium Term Notes due 2010 by MBIA Global Funding LLC (subject to exchange) Note: terms indicate further collateral to be acquired after Issue Date. Remainder of issuance proceeds of Notes held in cash until further collateral acquisition; and (b) USD 36,000,000 Principal amount of Global Medium Term Notes due 2010 by MBIA Global Funding LLC (subject to exchange) Note: terms indicate further collateral to be acquired after Issue Date. Remainder of issuance proceeds of Notes held in cash until further collateral acquisition"
Series 18B	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "(a) (Reg. S) US55266MCG78 and (b) US55266MCH51"
Series 33C	" ISIN for Collateral underlying the Pacific Underlying Security" field should read "IE00B03TKP85"
Series 34A	"Pacific Underlying Security (NB: held by HSBC Bank plc as Custodian)" field should read " USD 44,750,000 of Series 2007-19 USD 156,315,000 Synthetic Portfolio Floating Rate Notes by Beryl Finance Limited due 1/7/11"
Series 34B	"Pacific Underlying Security (NB: held by HSBC Bank plc as Custodian)" field should read " USD 97,175,000 of Series 2007-19 USD 156,315,000 Synthetic Portfolio Floating Rate Notes by Beryl Finance Limited due 1/7/11"

**CORRECTED NOTICE**

**THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS. IF NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD SEEK THEIR OWN FINANCIAL AND LEGAL ADVICE, INCLUDING AS TO ANY TAX CONSEQUENCES, IMMEDIATELY FROM THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL OR LEGAL ADVISERS.**

HSBC Bank USA, National Association, as Trustee  
(the "Trustee")

**Information Notice Relating to Details of the Underlying Securities of the Notes**

**NOTICE IS HEREBY GIVEN** to the holders of all Notes issued by Pacific International Finance Limited (the "Issuer") presently outstanding (the "Noteholders" and the "Notes," respectively) identified in the attached Annex A:

Annex A of this Notice is a statement prepared by the Trustee (based on information provided to it by the various custodians) which details the assets underlying each Series/Tranche of the Notes (the "**Pacific Underlying Securities**"). Annex A further details the collateral assets underlying the Pacific Underlying Securities.

***Please note that certain Pacific Underlying Securities constitute the underlying security for one or more Tranches of Notes within the same Series.***

We further refer to the attached letter received from The Bank of New York Mellon ("BNYM") in their capacity as custodian of the collateral underlying the Pacific Underlying Securities. This letter therefore confirms the details of custodian assets which BNYM are holding in such capacity.

In the meantime, Noteholders who have any questions for the Trustee are invited to contact the representative of the Trustee by email at [lbnyinquiries@us.hsbc.com](mailto:lbnyinquiries@us.hsbc.com).

This Notice is given by  
HSBC Bank USA, National Association, as  
Trustee  
Dated: 17 November, 2008

**ANNEX A**  
REVISED

Issuer	ISIN	Series	Pacific Underlying Security (NB: held by HSBC Bank plc as Custodian)	ISIN for Pacific Underlying Security	Collateral underlying the Pacific Underlying Security (NB: held by Bank of New York Mellon as Custodian)	ISIN for Collateral underlying the Pacific Underlying Security
Pacific International Finance Ltd	XS0227396974	Series 21 A	Series 2008-9 USD 31,500,000 - Synthetic Portfolio Floating Rate Notes due 3/15/11 issued by Beryl Finance Limited	XS0372554831	USD 31,500,000 Principal amount Floating Rate Notes due 2011 issued by Europäische Hypothekenbank S.A. (subject to exchange)	XS0229688311
Pacific International Finance Ltd	XS0227397436	Series 21 B	Series 2008-9 USD 31,500,000 - Synthetic Portfolio Floating Rate Notes due 3/15/11 issued by Beryl Finance Limited	XS0372554831	USD 31,500,000 Principal amount Floating Rate Notes due 2011 issued by Europäische Hypothekenbank S.A. (subject to exchange)	XS0229688311
Pacific International Finance Ltd	XS0227397865	Series 21 C	Series 2008-9 USD 31,500,000 - Synthetic Portfolio Floating Rate Notes due 3/15/11 issued by Beryl Finance Limited	XS0372554831	USD 31,500,000 Principal amount Floating Rate Notes due 2011 issued by Europäische Hypothekenbank S.A. (subject to exchange)	XS0229688311
Pacific International Finance Ltd	XS0266951804	Series 27 A	Series 2006-10 USD 114,465,000 - Synthetic Portfolio Floating Rate Notes due 9/15/09 (subject to extension) issued by Beryl Finance Limited	XS0266953172	USD 115,192,714.78 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0266952281	Series 27 B	Series 2006-10 USD 114,465,000 - Synthetic Portfolio Floating Rate Notes due 9/15/09 (subject to extension) issued by Beryl Finance Limited	XS0266953172	USD 115,192,714.78 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0266952794	Series 27 C	Series 2006-11 USD 18,005,000 - Synthetic Portfolio Floating Rate Notes due 3/15/12 issued by Beryl Finance Limited	XS0266953685	USD 18,119,467.39 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0266953255	Series 27 D	Series 2006-11 USD 18,005,000 - Synthetic Portfolio Floating Rate Notes due 3/15/12 issued by Beryl Finance Limited	XS0266953685	USD 18,119,467.39 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0279846223	Series 29A	Series 2006-16 USD 37,010,000 - Synthetic Portfolio Floating Rate Notes due 12/21/09 (subject to extension) issued by Beryl Finance Limited	XS0279744063	USD 37,229,952.72 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0279848609	Series 29B	Series 2006-16 USD 37,010,000 - Synthetic Portfolio Floating Rate Notes due 12/21/09 (subject to extension) issued by Beryl Finance Limited	XS0279744063	USD 37,229,952.72 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0279848195	Series 29C	Series 2006-17 USD 5,250,000 - Synthetic Portfolio Floating Rate Notes due 6/21/12 issued by Beryl Finance Limited.	XS0279744147	USD 5,281,201.07 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International	XS0279848948	Series 29D	Series 2006-17 USD 5,250,000 - Synthetic	XS0279744147	USD 5,281,201.07 Net asset value of shares of	IE00B03TKP85

Finance Ltd			Portfolio Floating Rate Notes due 6/21/12 issued by Beryl Finance Limited		the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	
Pacific International Finance Ltd	XS0175992246	Series 6	USD 4,750,000 Aggregate principal amount of 5.0% Principal Protected Notes with Credit-linked Coupon due 3/24/09 issued by Lehman Brothers Treasury Co. BV and guaranteed by LBHI under the USD 18,000,000 Euro Medium-Term Note Programme	XS0175976983	USD 4,750,000.00	XS0175976983
Pacific International Finance Ltd	XS0189470726	Series 9 A	USD 22,075,000 Aggregate principal amount of Traunch A Floating Rate Notes due 9/25/09 issued by Lehman Brothers Treasury Co. BV and guaranteed by LBHI under the USD 18,000,000,000 Euro Medium-Term Note Programme	XS0189451346	USD 67,330,000.00	XS0189451346
Pacific International Finance Ltd	XS0189471377	Series 9 B	HKD 353,000,000 Aggregate principal amount (translated to USD) of Traunch B Floating Rate Notes due 9/25/09 issued by Lehman Brothers Treasury Co. BV and guaranteed by LBHI under the USD 18,000,000,000 Euro Medium-Term Note Programme	XS0189451346	USD 67,330,000.00	XS0189451346
Pacific International Finance Ltd	XS0258956738	Series 26 A	Series 2008-13 USD 15,030,000 Synthetic Portfolio Floating Rate Notes due 12/30/11 issued by Beryl Finance Limited	XS0372555218	USD 15,113,227.04 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0258956902	Series 26 B	Series 2008-13 USD 15,030,000 Synthetic Portfolio Floating Rate Notes due 12/30/11 issued by Beryl Finance Limited	XS0372555218	USD 15,113,227.04 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0258957207	Series 26 C	Series 2008-13 USD 15,030,000 Synthetic Portfolio Floating Rate Notes due 12/30/11 issued by Beryl Finance Limited	XS0372555218	USD 15,113,227.04 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0213743775	Series 18 A	Series 2008-12 USD 36,500,000 Synthetic Portfolio Floating Rate Notes due 10/6/10 issued by Saphir Finance Public Limited Company	XS0372554245	USD 500,000 Principal amount of Global Medium Term Notes due 2010 by MBIA Global Funding LLC (subject to exchange) Note: terms indicate further collateral to be acquired after Issue Date. Remainder of issuance proceeds of Notes held in cash until further collateral acquisition	US55266MCG78
Pacific International Finance Ltd	XS0213744070	Series 18 B	Series 2008-12 USD 36,500,000 Synthetic Portfolio Floating Rate Notes due 10/6/10 issued by Saphir Finance Public Limited Company	XS0372554245	USD 36,000,000 Principal amount of Global Medium Term Notes due 2010 by MBIA Global Funding LLC (subject to exchange) Note: terms indicate further collateral to be acquired after Issue Date. Remainder of issuance proceeds of Notes held in cash until further collateral acquisition	US55266MCH51



Pacific International Finance Ltd	XS0338557704	Series 34 A	Series 2007-19 USD 44,775,000 Synthetic Portfolio Floating Rate Notes by Beryl Finance Limited due 1/7/11	XS0338328692	(a) USD 156,300,000 Principal amount of Floating Rate Notes due 1/7/11 issued by General Electric Capital Corporation; and (b) USD 15,072.32 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	(a) XS0339340506; and (b) IE00B03TKP85
Pacific International Finance Ltd	XS0338558181	Series 34 B	Series 2007-19 USD 97,175,000 Synthetic Portfolio Floating Rate Notes due 1/7/11 by Beryl Finance Limited	XS0338328692		
Pacific International Finance Ltd	XS0311435787	Series 32 A	Series 2007-15 USD 11,320,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 7/16/10 (subject to extension)	XS0311230204	USD 11,368,184.53 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0311438377	Series 32 B	Series 2007-15 USD 11,320,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 7/16/10 (subject to extension)	XS0311230204	USD 11,368,184.53 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0311436082	Series 32 C	Series 2007-16 USD 5,935,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 1/16/13	XS0311227168	USD 5,960,620.50 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0311438708	Series 32 D	Series 2007-16 USD 5,935,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 1/16/13	XS0311227168	USD 5,960,620.50 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0225019842	Series 20 A	Series 2008-8 USD 29,700,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 1/20/11	XS0372554757	USD 29,700,000 Principal amount Floating Rate Notes due 2011 issued by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (subject to exchange)	XS0225160604
Pacific International Finance Ltd	XS0225020261	Series 20 B	Series 2008-8 USD 29,700,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 1/20/11	XS0372554757	USD 29,700,000 Principal amount Floating Rate Notes due 2011 issued by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (subject to exchange)	XS0225160604
Pacific International Finance Ltd	XS0225020774	Series 20 C	Series 2008-8 USD 29,700,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 1/20/11	XS0372554757	USD 29,700,000 Principal amount Floating Rate Notes due 2011 issued by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (subject to exchange)	XS0225160604
Pacific International Finance Ltd	XS0225020931	Series 20 D	Series 2008-8 USD 29,700,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 1/20/11	XS0372554757	USD 29,700,000 Principal amount Floating Rate Notes due 2011 issued by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (subject to exchange)	XS0225160604
Pacific International Finance Ltd	XS0296675605	Series 31 A	Series 2007-5 USD 37,580,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 4/19/10 (subject to extension)	XS0296886053	USD 37,734,688.81 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0296677056	Series 31 B	Series 2007-5 USD 37,580,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 4/19/10 (subject to extension)	XS0296886053	USD 37,734,688.81 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85

Pacific International Finance Ltd	XS0296675944	Series 31 C	Series 2007-6 USD 6,460,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 10/19/12	XS0296886301	USD 6,486,590.99 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0296677486	Series 31 D	Series 2007-6 USD 6,460,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 10/19/12	XS0296886301	USD 6,486,590.99 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0252325005	Series 25 A	Series 2008-12 USD 37,155,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 10/26/11	XS0372555135	USD 37,291,672.34 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0252325690	Series 25 B	Series 2008-12 USD 37,155,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 10/26/11	XS0372555135	USD 37,291,672.34 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0252326318	Series 25 C	Series 2008-12 USD 37,155,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 10/26/11	XS0372555135	USD 37,291,672.34 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0252327399	Series 25 D	Series 2008-12 USD 37,155,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 10/26/11	XS0372555135	USD 37,291,672.34 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0272928879	Series 28 A	Series 2006-13 USD 76,630,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 10/27/09 (subject to extension)	XS0272940221	USD 76,911,878.63 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0272929091	Series 28 B	Series 2006-13 USD 76,630,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 10/27/09 (subject to extension)	XS0272940221	USD 76,911,878.63 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0272929414	Series 28 C	Series 2006-14 USD 11,025,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 4/27/12	XS0272938837	USD 11,065,554.70 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0272929687	Series 28 D	Series 2006-14 USD 11,025,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 4/27/12	XS0272938837	USD 11,065,554.70 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0285418215	Series 30 A	Series 2007-2 USD 39,020,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 1/31/10 (subject to extension)	XS0285427984	USD 39,151,329.65 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0285419023	Series 30 B	Series 2007-2 USD 39,020,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 1/31/10 (subject to extension)	XS0285427984	USD 39,151,329.65 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International	XS0285419619	Series 30 C	Series 2007-3 USD 6,080,000 Synthetic	XS0285424965	USD 6,100,463.48 Net asset value of shares of	IE00B03TKP85

Finance Ltd			Portfolio Floating Rate Notes issued by Beryl Finance Limited due 7/31/12		the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	
Pacific International Finance Ltd	XS0285420468	Series 30 D	Series 2007-3 USD 6,080,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 7/31/12	XS0285424965	USD 6,100,463.48 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0243200143	Series 23 A	Series 2008-11 USD 49,675,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 8/3/11	XS0372554914	USD 49,836,012.02 Principal amount Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0243200812	Series 23 B	Series 2008-11 USD 49,675,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 8/3/11	XS0372554914	USD 49,836,012.02 Principal amount Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0243201463	Series 23 C	Series 2008-11 USD 49,675,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 8/3/11	XS0372554914	USD 49,836,012.02 Principal amount Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0243201620	Series 23 D	Series 2008-11 USD 49,675,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 8/3/11	XS0372554914	USD 49,836,012.02 Principal amount Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0363491829	Series 36 A	Series 2008-5 USD 86,125,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 5/15/11	XS0363443853	USD 86,329,061.34 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0363492124	Series 36 B	Series 2008-5 USD 86,125,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 5/15/11	XS0363443853	USD 86,329,061.34 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0348459131	Series 35 A	Series 2008-2 USD 282,785,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 2/22/11	XS0348325449	USD 283,331,523.25 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0348459487	Series 35 B	Series 2008-2 USD 282,785,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 2/22/11	XS0348325449	USD 283,331,523.25 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0236382585	Series 22 A	Series 2008-10 USD 13,252,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 5/25/11	XS0372555051	USD 13,274,286.20 Principal amount Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0236382742	Series 22 B	Series 2008-10 USD 13,252,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 5/25/11	XS0372555051	USD 13,274,286.20 Principal amount Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0236382825	Series 22 C	Series 2008-10 USD 13,252,000 Synthetic Portfolio Floating Rate Notes issued by Beryl Finance Limited due 5/25/11	XS0372555051	USD 13,274,286.20 Principal amount Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0220695604	Series 19 A	Series 2008-13 USD 34,700,000 Floating Rate Notes issued by Saphir Finance Limited due 11/26/10	XS0372554328	USD 34,758,356.07 Principal amount of Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85

Pacific International Finance Ltd	XS0220695943	Series 19 B	Series 2008-13 USD 34,700,000 Floating Rate Notes issued by Saphir Finance Limited due 11/26/10	XS0372554328	USD 34,758,356.07 Principal amount of Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0193554622	Series 10 A	Series 2008-6 USD 44,600,000 Floating Rate Notes issued by Saphir Finance Limited due 11/28/09	XS0372553510	USD 45,000,000 Principal amount Floating Rate Notes due 11/28/09 issued by Bayerische Landesbank (subject to exchange)	XS0193436002
Pacific International Finance Ltd	XS0193555199	Series 10 B	Series 2008-6 USD 44,600,000 Floating Rate Notes issued by Saphir Finance Limited due 11/28/09	XS0372553510	USD 45,000,000 Principal amount Floating Rate Notes due 11/28/09 issued by Bayerische Landesbank (subject to exchange)	XS0193436002
Pacific International Finance Ltd	XS0318915823	Series 33 A	Series 2007-18 USD 22,405,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 8/31/10	XS0318941233	USD 22,438,409.57 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0318916631	Series 33 B	Series 2007-18 USD 22,405,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 8/31/10	XS0318941233	USD 22,438,409.57 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0318916128	Series 33 C	Series 2007-19 USD 9,985,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 2/28/13	XS0318942041	USD 9,999,889.27 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP8
Pacific International Finance Ltd	XS0318916987	Series 33 D	Series 2007-19 USD 9,985,000 Synthetic Portfolio Floating Rate Notes issued by Zircon Finance Limited due 2/28/13	XS0318942041	USD 9,999,889.27 Net asset value of shares of the Lehman US Dollar Liquidity Fund Institutional Reserve Accumulation Class (subject to exchange)	IE00B03TKP85
Pacific International Finance Ltd	XS0180628107	Series 7 A	USD 15,200,000 4.2% principal amount Tranche A Notes with Credit-linked Coupon due 12/3/08 issued by Lehman Brothers Treasury Co. BV and guaranteed by LBHI under the USD 18,000,000,000 Euro Medium-Term Note Programme	XS0180580226	USD 15,200,000.00	XS0180580226
Pacific International Finance Ltd	XS0180628018	Series 7 B	HKD 250,000,000 4.2% principal amount Tranche B Notes with Credit-linked Coupon due 12/3/08 issued by Lehman Brothers Treasury Co. BV and guaranteed by LBHI under the USD 18,000,000,000 Euro Medium-Term Note Programme	XS0180580572	HKD 249,586,500.00	XS0180580572
Pacific International Finance Ltd	XS0208476035	Series 15 A	Series 2008-9 USD 53,240,000 Synthetic Portfolio Floating Rate Notes due 6/28/10 issued by Saphir Finance Public Limited Company	XS0372553783	USD 19,000,000 Principal amount of Euro Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange)	US55266MBZ68
Pacific International Finance Ltd	XS0208476464	Series 15 B	Series 2008-9 USD 53,240,000 Synthetic Portfolio Floating Rate Notes due 6/28/10 issued by Saphir Finance Public Limited Company	XS0372553783	USD 34,240,000 Principal amount of Euro Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange)	US55266MCA09

Pacific International Finance Ltd	XS0170735160	Series 5	USD 10,600,000 Aggregate principal amount of 3.8% principal amount Credit Linked Notes due 7/2/10 issued by Lehman Brothers Treasury Co. BV and guaranteed by LBHI under the USD 15,000,000,000 Euro Medium-Term Note Programme	XS0170825664	USD 16,500,000.00	170825664
Pacific International Finance Ltd	XS0195869879	Series 11 A	Series 2008-7 USD 42,000,000 Floating Rate Notes due 1/6/10 issued by Saphir Finance Public Limited Company	XS0372553601	USD 42,000,000 Principal amount Floating Rate Notes due 2010 issued by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (subject to exchange)	
Pacific International Finance Ltd	XS0195870299	Series 11 B	Series 2008-7 USD 42,000,000 Floating Rate Notes due 1/6/10 issued by Saphir Finance Public Limited Company	XS0372553601	USD 42,000,000 Principal amount Floating Rate Notes due 2010 issued by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (subject to exchange)	XS0195831804
Pacific International Finance Ltd	XS0195870612	Series 11 C	Series 2008-7 USD 42,000,000 Floating Rate Notes due 1/6/10 issued by Saphir Finance Public Limited Company	XS0372553601	USD 42,000,000 Principal amount Floating Rate Notes due 2010 issued by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (subject to exchange)	XS0195831804
Pacific International Finance Ltd	XS0195870968	Series 11 D	Series 2008-7 USD 42,000,000 Floating Rate Notes due 1/6/10 issued by Saphir Finance Public Limited Company	XS0372553601	USD 42,000,000 Principal amount Floating Rate Notes due 2010 issued by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (subject to exchange)	XS0195831804
Pacific International Finance Ltd	XS0209692960	Series 16 A	Series 2008-10 USD 50,500,000 Synthetic Portfolio Floating Rate Notes due 8/7/10 issued by Saphir Finance Public Limited Company	XS0372553866	(a) USD 4,000,000 Principal amount of Global Medium Term Notes due 2010 issued by MBIA Global Funding LLC; and (b) USD 46,500,000 principal amount of Global Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange)	(a) US55266MCA09 (b) US55266MCD48
Pacific International Finance Ltd	XS0209693349	Series 16 B	Series 2008-10 USD 50,500,000 Synthetic Portfolio Floating Rate Notes due 8/7/10 issued by Saphir Finance Public Limited Company	XS0372553866	(a) USD 4,000,000 Principal amount of Global Medium Term Notes due 2010 issued by MBIA Global Funding LLC; and (b) USD 46,500,000 principal amount of Global Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange)	(a) US55266MCA09 (b) US55266MCD48
Pacific International Finance Ltd	XS0200468998	Series 12 A	Series 2008-8 USD 61,000,000 Synthetic Portfolio Floating Rate Notes due 3/8/10 issued by Saphir Finance Public Limited Company	XS0372554674	USD 61,000,000 Principal amount Floating Rate Notes due 2010 issued by Landesbank Baden-Wuerttemberg (subject to exchange)	XS0200537552
Pacific International Finance Ltd	XS0200469376	Series 12 B	Series 2008-8 USD 61,000,000 Synthetic Portfolio Floating Rate Notes due 3/8/10 issued by Saphir Finance Public Limited Company	XS0372554674	USD 61,000,000 Principal amount Floating Rate Notes due 2010 issued by Landesbank Baden-Wuerttemberg (subject to exchange)	XS0200537552
Pacific International Finance Ltd	XS0214180720	Series 17 A	Series 2008-11 USD 71,500,000 Synthetic Portfolio Floating Rate Notes due 9/9/10 issued by Saphir Finance Public Limited Company	XS0372554161	USD 71,500,000 Principal amount of Global Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange)	US55266MCG78
Pacific International	XS0214180993	Series 17 B	Series 2008-11 USD 71,500,000 Synthetic	XS0372554161	USD 71,500,000 Principal amount of Global	US55266MCG78

Finance Ltd			Portfolio Floating Rate Notes due 9/9/10 issued by Saphir Finance Public Limited Company		Medium Term Notes due 2010 issued by MBIA Global Funding LLC (subject to exchange)	
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THE BANK OF NEW YORK MELLON

FAO: Chris Knowles  
Head of CTLA Transaction Management  
HSBC Securities Services  
HSBC BANK  
PLC UK  
8 Canada Square,  
London E14 5HQ

16<sup>th</sup> October 2008

Dear Sirs

As Custodian acting for the Issuer, we confirm that The Bank of New Mellon is holding the below listed collateral for the benefit of the noteholders of the Issuer on the following transactions:-

ISSUE NAME	SERIES NO	ISIN	NOMINAL	COLLATERAL	AMOUNT
BERYL FINANCE LTD	2008-9	XS0372554831	31,500,000	XS0229888311	31,500,000
BERYL FINANCE LTD	2006-16	XS0279744063	37,010,000	Liquidity Fund ISIN IE00B03TKP85	37,229,952.72
BERYL FINANCE LTD	2006-17	XS0279744147	5,250,000	Liquidity Fund ISIN IE00B03TKP85	5,281,201.07
BERYL FINANCE LTD	2007-2	XS0285427984	39,020,000	Liquidity Fund ISIN IE00B03TKP85	39,151,329.65
BERYL FINANCE LTD	2007-3	XS0285424965	6,080,000	Liquidity Fund ISIN IE00B03TKP85	6,100,463.48
BERYL FINANCE LTD	2008-2	XS0348325449	282,785,000	Liquidity Fund ISIN IE00B03TKP85	283,331,523.25
BERYL FINANCE LTD	2008-12	XS0372555135	37,155,000	Liquidity Fund ISIN IE00B03TKP85	37,291,672.34
BERYL FINANCE LTD	2006-13	XS0272940221	76,630,000	Liquidity Fund ISIN IE00B03TKP85	76,911,878.63
BERYL FINANCE LTD	2006-14	XS0272938837	11,025,000	Liquidity Fund ISIN IE00B03TKP85	11,065,554.70
BERYL FINANCE LTD	2008-8	XS0372554757	29,700,000	XS0225160604	29,700,000
BERYL FINANCE LTD	2008-10	XS0372555051	13,252,000	Liquidity Fund ISIN IE00B03TKP85	13,274,286.20
BERYL FINANCE LTD	2008-11	XS0372554914	49,675,000	Liquidity Fund ISIN IE00B03TKP85	49,836,012.02
BERYL FINANCE LTD	2008-13	XS0372555218	15,030,000	Liquidity Fund ISIN IE00B03TKP85	15,113,227.04
BERYL FINANCE LTD	2006-10	XS0266953172	114,465,000	Liquidity Fund ISIN IE00B03TKP85	115,192,714.78
BERYL FINANCE LTD	2006-11	XS0266953685	18,005,000	Liquidity Fund ISIN IE00B03TKP85	18,119,467.39
BERYL FINANCE LTD	2007-19	XS0338328692	156,315,000	XS0339340506	156,300,000
				Liquidity Fund ISIN IE00B03TKP85	15,072.32
BERYL FINANCE LTD	2006-5	XS0363443853	86,125,000	Liquidity Fund ISIN IE00B03TKP85	86,329,061.34

SAPHIR FINANCE PLC	2008-9	XS0372553783	53,240,000	US55266MBZ68	19,000,000
				US55266MCA09	34,240,000
SAPHIR FINANCE PLC	2008-10	XS0372553866	50,500,000	US55266MCD48	46,500,000
				US55266MCA09	4,000,000
SAPHIR FINANCE PLC	2008-6	XS0372553510	45,000,000	XS0193436002	45,000,000
SAPHIR FINANCE PLC	2008-7	XS0372553601	42,000,000	XS0195831804	42,000,000
SAPHIR FINANCE PLC	2008-8	XS0372554674	61,000,000	XS0200537552	61,000,000
SAPHIR FINANCE PLC	2008-11	XS0372554161	71,500,000	US55266MCG78	71,500,000
SAPHIR FINANCE PLC	2008-12	XS0372554245	36,500,000	US55266MCG78	500,000
				US55266MCH51	36,000,000
SAPHIR FINANCE PLC	2008-13	XS0372554328	34,700,000	Liquidity Fund ISIN IE00B03TKP85	34,758,356.07
ZIRCON FINANCE LIMITED	2007-5	XS0296886053	37,580,000	Liquidity Fund ISIN IE00B03TKP85	37,734,688.81
ZIRCON FINANCE LIMITED	2007-6	XS0296886301	6,460,000	Liquidity Fund ISIN IE00B03TKP85	6,486,590.99
ZIRCON FINANCE LIMITED	2007-15	XS0311230204	11,320,000	Liquidity Fund ISIN IE00B03TKP85	11,368,184.53
ZIRCON FINANCE LIMITED	2007-16	XS0311227168	5,935,000	Liquidity Fund ISIN IE00B03TKP85	5,960,620.50
ZIRCON FINANCE LIMITED	2007-18	XS0318941233	22,405,000	Liquidity Fund ISIN IE00B03TKP85	22,438,409.57
ZIRCON FINANCE LIMITED	2007-19	XS0318942041	9,985,000	Liquidity Fund ISIN IE00B03TKP85	9,999,869.27

1,512,830.157

Note that HSBC are not holding full nominal for Beryl 2007-19 and Saphir 2008-6

Yours faithfully

*Kevin Rainbird*

Kevin Rainbird  
Asset Repackaging  
The Bank of New York Mellon  
Global Corporate Trust

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