

27 October 2008

To: The investors in the Notes

Dear Sir or Madam

**Constellation Investment Ltd. (the “Issuer”)  
Structured Retail Notes Series 36  
USD Callable Credit-Linked Notes due 2009 (ISIN : XS0243069258) (the “Notes”)**

We would like to inform you that the Notes will be early redeemed on the credit event redemption date (expected to be on or about 31 October 2008) at the credit event redemption amount in accordance with the terms and conditions of the Notes. The credit event redemption amount for the Notes has been calculated to be USD 435.36 per Note. For the avoidance of doubt, no further payments will be made on the Notes after they have been redeemed.

To assist you with understanding how the credit event redemption amount was calculated, we enclose a copy of the notice from the Issuer setting out the calculation of the credit event redemption amount (the “**Issuer Notice**”).

The credit event redemption amount was calculated by *multiplying* the principal amount of the Notes by the market value of the reference obligation, then *deducting* the depreciation on the collateral and *deducting* the costs and expenses associated with the termination of the swap agreement. The major factor that contributed to the substantial reduction of the credit event redemption amount was the substantial notional loss on the reference obligation resulting from the substantial drop in the price of the reference obligation. The bankruptcy of Lehman Brothers Holdings Inc. has caused the reference obligation to trade at values close to zero. In addition, although there were no costs and expenses associated with the termination of the swap agreement, the collateral being a collateralised debt obligation (a “**CDO**”), has depreciated due to adverse market conditions that have affected all CDOs alike.

A brief description of the determination of the market value of the reference obligation, the depreciation on the collateral and the costs and expenses associated with the termination of the swap agreement is set out below:

*Market value of the reference obligation (referred to as the Final Price in the Issuer Notice)*

- The reference obligation is the Lehman Brothers Holdings Inc. due 6.625% January 2012 (ISIN number: US52517PSC67).
- On 24 October 2008, five dealers that are independent from us were asked to bid for the reference obligation.
- Based on the bid prices (expressed as a percentage of the face value of the reference obligation) that were provided by such dealers, the market value of the reference obligation was determined in accordance with the terms and conditions of the Notes.

*Depreciation on the collateral (referred to as the Charged Assets Adjustment Amount in the Issuer Notice)*

- The depreciation on the collateral is the shortfall between the market value of the collateral compared to the principal amount of the collateral.
- This was determined by DBS Bank Ltd as Calculation Agent in good faith and in a reasonable manner.

*Costs and expenses associated with the termination of the swap agreement (referred to as the Hedging Costs in the Issuer Notice)*

- The costs and expenses were determined in accordance with the terms of the swap agreement. It was determined that there were no such costs or expenses.

We enclose a FAQ which further discusses how the credit event redemption amount was calculated, as well as other questions and answers that you may find helpful.

Please contact your distributor should you have any questions on the above.

Yours faithfully

DBS Bank Ltd

**Constellation Investment Ltd.**

**USD \$5,000,000,000 Limited Recourse Secured Note Programme  
Structured Retail Notes Series 36**

**USD Callable Credit-Linked Notes due 2009 (ISIN : XS0243069258) (the "Notes")**

**NOTICE**

To: the holders of the Notes (the "Noteholders")

Capitalized terms used and not otherwise defined in this notice shall have the meanings given to them in the terms and conditions of the Notes.

We, Constellation Investment Ltd., refer to our notice to the Noteholders dated 16 September 2008 in respect of the Notes (the "Settlement Notice"). Under the third paragraph of the Settlement Notice, it is stated that we will redeem each Note at the Credit Event Redemption Amount on the Credit Event Redemption Date (being the 30<sup>th</sup> Business Day following the Credit Event Determination Date, and therefore expected to be on or about 31 October 2008).


We hereby notify the Noteholders that DBS Bank Ltd, as Calculation Agent in respect of the Notes, has determined:

- (i) the Final Price to be 9.8571% (being the price of the Reference Obligation of Lehman Brothers Holdings Inc. expressed as a percentage, determined in accordance with the Valuation Method); and
- (ii) the Charged Assets Adjustment Amount (expressed as an amount per Note) to be USD 57.50 per Note; and
- (iii) the Hedging Costs (expressed as an amount per Note) to be USD 0 per Note.

As a result, we hereby also notify the Noteholders that the Credit Event Redemption Amount is USD 435.36 per Note which is calculated as follows:

	USD 5,000	principal amount of each Note
multiplied by	9.8571%	Final Price
	USD 492.86	
minus	USD 57.50	Charged Assets Adjustment Amount per Note
minus	USD 0	Hedging Costs per Note
	USD 435.36	

SIGNED for and on behalf of )  
CONSTELLATION INVESTMENT LTD. by: )

  
\_\_\_\_\_  
Duly Authorised Signatory  
Name: Alan Corkish  
Title: Director

Dated: 26 October 2008

**CONSTELLATION NOTES**  
**SERIES 34-37, 43-46, 55-58, 59-62, 63-66, 67-70, 71-74 AND 78-81**  
**(TOGETHER, THE “NOTES” AND EACH, A “SERIES”)**

**CREDIT EVENT IN RESPECT OF LEHMAN BROTHERS HOLDINGS INC.**

**FREQUENTLY ASKED QUESTIONS**

**27 OCTOBER 2008**

*This document has been prepared for information only in respect of the Notes, which were issued under the US\$5,000,000,000 Limited Recourse Secured Note Programme of Constellation Investment Ltd. arranged by DBS Bank Ltd.*

*This document is based on publicly available information, and whilst every effort has been made to ensure that the responses to the FAQs below are accurate as at the date this document is issued, DBS Bank Ltd makes no representations or warranties in respect of them.*

*This document should not be treated as legal or financial advice. No one reading this document is entitled to rely on it as legal or financial advice. Investors should seek independent professional advice with respect to their own positions.*

**IMPORTANT BACKGROUND INFORMATION**

- *The Notes are credit-linked notes that are linked to the risk of a credit event (including bankruptcy) occurring to a number of reference entities, including Lehman Brothers Holdings Inc.*
- *The Notes are first-to-default credit-linked notes. This means that if a credit event occurs to any of the reference entities, Constellation Investment Ltd. is required to redeem the Notes at the credit event redemption amount.*
- *The credit event redemption amount is calculated by reference to, among other factors, the price of the reference obligation of the reference entity which has suffered the credit event.*
- *A bankruptcy credit event has occurred in respect of Lehman Brothers Holdings Inc. As a result, Constellation Investment Ltd is required to redeem the Notes and the credit event redemption amount has been calculated.*

**Questions relating to the credit event redemption amount**

**1. How was the credit event redemption amount calculated?**

The credit event redemption amount in relation to each Series of Notes was calculated as follows:

the principal amount of such Series of Notes

**less**

- (i) the notional loss on the reference obligation;
- (ii) any depreciation on the collateral; and
- (iii) costs and expenses associated with the termination of the swap agreement in respect of such Series of Notes.

Each of these components is explained below.

*(i) Notional loss on reference obligation:*

Firstly, from the principal amount of the relevant Series of Notes, the calculation agent deducted the notional loss on the reference obligation of Lehman Brothers Holdings Inc. specified in the relevant Series of Notes.

The calculation agent calculated the notional loss by first determining the market value of the reference obligation. It did so by asking dealers that are independent from DBS Bank Ltd to bid for the reference obligation (expressed as a percentage of the face value of the reference obligation) and taking the average bid price obtained from such dealers.

For USD Notes, the notional loss was 100% minus the market value, multiplied by the principal amount of the Series of Notes. For HKD Notes, the notional loss was 100% minus the market value, multiplied by the "USD equivalent principal amount of the Notes" (which means the principal amount of the Series of Notes in HKD, converted into USD using the exchange rate as of the issue date). The notional loss was then converted back into HKD using the exchange rate as of the date the credit event redemption amount was calculated.

For some Series of Notes, an alternative process was used, namely multiplying the principal amount of such Series of Notes by the market value of the reference obligation (which essentially achieved the same result as the principal amount less the notional loss on the reference obligation). The HKD Notes also took into account the difference between the HKD/USD exchange rate at the issue date and the date the credit event redemption amount was calculated.

*(ii) Depreciation on the collateral:*

Secondly, the calculation agent deducted the depreciation on the collateral for the relevant Series of Notes. The depreciation on the collateral means the shortfall of the market value of the collateral compared to the principal amount of the collateral. This was determined by the calculation agent in good faith and in a reasonable manner.

For USD Notes, the calculation agent simply deducted any depreciation on the collateral.

For HKD Notes, the calculation agent converted the depreciation into HKD using the exchange rate as of the date it calculated the credit event redemption amount.

*(iii) Costs and expenses associated with termination of swap agreement:*

Finally, the calculation agent determined the costs and expenses associated with the termination of the swap agreement in accordance with the terms of the swap agreement. It was determined that there were no such costs or expenses.

**2. What was the major contributing factor to the substantial reduction or the reduction to zero of the credit event redemption amount?**

The major factor that contributed to the substantial reduction or the reduction to zero of the credit event redemption amount was the substantial notional loss on the reference obligation of Lehman Brothers Holdings Inc. resulting from the substantial drop in the price of such reference obligation. The bankruptcy of Lehman Brothers Holdings Inc. has caused the reference obligations to trade at values close to zero.

**3. Why is the loss on the reference obligation for Series 55-58, 59-62, 63-66, 67-70, 71-74 and 78-81 more than the loss on the reference obligation for Series 34-37 and 43-46?**

As set out in each relevant issue prospectus, the reference obligation of Lehman Brothers Holdings Inc. for each of Series 55-58, 59-62, 63-66, 67-70, 71-74 and 78-81 is a subordinated obligation whereas the reference obligation of Lehman Brothers Holdings Inc. for each of Series 34-37 and 43-46 is a senior and unsubordinated obligation. A subordinated obligation will only be repaid after all the senior and unsubordinated creditors of Lehman Brothers Holdings Inc. have been paid in full. As a result, after the credit event occurred in respect of Lehman Brothers Holdings Inc., each of its subordinated obligations traded at a value less than that of its senior and unsubordinated obligations.

**4. Why were subordinated obligations chosen as the reference obligation of Lehman Brothers Holdings Inc. for Series 55-58, 59-62, 63-66, 67-70, 71-74 and 78-81?**

The subordinated obligations of Lehman Brothers Holdings Inc. were chosen for the relevant Series so that the Notes of such Series could offer the relevant returns. We note that there are other credit-linked notes that have also chosen subordinated obligations as reference obligations.

**5. Will a loss to the investors translate into a “win” for DBS Bank Ltd?**

Whilst the investors have assumed the risk of occurrence of a credit event, DBS Bank Ltd as the swap counterparty has hedged its position by assuming similar credit risk via credit default swaps between it and other market participants. Engaging in such hedging activities means that DBS Bank Ltd is effectively helping to bring together two sets of parties that have opposite appetites for credit risk:

- (a) the investors – being those who want to assume credit risk; and
- (b) other market participants – being those who do not want to assume credit risk.

It follows that a loss to the investors resulting from the credit event redemption amount will not translate into a “win” for DBS Bank Ltd, as it is eventually the other market participants that are the parties with whom the credit risk assumed by the investors have been hedged.

***Questions relating to the collateral***

**6. What is the role of the collateral of the Notes?**

The role of the collateral is to secure the payment obligations of Constellation Investment Ltd. to the investors and to DBS Bank Ltd as swap counterparty. The value and quality of the collateral is therefore important to DBS Bank Ltd as well as to the investors.

**7. CDOs are complicated instruments. Why were CDOs selected as collateral for the Notes?**

We understand that, prior to the recent credit crisis, credit ratings provided by reputable rating agencies were one of the key considerations investors in structured credit products took into account when making their investment decisions. AAA-rated CDOs were therefore selected as high credit quality assets to comprise the collateral for each Series of Notes (AAA rating by S&P, Aaa rating by Moody's or AAA rating by Fitch each represents the highest credit rating attainable from the relevant rating agency).

Although CDOs are complicated financial instruments, this does not mean that they are high-risk assets. As disclosed in the issue prospectus in respect of each Series of Notes, all CDO collateral had to be AAA-rated as at the date of issue of the relevant Series of Notes. As described above, AAA rating by S&P, Aaa rating by Moody's or AAA rating by Fitch each represents the highest credit rating attainable from the relevant rating agency.

**8. Why has the market value of the CDO collateral declined?**

The market value of CDOs has generally been adversely affected by the recent credit crisis. The decline in market value of the CDOs chosen as collateral is due to adverse market conditions that have affected all CDOs alike.

**9. Who is the issuer of the collateral and whether the issuer is independent from DBS Bank Ltd?**

The issuer of the CDOs is Zenesis SPC, which is an exempted company incorporated in the Cayman Islands and registered as a segregated portfolio company (where different portfolio of assets and liabilities for each series are segregated from one another).

No issued shares of Zenesis SPC is held by DBS Bank Ltd and the directors of Zenesis SPC are independent from DBS Bank Ltd and its subsidiaries and affiliates.

**10. How was the market value of the collateral determined?**

The calculation agent determined the market value of the collateral over a period of time up to but excluding the valuation date in good faith and in a reasonable manner. The determination of the market value of the collateral did not involve the selling of the collateral in the market.

***Questions relating to Constellation Investment Ltd.***

**11. Is Constellation Investment Ltd. independent from DBS Bank Ltd?**

Constellation Investment Ltd. is a limited liability exempted company incorporated in the Cayman Islands and its business is limited to issuing notes under the US\$5,000,000,000 Limited Recourse Secured Note Programme. An entity that has been formed with its business limited to special purposes, such as Constellation Investment Ltd., is frequently referred to as a special purpose vehicle or SPV. It is common market practice for issuers of secured credit-linked notes, such as Constellation Investment Ltd., to be structured as a SPV.

Constellation Investment Ltd. as a SPV is independent from DBS Bank Ltd primarily because:

- (a) all of the issued shares of Constellation Investment Ltd. are legally owned by Deutsche Bank (Cayman) Limited as share trustee which holds them on trust for charitable purposes. Neither DBS Bank Ltd nor any of its subsidiaries or affiliates has any equity interest in, or any control over, Constellation Investment Ltd.; and
- (b) the directors of Constellation Investment Ltd. are professional company directors supplied by Deutsche Bank (Cayman) Limited and are independent from DBS Bank Ltd and its subsidiaries and affiliates. As a general matter, the directors of Constellation Investment Ltd. owe a duty to act in the best interests of Constellation Investment Ltd. and not DBS Bank Ltd. The directors are not bound to enter into any potential transaction presented to them by DBS Bank Ltd and will exercise their own professional judgement in deciding whether any potential transaction is in the best interests of Constellation Investment Ltd.

**12. What activities may Constellation Investment Ltd. engage in?**

As mentioned above, the business of Constellation Investment Ltd. is limited to issuing notes under the US\$5,000,000,000 Limited Recourse Secured Note Programme. So long as any of the notes issued by Constellation Investment Ltd. under the US\$5,000,000,000 Limited Recourse Secured Note Programme remains outstanding, Constellation Investment Ltd. may not incur any other debt or engage in any business, other than issuing notes under, and entering into transactions contemplated by, the US\$5,000,000,000 Limited Recourse Secured Note Programme. The attention of investors is drawn to Condition 4 of the terms and conditions of the Notes which sets out certain restrictions on Constellation Investment Ltd's activities.

**13. Are assets that back up a Series of Notes kept separate from the assets backing up other series of notes? Is Constellation Investment Ltd. restricted from disposing of its assets?**

Constellation Investment Ltd. will use the proceeds of issue of a Series of Notes to buy assets which are used as security for the performance of the payment obligations of Constellation Investment Ltd. with respect to such Series, and such assets are not available to meet any debts owing to other creditors of Constellation Investment Ltd. The assets which back up a Series of Notes are kept separate from the assets which back up other series of notes.

Condition 4(c) of the terms and conditions of the Notes states that, subject to certain other provisions of the terms and conditions of the Notes, Constellation Investment Ltd. will not dispose of any of its property or other assets without the written consent of the trustee and the swap counterparty.