

Receivers from PwC reach agreement with Lehman Brothers in respect of Minibonds Collateral

The agreement

Receivers from PricewaterhouseCoopers (“PwC”) announce today that they have reached a conditional agreement with Lehman Brothers Special Financing Inc. (“Lehman Brothers”) which will result in the Pacific Minibond noteholders (“Noteholders”) of series 10 to 12, 15 to 23 and 25 to 36 (the “Relevant Series”) receiving significant recoveries from the underlying collateral to be released as a result of the agreement becoming unconditional.

The agreement is expected to result in most of the Minibond investors recovering over 80% of their original investment from the underlying collateral.

The Receivers believe that the agreement reached provides a good result in the circumstances and will avoid the risks and uncertainties of prolonged, costly and complex litigation. The agreement is conditional on Noteholder approval (explained below) and obtaining US Bankruptcy Court confirmation that an order made on 16 December 2008 (known as the Derivatives Procedures Order) applies to the transactions underlying the Relevant Series. Lehman Brothers will make the necessary application on 29 March 2011 for this purpose.

Background

On 30 June 2009, HSBC Bank USA, National Association, the trustee of the Relevant Series of the Minibonds, appointed PwC partners Ted Osborn, Anthony Boswell and Jan Blaauw as Receivers of the collateral underlying the Relevant Series.

Since their appointment, the Receivers’ role has been to consider all available options to unwind the complex Minibond structure and find a solution to the competing claims on the Minibond collateral in order to preserve and recover value for the Minibond investors in the Relevant Series.

Recovery levels from the realisation of collateral

A summary of the estimated recoveries that Minibond investors in the Relevant Series will be entitled to receive from the collateral recovered by the Receivers after the agreement reached with Lehman Brothers becomes unconditional is set out below:

Estimated percent recovery (of principal amount invested)	Estimated percent of Minibond investors in each percentile range
> 90%	4%
80 – 90%	65%
70 – 80%	31%
	100%

The recovery to Minibond investors from the collateral will vary from series to series and by tranches within the series due to differences in the characteristics of the swap contracts attached to each Minibond series, including the maturity dates, the reference entities against which credit protection was sold and the currency denomination for each tranche. The estimated recoveries in each series/tranche are set out in the information box at the end of this announcement.

The recovery of the collateral as a result of the conditional agreement will mean that all Noteholders of the Relevant Series will be entitled to the returns referred to below.

This announcement summarises the recovery Minibond investors can expect to receive as a result of the conditional agreement with Lehman Brothers only and should be read in conjunction with the announcement made today by the Distributing Banks. Minibond investors should contact the party from whom they acquired their Minibonds for further information including an estimate of their total anticipated recovery.

Meetings required to approve the agreement

Noteholders must pass an extraordinary resolution at a special meeting of Noteholders for each and every Relevant Series in order for the agreement with Lehman Brothers to become effective. Noteholder meetings are expected to be announced in April and held in May for this purpose.

A majority of Noteholders consisting of 75% or more of the votes cast at the meeting must vote in favour of the agreement for each and every Relevant Series in order for the extraordinary resolutions to be passed and the agreement with Lehman Brothers to become effective. Notices of the meetings for each of the Relevant Series will

be sent to Minibond investors who are eligible to attend and vote through the clearing systems in the normal way and directly by the party from whom they acquired their Minibonds. These notices will be despatched after obtaining US Bankruptcy Court confirmation that the Derivatives Procedures Order applies to the relevant transactions.

Eligible investors who continue to own the Relevant Minibonds are encouraged to attend and vote at the meetings.

Information in connection with the Noteholder meetings will be placed on the Receivers' Website:
<http://www.pwchk.com/minibonds>

Distributions to minibond investors

Subject to the requisite approvals being obtained, Minibond investors should expect to receive distributions in June 2011.

Further information including **Frequently Asked Questions** in connection with the agreement can be found on the Receivers' website: <http://www.pwchk.com/minibonds>

For the avoidance of doubt, the agreement does not include series 5, 6, 7 and 9. The agreement is only in relation to the collateral underlying series 10 to 12, 15 to 23 and 25 to 36.

Indicative recovery to Minibond investors as a percentage of the principal amount invested

Series/ Tranche	Approximately*	Series/ Tranche	Approximately*	Series/ Tranche	Approximately*
10A	86%	22A	79%	29D	72%
10B	86%	22B	79%	30A	84%
11A	93%	22C	77%	30B	81%
11B	93%	23A	81%	30C	76%
11C	92%	23B	80%	30D	73%
11D	92%	23C	83%	31A	78%
12A	86%	23D	83%	31B	78%
12B	86%	25A	81%	31C	71%
15A	83%	25B	80%	31D	70%
15B	81%	25C	82%	32A	78%
16A	85%	25D	81%	32B	77%
16B	83%	26A	72%	32C	72%
17A	83%	26B	72%	32D	71%
17B	82%	26C	70%	33A	84%
18A	82%	27A	87%	33B	82%
18B	81%	27B	85%	33C	76%
19A	81%	27C	80%	33D	75%
19B	80%	27D	78%	34A	85%
20A	83%	28A	85%	34B	84%
20B	82%	28B	82%	35A	79%
20C	78%	28C	78%	35B	78%
20D	79%	28D	75%	36A	79%
21A	84%	29A	84%	36B	79%
21B	83%	29B	81%		
21C	81%	29C	75%		

*The recoveries are expressed as "approximately" because exact amounts will not be known until all the collateral has been exchanged into Hong Kong dollars (where relevant) and costs incurred by the collateral custodian have been deducted. The table reflects the Receivers' present estimates of recoveries to Minibond investors from the collateral.

The Receivers and PwC cannot and do not offer any form of financial or legal advice to Minibond investors and nothing herein should be construed as such. Minibond investors should seek independent professional advice with respect to their own legal and financial positions.