

## **To: Distributors and holders of Minibonds**

### **Minibonds**

*In the following, we provide answers to some questions which apply generally to the Minibonds, but holders should be aware that each series of Minibonds is different and the status of their series may therefore differ in some respects from the general answers given here. The structure of the Minibonds and the rights of holders are explained more fully in the prospectuses for the issues*

*See the section of the issue prospectuses headed "Information about us and how our Notes are secured" for a general description of the collateral and the swap arrangements..*

### **What is the current status of Lehman Brothers Holdings Inc.?**

On 15 September 2008 Lehman Brothers Holdings Inc. ("LBHI") filed a petition (the "**Petition**") under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court of the Southern District of New York.

### **What is the role of Lehman Brothers Holdings Inc. in the Minibonds?**

LBHI is the swap guarantor for the Minibonds and is the guarantor of the collateral for some early series of Minibonds.

The swap counterparties for the Minibonds are wholly-owned subsidiaries of LBHI.

### **How does this affect the Minibonds?**

According to ISDA (the International Swaps and Derivatives Association Inc., an industry body), the filing of the Petition constitutes an event of default under swaps such as the swap arrangements which Pacific International Finance Limited, the issuer of the Minibonds, has entered into with Lehman. This means that the Minibonds will, subject to conditions and to a number of other procedures, be subject to early redemption unless the trustee for the Minibonds directs otherwise.

### **What happens if the Minibonds are redeemed early?**

After the termination of the swap arrangements, the Minibonds would become subject to early redemption and the collateral for the Minibonds would be sold in the market. The proceeds of sale of the collateral would be adjusted to take account of any payment which is due to, or due from, Lehman on termination of the swap arrangements and for the costs, fees and expenses of making the sale. The proceeds would then be available for repayment of the Minibonds. The amount of the available proceeds will depend on many factors, including the nature and current market value of the collateral underlying the particular series of Minibonds. However, it is likely that the redemption of the Minibonds would be at less, and perhaps significantly less, than their principal amount.

### **Is the collateral safe, or could it be claimed by Lehman's creditors?**

The collateral for each Minibond series is kept separately by a custodian and is subject to security in favour of the holders of that Minibond series (In some cases, it may be shared between the holders of different tranches of that series; in others different tranches have different collateral). Some of the proceeds of the collateral may be paid to Lehman if Lehman is owed a termination payment on termination of the swap arrangements, but Lehman (or its liquidator) has no other rights to take the collateral.

### **What is the collateral for the Minibonds?**

What the collateral is varies between the series: series 5, 6, 7 and 9 are backed by debt obligations of Lehman; the other series are backed by collateralised debt obligations. Where

collateralised debt obligations (CDOs) are used as collateral, the CDOs are synthetic securities which include further swap arrangements with Lehman. These swap arrangements are also subject to termination because of the filing of the petition. The CDOs are backed by further collateral - bonds of a single financial institution or a money-market fund.

**How much will holders get back? When will they get it?**

The amount holders will get back depends on many things, but mainly on the current market value (assuming a purchaser can be found) of the particular collateral underlying a series of Minibonds and on whether an early termination amount is due to or from Lehman on termination of the swap arrangements. The early redemption of the Minibonds of particular series and the sale of collateral, termination of swap arrangements and eventual distribution of proceeds to holders are not within the control of Lehman and may be expected to take some time to resolve.

**Who are the trustees for the Minibonds? What action are they taking?**

Lehman has made initial contact with the trustee for the Minibond. Further information is expected shortly from the trustee as to next steps.

**Lehman Brothers Asia Limited**  
As Arranger of the Minibonds

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