

ISSUER: LEHMAN BROTHERS UK CAPITAL FUNDING LP (“LP I”)

ISSUER: LEHMAN BROTHERS UK CAPITAL FUNDING II LP (“LP II”)

ISSUER: LEHMAN BROTHERS UK CAPITAL FUNDING III LP (“LP III”)

AND

THE LIQUIDATION OF LB GP NO.1 LTD (“THE COMPANY”)

**KEY DOCUMENTS DISCLOSED BY THE JOINT LIQUIDATORS OF THE COMPANY IN
RELATION TO THE RELEVANT RANKING OF SUBORDINATED CLAIMS IN THE
ADMINISTRATIONS OF LB HOLDINGS INTERMEDIATE 2 LIMITED (“LBHI2”) AND
LEHMAN BROTHERS HOLDINGS PLC (“LBH”).**

DATED: 1 DECEMBER 2017

DOCUMENT INDEX

1. \$4.5 billion long term subordinated loan facility between LBH and LBHI2.
2. €3 billion long term subordinated loan facility between LBH and LBHI2.
3. \$8 billion short term subordinated loan facility between LBH and LBHI2.
4. Offering Circular in respect of \$6,139,000 of floating rate subordinated notes issued by LBHI2.
5. Minutes of meeting of the directors of LBHI2 amending the terms of the \$6,139,000,000 floating rate subordinated notes issued by LBHI2 [Redacted].
6. \$4.5 billion long term subordinated loan facility between Lehman Brothers UK Holdings Limited (“LBUK”) and LBH.
7. €3 billion long term subordinated loan facility between LBUK and LBH.
8. \$8 billion short term subordinated loan facility between LBUK and LBH.
9. Offering Circular in respect of €225 million fixed rate subordinated notes issued by LBH to LP I.
10. Offering Circular in respect of €200 million fixed rate subordinated notes issued by LBH to LP II.
11. Offering Circular in respect of €50 million fixed rate subordinated notes issued by LBH to LP II.
12. Offering Circular in respect of €500 million fixed/floating rate subordinated notes issued by LBH to LP III.

July 2004

LEHMAN BROTHERS UK HOLDINGS LIMITED

AND

LEHMAN BROTHERS HOLDINGS PLC

AGREEMENT

FOR

EUROS 3,000,000,000

LONG TERM

SUBORDINATED LOAN FACILITY

Long-Term Subordinated Loan Agreement

A. Front Page

THIS AGREEMENT is made on the date set out in the Variable Terms (as set out in Schedule 1 to this Agreement) and is to be effective on that date unless a different effective date is set out in those terms

BETWEEN

- (1) the Lender (as defined in the Standard Terms set out in Schedule 2 to this Agreement), and
- (2) the Borrower (as defined in the Standard Terms).

WHEREAS the Lender has agreed to make the Facility (as defined in the Standard Terms) available to the Borrower on the terms and subject to the conditions set forth in this Agreement.

IT IS AGREED THAT this Agreement shall comprise the Variable Terms set out in Schedule 1 to this Agreement and the Standard Terms set out in Schedule 2 to this Agreement.

This Agreement is executed by the parties the day and year indicated in the Variable Terms.

Schedule 1

B. Variable Terms

1. Date of Agreement	__ July 2004
2. Effective Date	30 July 2004
3. Lender	Lehman Brothers UK Holdings Limited
4. Address of Lender	A company registered in England and Wales whose registered office is situated at 25 Bank Street, London E14 5LE ("the Lender") which term includes its permitted successors and assigns.
5. Borrower	Lehman Brothers Holdings PLC
6. Address of Borrower	A company registered in England and Wales whose registered office is situated at 25 Bank Street, London E14 5LE ("the Borrower") which term includes its permitted successors and assigns.

7. The Facility

With reference to paragraph 2 of the Standard Terms,

(1) The Facility hereby offered is a revolving credit facility under which the Lender will, subject to the terms of this Agreement, make Advances in

~~Euros to the Borrower.~~

- (2) The maximum aggregate principal amount of all Advances outstanding at any time under the Facility shall not exceed Euro 3,000,000,000 (Three Thousand Million Euros) or such other amount as may be agreed between the Borrower and Lender from time to time.

8. **Interest**

With reference to paragraph 3 of the Standard Terms, interest shall be calculated and paid as follows -

(1) Until repayment of all Advances in full the Borrower will pay to the Lender interest on Advances or on any part or parts thereof for the time being remaining due hereunder such interest to be calculated and to be payable as hereinafter provided.

(2) The Borrower agrees to pay to the Lender interest [computed on the basis of a 360 (three hundred and sixty) day year] on the principal amount of the Advance at the rate per annum specified in sub-clause (3) on the fourteenth day of each month for the periods ending on that date and to pay interest at the same rate per annum on any overdue principal from the due date thereof until the obligations of the Company in respect of such payment shall be discharged.

(3) The Borrower agrees to pay to the Lender a rate of 65 basis points (.65%) above LIBOR as determined by the Lender two Business Days prior to the commencement of each new interest period. Such interest rate may be changed from time to time by mutual agreement of the parties taking into consideration rates generally applicable between affiliates to subordinated debt.

9. Repayment

With reference to paragraph 4 (2) of the Standard Terms and subject always to paragraphs 4(3) (restrictions on repayment) and 5 (subordination) of the Standard Terms, the terms for repayment are -

(1) The Borrower may at any time prepay in whole or in part [being an amount or integral multiple of Euro 25,000,000 (twenty five million Euros)] any Advance made to it upon giving not less than two Business Days notice to the Lender having first complied with the requirements of paragraph 4 of the Standard Terms.

(2) The Borrower may reborrow amounts prepaid pursuant to sub-paragraph (1), subject always to the terms and conditions of this Agreement.

(3) The Borrower shall not be entitled to prepay any amounts advanced hereunder except at all times and in the manner expressly provided in this Agreement.

(4) Any notice served on the Lender pursuant to sub-paragraph (1) above shall be ineffective if the insolvency of the Borrower commences before the date on which such notice expires.

(5) No amount may be drawn down under this Facility after the fifth anniversary of the Effective Date of this Agreement.

(6) The Repayment Date shall be the tenth anniversary of the Effective Date of this Agreement.

Notes to paragraph 9 -

1. The repayment date for the Loan must be one or more of -

- a date not less than five years from the date of drawdown,
 - a date not less than five years from the Borrower giving notice in writing to the Lender and the FSA,
- or
- a date not less than five years from the Lender giving notice in writing to the Borrower and the FSA.

2. Whereas this Agreement is for a loan facility each Advance must be treated separately and have a repayment date not less than five years from the date of drawdown, or be subject to not less than five years' notice or have and be subject to both.

10. **Additional terms**

With reference to paragraph 9 of the Standard Terms, the additional terms to this Agreement are -

This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

11. **Jurisdiction**

With reference to paragraph 13 of the Standard Terms, the person(s) indicated below is (are) appointed as agents for service of process -

(a) by the Lender -

For the attention of the Legal Director

Of

Lehman Brothers Limited

(b) by the Borrower -

For the attention of the Legal Director

Of

Lehman Brothers Limited

Schedule 2

C. Standard Terms

Interpretation

1 (1) In this Agreement -

“Advance” means, where this Agreement is for a loan facility, an amount drawn or to be drawn down by the Borrower or otherwise made available by the Lender under this Agreement as that amount may be reduced from time to time by any repayment or prepayment permitted under this Agreement;

“Borrower” means the person identified as such in the Variable Terms and includes its permitted successors and assigns and, where the Borrower is a partnership, each Partner;

“Business Day” means any day except Saturday, Sunday or a bank or public holiday in England;

“Effective Date” means the effective date stated in the Variable Terms;

“Excluded Liabilities” means Liabilities which are expressed to be and, in the opinion of the Insolvency Officer of the Borrower, do, rank junior to the Subordinated Liabilities in any Insolvency of the Borrower;

“Facility” means the loan facility referred to in paragraph 2(2);

“Financial Resources” has the meaning given in the Financial Rules;

“Financial Resources Requirement” has the meaning given it in the Financial Rules;

“Financial Rules” means the rules in IPRU(INV) 10 in the FSA handbook;

“Insolvency” means and includes liquidation, winding up, bankruptcy, sequestration, administration, rehabilitation and dissolution (whichever term may apply to the Borrower) or the equivalent in any other jurisdiction to which the Borrower may be subject;

“Insolvency Officer” means and includes any person duly appointed to administer and distribute assets of the Borrower in the course of the Borrower’s Insolvency;

- 1 (1) "Lender" means the person identified as such in the Variable Terms and includes its permitted successors and assigns;

"Liabilities" means all present and future sums, liabilities and obligations payable or owing by the Borrower (whether actual or contingent, jointly or severally or otherwise howsoever);

"Senior Liabilities" means all Liabilities except the Subordinated Liabilities and Excluded Liabilities;

"Subordinated Liabilities" means all Liabilities to the Lender in respect of each Advance made under this Agreement and all interest payable thereon.

"the FSA" means The Financial Services Authority Limited whose registered office is at 25 The North Colonnade, Canary Wharf, London, E14 5HS; and

- (2) Any reference to any rules of the FSA is a reference to them as in force from time to time.
- (3) Reference to any gender includes a reference to all other genders.
- (4) Reference to a paragraph is to a paragraph of these Standard Terms, unless otherwise indicated.

The Facility

- 2 (1) The Facility hereby offered is a revolving credit facility under which the Lender will, subject to the terms of this Agreement, make Advances in Euros to the Borrower.
- (2) The maximum aggregate principal amount of each Advance outstanding at any time under the Facility shall not exceed the maximum amount specified in the Variable Terms or such other amount as may be agreed between the Borrower and the Lender from time to time;
- (3) the Facility will be available until the last available date specified in the Variable Terms.
- (4) Any specific terms dealing with the mechanics of drawdown are contained in the Variable Terms.

Interest

- 3 Subject to the provisions of paragraphs 4 and 5, until repayment of each Advance in full, the Borrower will pay to the Lender interest on each Advance (or on any part or parts of it or them ~~for the time being outstanding under this Agreement~~) calculated and payable in the manner set out in the Variable Terms.

Repayment

- 4 (1) The provisions of this paragraph are subject in all respects to the provisions of paragraph 5(subordination).
- (2) If in respect of any Advance default is made for a period of -
- (a) seven days or more in the payment of any principal due, or
 - (b) 14 days or more in the payment of any interest due,
- the Lender may, at its discretion and after taking such preliminary steps or actions as may be necessary, enforce payment by instituting proceedings for the Insolvency of the Borrower
- (3) Subject to (4) below, the Lender may at its discretion, subject as provided in this Agreement, institute proceedings for the Insolvency of the Borrower to enforce any obligation, condition or provision binding on the Borrower under this Agreement (other than any obligation for the payment of principal moneys or interest in respect of the Loan or any Advance) PROVIDED THAT the Borrower shall not by virtue of the institution of any such proceedings for the Insolvency of the Borrower be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.
- (4) The Lender may only institute proceedings for the Insolvency of the Borrower to enforce the obligations referred to in (3) above if -
- (a) a default under those obligations is not remedied to the satisfaction of the Lender within 60 days after notice of such default has been given to the Borrower by the Lender requiring such default to be remedied; and
 - (b) the Lender has taken all preliminary steps or actions required to be taken by it prior to the institution of such proceedings.
- (5) No remedy against the Borrower other than as specifically provided by this paragraph 4 shall be available to the Lender whether for the recovery of amounts owing under this Agreement or in respect of any breach by the Borrower of any of its obligations under this Agreement.

Subordination

- 5 (1) Notwithstanding the provisions of paragraph 4, the rights of the Lender in respect of the Subordinated Liabilities are subordinated to the Senior Liabilities and accordingly payment of any amount (whether principal, interest or otherwise) of the Subordinated Liabilities is conditional upon -
- (a) (if an order has not been made or an effective resolution passed for the Insolvency of the Borrower and, being a partnership, the Borrower has not been dissolved) the Borrower being in compliance with not less than 120% of its Financial Resources Requirement immediately after payment by the Borrower

and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that -

- (i) paragraph 4(3) has been compiled with; and
- (ii) the Borrower could make such payment and still be in compliance with such Financial Resources Requirement; and
- 5 (1) (b) the Borrower being "solvent" at the time of, and immediately after, the payment by the Borrower and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that the Borrower could make such payment and still be "solvent".
- (2) For the purposes of sub-paragraph (1)(b) above, the Borrower shall be "solvent" if it is able to pay its Liabilities (other than the Subordinated Liabilities) in full disregarding -
- (a) obligations which are not payable or capable of being established or determined in the Insolvency of the Borrower, and
- (b) the Excluded Liabilities.
- (3) Interest will continue to accrue at the rate specified pursuant to paragraph 3 on any payment which does not become payable under this paragraph 5.
- (4) For the purposes of sub-paragraph (1)(b) above, a report given at any relevant time as to the solvency of the Borrower by its Insolvency Officer, shall in the absence of proven error be treated and accepted by the Lender and the Borrower as correct and sufficient evidence of the Borrower's solvency or Insolvency.
- (5) Subject to the provisions of sub-paragraphs (6), (7) and (8) below, if the Lender shall receive from the Borrower payment of any sum in respect of the Subordinated Liabilities -
- (a) when any of the terms and conditions referred to in sub-paragraph (1) above is not satisfied, or
- (b) where such payment is prohibited under paragraph 4(3),
- (6) Any sum referred to in sub-paragraph (5) above shall be received by the Lender upon trust to return it to the Borrower.
- (7) Any sum so returned shall then be treated for the purposes of the Borrower's obligations hereunder as if it had not been paid by the Borrower and its original payment shall be deemed not to have discharged any of the obligations of the Borrower hereunder.
- (8) A request to the Lender for return of any sum referred to in sub-paragraph (5) shall be in writing and shall be made by or on behalf of the Borrower or, as the case may be, its Insolvency Officer.

Representations and undertakings of Borrower

6 From and after the Effective Date, the Borrower shall not,

- (a) secure all or any part of the Subordinated Liabilities;
- (b) redeem, purchase or otherwise acquire any of the Subordinated Liabilities;
- (c) amend any document evidencing or providing for the Subordinated Liabilities;
- (d) repay any of the Subordinated Liabilities otherwise than in accordance with the terms of this Agreement;
- (e) take or omit to take any action whereby the subordination of the Subordinated Liabilities or any part thereof to the Senior Liabilities might be terminated, impaired or adversely affected; or
- (f) arrange or permit any contract of suretyship (or similar agreement) relating to its liabilities under this Agreement to be entered into.

Representations and undertakings of Lender

7 From and after the Effective Date, the Lender shall not -

- (a) assign, transfer, dispose of or encumber the whole or any part of the Subordinated Liabilities or purport to do so in favour of any person;
- (b) purport to retain or set off at any time any amount payable by it to the Borrower against any amount of the Subordinated Liabilities except to the extent that payment of such amount of the Subordinated Liabilities would be permitted at such time by this Agreement, and the Lender shall immediately pay an amount equal to any retention or set off in breach of this provision to the Borrower and such retention or set off shall be deemed not to have occurred;
- (c) amend or waive the terms of any document evidencing or providing for the Subordinated Liabilities;
- (d) attempt to obtain repayment of any of the Subordinated Liabilities otherwise than in accordance with the terms of this Agreement;
- (e) take or omit to take any action whereby the subordination of the Subordinated Liabilities or any part of them to the Senior Liabilities might be terminated, impaired or adversely affected; or
- (f) take or enforce any security, guarantee or indemnity from any person for all or any part of the Subordinated Liabilities, and the Lender shall, upon obtaining or enforcing any security, guarantee or indemnity notwithstanding this undertaking, hold the same (and any proceeds thereof) on trust for the Borrower.

Partial invalidity

- 8 If any of the provisions of this Agreement is or becomes invalid, illegal or unenforceable under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

Additional terms

- 9 Any additional terms agreed between the parties are set out in the Variable Terms provided that, if there is any inconsistency between the Variable Terms and the Standard Terms, the Standard Terms shall prevail.

Entire agreement

- 10 This Agreement forms the entire agreement as to the Subordinated Liabilities. If there are any other terms relating to the Subordinated Liabilities existing at the date hereof and not comprised in this Agreement such terms shall be of no further force and effect.

Amendments

- 11 This Agreement forms the entire agreement as to the Subordinated Liabilities. If there are any other terms relating to the Subordinated Liabilities existing at the date hereof and not comprised in this Agreement such terms shall be of no further force and effect.

Law

- 12 This Agreement is governed by English law.

Jurisdiction

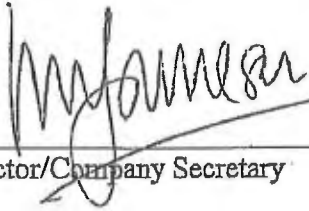
- 13 Each of the Borrower and the Lender irrevocably submits to the nonexclusive jurisdiction of the English Courts and, to the extent that it does not have a place of business within the jurisdiction, appoints the process agent specified in the Variable Terms as agent for receipt of service of process in such courts.

Subordinated Loan Agreement

D. Signature Page

SIGNED for and on behalf of
LEHMAN BROTHERS UK HOLDINGS LTD

By

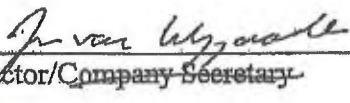


Director/Company Secretary

Director/Company Secretary

SIGNED for and on behalf of
LEHMAN BROTHERS HOLDINGS PLC

By



Director/Company Secretary

Director/Company Secretary

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October 2005

LEHMAN BROTHERS UK HOLDINGS LIMITED

AND

LEHMAN BROTHERS HOLDINGS PLC

AGREEMENT

FOR

\$ 8,000,000,000

SHORT TERM

SUBORDINATED LOAN FACILITY

Short-Term Subordinated Loan Agreement for the purposes of Consolidated Supervision

A. Front Page

THIS AGREEMENT is made on the date set out in the Variable Terms (as set out in Schedule I to this Agreement) and is to be effective on that date unless a different effective date is set out in those terms

BETWEEN -

- (1) **the Lender** (as defined in the Standard Terms set out in Schedule 2 to this Agreement),
and
- (2) **the Borrower** (as defined in the Standard Terms)

WHEREAS the Borrower wishes the Loan to qualify as Financial Resources contributing to its Financial Resources Requirement, (as those expressions are defined in the Standard Terms) and has fully disclosed to the FSA the circumstances giving rise to the Loan or Facility and the effective Subordination of the Loan.

IT IS AGREED THAT this Agreement shall comprise the Variable Terms set out in Schedule 1 to this Agreement and the Standard Terms set out in Schedule 2 to this Agreement.

This Agreement is executed by the parties the day and year indicated in the Variable Terms

Schedule 1

B. Variable Terms

1. Date of Agreement	31 October 2005
2. Effective Date	31 October 2005
3. Lender	Lehman Brothers UK Holdings Limited
4. Address of Lender	A company registered in England and Wales whose registered office is situated at 25 Bank Street, London E14 5LE ("the Borrower") which term includes its permitted successors and assigns
5. Borrower	Lehman Brothers Holdings PLC
6. Address of Borrower	A company registered in England and Wales whose registered office is situated at 25 Bank Street, London E14 5LE ("the Borrower") which term includes its permitted successors and assigns.

7. The Facility

With reference to paragraph 2 of the Standard Terms,

- (1) The Facility hereby offered is a revolving credit facility under which the Lender will, subject to the terms of this Agreement, make Advances in United States Dollars to the Borrower.
- (2) The maximum aggregate principal amount of all Advances outstanding at any time under the Facility shall not exceed \$800,000,000 (Eight Thousand Million United States Dollars) or such other amount as may be agreed between the Borrower and Lender from time to time.

8. Interest

With reference to paragraph 3 of the Standard Terms, interest shall be calculated and paid as follows -

- (1) Until repayment of all Advances in full the Borrower will pay to the Lender interest on Advances or on any part or parts thereof for the time being remaining due hereunder such interest to be calculated and to be payable as hereinafter provided.
- (2) The Borrower agrees to pay to the Lender interest [computed on the basis of a 360 (three hundred and sixty) day year] on the principal amount of the Advance at the rate per annum specified in sub-clause (3) on the fourteenth day of each month for the periods ending on that date and to pay interest at the same rate per annum on any overdue principal from the due date thereof until the obligations of the Company in respect of such payment shall be discharged.
- (3) The Borrower agrees to pay to the Lender a rate of one week LIBOR plus Lehman Brothers Holdings Inc.'s prevailing long term debt spread (as determined on an annual basis by Lehman Brothers Holdings Inc). The rate shall be set two Business Days prior to the commencement of each new interest period using the then prevailing LIBOR and Lehman Brothers Holdings Inc.'s long term debt spread. Such interest rate may be changed from time to time by mutual agreement of the parties taking into consideration rates generally applicable between affiliates to subordinated debt.

9. Repayment

With reference to paragraph 4(2) of the Standard Terms and subject always to 4(3) (restrictions on repayment) and 5 (subordination) of the Standard Terms, the terms for repayment are –

1) The Borrower may at any time prepay in whole or in part [being an amount or integral multiple of \$25,000,000 (twenty five million United States Dollars)] any Advance made to it upon giving not less than two Business Days notice to the Lender having first complied with the requirements of paragraph 4 of the Standard Terms.

(2) The Borrower may reborrow amounts prepaid pursuant to sub-paragraph (1), subject always to the terms and conditions of this Agreement.

(3) The Borrower shall not be entitled to prepay any amounts advanced hereunder except at all times and in the manner expressly provided in this Agreement.

(4) Any notice served on the Lender pursuant to sub-paragraph (1) above shall be ineffective if the insolvency of the Borrower commences before the date on which such notice expires.

(5) No amount may be drawn down under this Facility after the first day of the third month prior to the fifth anniversary of the Effective Date of this Agreement.

(6) The Repayment Date shall be the fifth anniversary of the Effective Date of this

Agreement.

Notes to paragraph 9.

1. The repayment date for the Loan must be one or more of—
 - a date not less than two years from the date of drawdown,
 - a date not less than two years from the Lender giving notice in writing to the Borrower and the FSA, or
 - a date not less than two years from the Borrower giving notice in writing to the Lender and the FSA.
2. Where the Agreement is for a loan facility each Advance must be treated separately and have a repayment date not less than two years from the date of drawdown, or be subject to not less than two years' notice or have and be subject to both.

10. Additional terms

With reference to paragraph 11 of the Standard Terms, the additional terms to this Agreement are –

This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement

11. Jurisdiction

With reference to paragraph 16 of the Standard Terms, the person(s) indicated below is (are) appointed as agents for service of process

(a) by the Lender –

For the Attention of the Legal Director

Of Lehman Brothers Limited

(b) by the Borrower –

For the Attention of the Legal Director

Of Lehman Brothers Limited

Schedule 2

C. Standard Terms

Interpretation

1 (1) In this Agreement –

"**Advance**" means, where this Agreement is for a loan facility, an amount drawn or to be drawn down by the Borrower or otherwise made available by the Lender under this Agreement as that amount may be reduced from time to time by any repayment or prepayment permitted under this Agreement;

"**Borrower**" means the person identified as such in the Variable Terms and includes its permitted successors and assigns and, where the Borrower is a partnership, each Partner;

"**Business Day**" means any day except Saturday, Sunday or a bank or public holiday in England;

"**Effective Date**" means the date on which this Agreement is to take effect being the date of this Agreement unless otherwise stated in the Variable Terms;

"**Excluded Liabilities**" means Liabilities which are expressed to be and, in the opinion of the Insolvency Officer of the Borrower, do, rank junior to the Subordinated Liabilities in any Insolvency of the Borrower;

"**Facility**" means the loan facility referred to in paragraph 2(2);

"**Financial Resources**" means the financial resources which apply to the Borrower as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Borrower via its subsidiaries regulated by the FSA from time to time;

"**Financial Resources Requirement**" means the financial resources requirement which applies to the Borrower as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Borrower via its subsidiaries regulated by the FSA from time to time.

"**Financial Rules**" means the rules in IPRU(INV) 10 of the FSA handbook;

"**Insolvency**" means and includes liquidation, winding up, bankruptcy, sequestration, administration, rehabilitation and dissolution (whichever term may apply to the Borrower) or the equivalent in any other jurisdiction to which the Borrower may be subject;

"**Insolvency Officer**" means and includes any person duly appointed to administer and distribute assets of the Borrower in the course of the Borrower's Insolvency;

"Lender" means the person identified as such in the Variable Terms and includes its permitted successors and assigns;

"Liabilities" means all present and future sums, liabilities and obligations payable or owing by the Borrower (whether actual or contingent, jointly or severally or otherwise howsoever);

"Loan" means the indebtedness of the Borrower to the Lender referred to in paragraph 2(1) as that indebtedness may be reduced from time to time by any repayment or prepayment permitted under this Agreement;

"Partner" means, where the Borrower is a partnership, each and every partner of the Borrower as a partner and as an individual (see also paragraph 8);

"Senior Liabilities" means all Liabilities except the Subordinated Liabilities and Excluded Liabilities;

"Subordinated Liabilities" means all Liabilities to the Lender in respect of the Loan or each Advance made under this Agreement and all interest payable thereon.

"the FSA" means The Financial Services Authority Limited whose registered office is at 25 The North Colonnade, Canary Wharf, London, E14 5HS; and

- (2) Any reference to any rules of the FSA is a reference to them as in force from time to time.
- (3) Reference to any gender includes a reference to all other genders.
- (4) Reference to a paragraph is to a paragraph of these Standard Terms, unless otherwise indicated.

The Loan or Facility

- 2 (1) Where as indicated in the Variable Terms this Agreement is for a loan, the Borrower hereby acknowledges its indebtedness to the Lender in the sum mentioned in the Variable Terms as an unsecured loan upon and subject to the terms and conditions of this Agreement.
- (2) Where, as indicated in the Variable Terms is for a loan facility -
 - (a) the maximum aggregate principal amount of each Advance outstanding at any time under the Facility shall not exceed the maximum amount specified in the Variable Terms or such other amount as may be agreed between the Borrower and the Lender from time to time;
 - (b) the Facility will be available until the last available date specified in the Variable Terms; and

- (c) any specific terms dealing with the mechanics of drawdown are contained in the Variable Terms.
- (3) The Lender and the Borrower undertake to provide the FSA, immediately upon request, with details in writing of all principal and interest in respect of the Loan or each Advance outstanding for the time being and all payments of any amount made in the period specified by the FSA in the request.

Interest

- 3 Subject to the provisions of paragraphs 4 and 5, until repayment of the Loan or each Advance in full, the Borrower will pay to the Lender interest on the Loan or each Advance (or on any part or parts of it or them for the time being outstanding under this Agreement) calculated and payable in the manner set out in the Variable Terms.

Repayment

- 4 (1) The provisions of this paragraph are subject in all respects to the provisions of paragraph 5 (subordination).
- (2) The terms concerning repayment are set out in the Variable Terms but are subject to paragraph 4(3).
- (3) (a) Except where the FSA otherwise permits, no repayment, or prepayment of the Loan or any Advance may be made, in whole or in part, before the relevant repayment date provided for in paragraph 9 of the Variable Terms.
- (b) the FSA may permit the early repayment or prepayment of the Loan or any Advance, in whole or in part, only where, immediately after such repayment or prepayment, the Borrower's Financial Resources would be greater than 100% of its Financial Resources Requirement.
- (c) Payments of interest at a rate not exceeding the rate provided for in paragraph 3 may be made without notice to or consent of the FSA, except that where –
- i. immediately after payment, the Borrower's Financial Resources would be less than or equal to 100% of its Financial Resources Requirement; or
 - ii. before payment, the Insolvency of the Borrower commences,
- (d) no such payment may be made without the prior written consent of the FSA.
- (4) If in respect of the Loan or any Advance default is made for a period of –
- (a) seven days or more in the payment of any principal due, or
 - (b) 14 days or more in the payment of any interest due,
-

- 4 (4) the Lender may, at its discretion and after taking such preliminary steps or actions as may be necessary, enforce payment by instituting proceedings for the Insolvency of the Borrower after giving seven Business Days prior written notice to the FSA of its intention to do so.
- (5) Subject to (6) below, the Lender may at its discretion, subject as provided in this Agreement, institute proceedings for the Insolvency of the Borrower to enforce any obligation, condition or provision binding on the Borrower under this Agreement (other than any obligation for the payment of principal moneys or interest in respect of the Loan or any Advance) PROVIDED THAT the Borrower shall not by virtue of the institution of any such proceedings for the Insolvency of the Borrower be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.
- (6) The Lender may only institute proceedings for the Insolvency of the Borrower to enforce the obligations referred to in (5) above if
- (a) a default under those obligations is not remedied to the satisfaction of the Lender within 60 days after notice of such default has been given to the Borrower by the Lender requiring such default to be remedied;
 - (b) the Lender has taken all preliminary steps or actions required to be taken by it prior to the institution of such proceedings; and
 - (c) the Lender has given seven Business Days' prior written notice to the FSA of its intention to institute such proceedings.
- (7) No remedy against the Borrower other than as specifically provided by this paragraph 4 shall be available to the Lender whether for the recovery of amounts owing under this Agreement or in respect of any breach by the Borrower of any of its obligations under this Agreement.

Subordination

- 5 (1) Notwithstanding the provisions of paragraph 4, the rights of the Lender in respect of the Subordinated Liabilities are subordinated to the Senior Liabilities and accordingly payment of any amount (whether principal, interest or otherwise) of the Subordinated Liabilities is conditional upon -
- (a) (if an order has not been made or an effective resolution passed for the Insolvency of the Borrower and, being a partnership, the Borrower has not been dissolved) the Borrower being in compliance with not less than 100% of its Financial Resources Requirement immediately after payment by the Borrower and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that -
 - i. paragraph 4(3) has been complied with; and

- ii. the Borrower could make such payment and still be in compliance with such Financial Resources Requirement: and

the Borrower being "solvent" at the time of, and immediately after, the payment by the Borrower and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that the Borrower could make such payment and still be "solvent".

- (2) For the purposes of sub-paragraph (1)(b) above, the Borrower shall be "solvent" if it is able to pay its Liabilities (other than the Subordinated Liabilities) in full disregarding -
 - (a) obligations which are not payable or capable of being established or determined in the Insolvency of the Borrower, and
 - (b) the Excluded Liabilities.
- (3) Interest will continue to accrue at the rate specified pursuant to paragraph 3 on any payment which does not become payable under this paragraph 5.
- (4) For the purposes of sub-paragraph (1)(b) above, a report given at any relevant time as to the solvency of the Borrower by its Insolvency Officer, in form and substance acceptable to the FSA, shall in the absence of proven error be treated and accepted by the FSA, the Lender and the Borrower as correct and sufficient evidence of the Borrower's solvency or Insolvency.
- (5) Subject to the provisions of sub-paragraphs (6), (7) and (8) below, if the Lender shall receive from the Borrower payment of any sum in respect of the Subordinated Liabilities -
 - (a) when any of the terms and conditions referred to in sub-paragraph (1) above is not satisfied, or
 - (b) where such payment is prohibited under paragraph 4(3),the payment of such sum shall be void for all purposes.
- (6) Any sum referred to in sub-paragraph (5) above shall be received by the Lender upon trust to return it to the Borrower.
- (7) Any sum so returned shall then be treated for the purposes of the Borrower's obligations hereunder as if it had not been paid by the Borrower and its original payment shall be deemed not to have discharged any of the obligations of the Borrower hereunder
- (8) A request to the Lender for return of any sum referred to in sub-paragraph (5) shall be in writing and shall be made by or on behalf of the Borrower or, as the case may be, its Insolvency Officer.

Representations and undertakings of Borrower

- 6 From and after the date of this Agreement (or the Effective Date if earlier), the Borrower shall not without the prior written consent of the FSA -
- (a) secure all or any part of the Subordinated Liabilities;
 - (b) redeem, purchase or otherwise acquire any of the Subordinated Liabilities;
 - (c) amend any document evidencing or providing for the Subordinated Liabilities;
 - (d) repay any of the Subordinated Liabilities otherwise than in accordance with the terms of this Agreement;
 - (e) take or omit to take any action whereby the subordination of the Subordinated Liabilities or any part thereof to the Senior Liabilities might be terminated, impaired or adversely affected; or
 - (f) arrange or permit any contract of suretyship (or similar agreement) relating to its liabilities under this Agreement to be entered into, and
- other than as disclosed in writing to the FSA, the Borrower represents that it has not done so before the date of this Agreement (or the Effective Date if earlier).

Representations and undertakings of Lender

- 7 From and after the date of this Agreement (or the Effective Date if earlier), the Lender shall not without the prior written consent of the FSA -
- (a) assign, transfer, dispose of or encumber the whole or any part of the Subordinated Liabilities or purport to do so in favour of any person;
 - (b) purport to retain or set off at any time any amount payable by it to the Borrower against any amount of the Subordinated Liabilities except to the extent that payment of such amount of the Subordinated Liabilities would be permitted at such time by this Agreement, and the Lender shall immediately pay an amount equal to any retention or set off in breach of this provision to the Borrower and such retention or set off shall be deemed not to have occurred;
 - (c) amend or waive the terms of any document evidencing or providing for the Subordinated Liabilities;
 - (d) attempt to obtain repayment of any of the Subordinated Liabilities otherwise than in accordance with the terms of this Agreement;
 - (e) take or omit to take any action whereby the subordination of the Subordinated Liabilities or any part of them to the Senior Liabilities might be terminated, impaired or adversely affected; or

- (f) take or enforce any security, guarantee or indemnity from any person for all or any part of the Subordinated Liabilities, and the Lender shall, upon obtaining or enforcing any security, guarantee or indemnity notwithstanding this undertaking, hold the same (and any proceeds thereof) on trust for the Borrower, and

other than as disclosed in writing to the FSA, the Lender represents that it has not done so before the date of this Agreement (or the Effective Date if earlier).

Borrower being a partnership

8 Where the Borrower is a partnership -

- (a) this Agreement shall subsist in full force and effect notwithstanding any change which may take place from time to time in the constitution or title of the Borrower by the retirement of the present Partners or any of them or the assumption of new Partners or by a change of name PROVIDED THAT -
- iii. a retired Partner shall continue to be liable for the payment of all sums due under this Agreement and implementation of all other obligations in this Agreement until the Lender and the remaining Partner(s) shall agree in writing to release a retired Partner from those obligations and the FSA has agreed in writing to the release; and
 - iv. in the event of a new Partner being assumed as a partner of the Borrower the other Partners shall procure that said assumed Partner shall become bound to the Lender as a party to this Agreement and shall execute such addendum hereto as the Lender and the FSA may consider necessary;
- (b) the obligations and undertakings of the Borrower under this Agreement shall bind the Borrower and the Partners jointly and severally.

Partial invalidity

- 9** If any of the provisions of this Agreement is or becomes invalid, illegal or unenforceable under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

The FSA and indemnity

- 10** The FSA shall not be taken to be a trustee or other fiduciary for, or have any obligations to, any person to whom some or all of the Senior Liabilities are owed. Each of the Lender and Borrower shall on demand indemnify the FSA against all claims, losses, costs, expenses and other liabilities made against or incurred by the FSA as a consequence of it taking action for breach of this Agreement.

Additional terms

- 11 Any additional terms agreed between the parties are set out in the Variable Terms provided that, if there is any inconsistency between the Variable Terms and the Standard Terms, the Standard Terms shall prevail.

Entire agreement

- 12 This Agreement forms the entire agreement as to the Subordinated Liabilities. If there are any other terms relating to the Subordinated Liabilities existing at the date hereof and not comprised in this Agreement such terms shall be of no further force and effect.

Amendments

- 13 Any amendments to this Agreement made or purported to be made without the consent of the FSA shall be void.

Notices to the FSA

- 14 A notice given to the FSA under this Agreement shall have no effect, and time shall not start to run in connection with that notice, until the FSA has given to the sender written confirmation of its receipt.

Law

- 15 This Agreement is governed by English law.

Jurisdiction

- 16 For the benefit of the FSA solely, each of the Borrower and the Lender irrevocably submits to the jurisdiction of the English Courts and, to the extent that it does not have a place of business within the jurisdiction, appoints the process agent specified in the Variable Terms as agent for receipt of service of process in such courts. Such jurisdiction shall be non-exclusive except to the extent that non-exclusivity prejudices the submission to the jurisdiction.

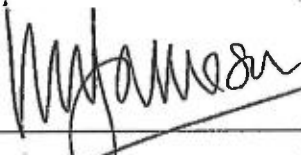
Short-Term Subordinated Loan Agreement

D. Signature Page

SIGNED for and on behalf of

LEHMAN BROTHERS UK HOLDINGS LIMITED

By



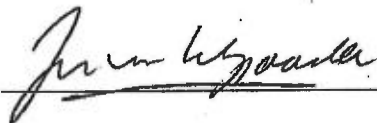
Director/Company Secretary

Director/Company Secretary

SIGNED for and on behalf of

LEHMAN BROTHERS HOLDINGS PLC

By



Director/Company Secretary

Director/Company Secretary

OFFERING CIRCULAR

Lehman Brothers Holdings plc

(incorporated with limited liability under the laws of England and Wales with registered number 1854685)

€225,000,000

Fixed Rate to CMS-Linked Subordinated Notes due 2035

Issue Price: 100.00 per cent.

Unless previously redeemed or purchased and cancelled, the €225,000,000 Fixed Rate to CMS-Linked Subordinated Notes due 2035 (the "Notes") of Lehman Brothers Holdings plc (the "Issuer") will be redeemed at their principal amount on 30th March, 2035. The Notes are subject to redemption in whole at their principal amount, plus accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxation in the United Kingdom. The Notes may also be redeemed at the option of the Issuer, in whole but not in part, at their principal amount, plus accrued interest, at any time on or after 30th March, 2010. See "*Terms and Conditions of the Notes - Redemption and Purchase*". Under the existing requirements of The Financial Services Authority ("FSA"), the Issuer may not redeem or purchase any Notes prior to their maturity date unless the FSA has given its prior consent. See "*Terms and Conditions of the Notes - Redemption and Purchase*".

The Notes will be unsecured obligations of the Issuer and such obligations will be subordinated to the Senior Liabilities (as defined herein). See "*Terms and Conditions of the Notes - Status and Subordination*".

The Notes will bear interest from and including 30th March, 2005 (the "Closing Date") to but excluding 30th March, 2007 at the rate of 6.625 per cent. per annum. The Notes will bear interest from and including 30th March, 2007 at a rate equal to the aggregate of the prevailing Reference Rate and the Margin (each as defined in "*Terms and Conditions of the Notes*"), subject to a maximum rate of 8.00 per cent. per annum. Payments on the Notes will be made annually in arrear on 30th March in each year and will be made in euro without deduction for, or on account of, taxes imposed or levied by the United Kingdom to the extent described under "*Terms and Conditions of the Notes - Taxation*".

Application has been made to list the Notes on the Channel Islands Stock Exchange.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Manager (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in denominations of €1,000. The Notes will initially be in the form of a global note (the "Global Note"), without interest coupons, which will be deposited on or around the Closing Date with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg"). The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in denominations of £1,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The date of this Offering Circular is 29th March, 2005

The Issuer accepts responsibility for the information contained in this Offering Circular and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer (or the Issuer and its subsidiaries (together, the "Group")) since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer to inform themselves about and to observe any such restrictions.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, unless otherwise specified, references to "pounds", "pounds sterling" or "£" are to the lawful currency from time to time of the United Kingdom, references to "EUR", "€" and "euro" are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time and references to "US\$" and "\$" are to United States dollars.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Neither the admission of the Notes to the Channel Islands Stock Exchange nor the approval of this Offering Circular pursuant to the listing requirements of the Channel Islands Stock Exchange shall constitute a warranty or representation by the Channel Islands Stock Exchange as to the competence of the service providers to or any other party connected with the Notes, the adequacy and accuracy of information contained in this Offering Circular or the suitability of the Issuer for investment or for any other purpose.

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INCORPORATION BY REFERENCE

The audited non-consolidated annual financial statements of the Issuer as of and for the years ended 30th November, 2003 and 2002 shall be deemed to be incorporated in, and to form part of, this Offering Circular.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, a copy of this Offering Circular and any document incorporated by reference in this Offering Circular.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €225,000,000 Fixed Rate to CMS-Linked Subordinated Notes due 2035 (the “Notes”, which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Lehman Brothers Holdings plc (the “Issuer”) are the subject of an agency agreement dated 30th March, 2005 (as amended or supplemented from time to time, the “Agency Agreement”) between the Issuer, JPMorgan Chase Bank N.A., London Branch as principal paying agent (the “Principal Paying Agent”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and J.P. Morgan Bank Luxembourg S.A. as paying agent (together with the Principal Paying Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these terms and conditions (the “Conditions”) are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “Noteholders”) and the holders of the related interest coupons and the talons (Talons) for further interest coupons (the “Couponholders” and the “Coupons” (which expressions shall in these Conditions, unless the context otherwise requires, include the holders of the Talons and the Talons) respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions:

In these Conditions the following expressions have the following meanings:

“**Auditors**” means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to these Conditions, such other firm of chartered accountants as may be nominated for the relevant purpose by the Issuer;

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and on which the TARGET System, or any successor thereto, is operating;

“**Closing Day**” means 30th March, 2005;

“**Excluded Liabilities**” means Liabilities which are expressed to be and, in the opinion of the Insolvency Officer of the Issuer, do, rank junior to the Subordinated Liabilities in any Insolvency of the Issuer;

“**Financial Resources**” means the financial resources which apply to the Issuer as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Issuer via its Subsidiaries regulated by the FSA from time to time;

“**Financial Resources Requirement**” means the financial resources requirement which applies to the Issuer as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Issuer via its Subsidiaries regulated by the FSA from time to time;

“**Financial Rules**” means the rules in IPRU(INV) 10 in the FSA handbook, as the same may be modified, supplemented, amended or replaced from time to time by the FSA;

“**FSA**” means The Financial Services Authority Limited whose registered office is at 25 The North Colonnade, Canary Wharf, London E14 5HS and shall include any successor organisation responsible for the Issuer’s financial regulation;

“**Insolvency**” means and includes liquidation, winding up, bankruptcy, sequestration, administration, rehabilitation and dissolution (whichever term may apply to the Issuer) or the equivalent in any other jurisdiction to which the Issuer may be subject;

“**Insolvency Officer**” means and includes any person duly appointed to administer and distribute assets of the Issuer in the course of the Issuer’s Insolvency;

“**Interest Determination Date**” means with respect to any Interest Period, the second TARGET Business Day prior to the first day of such Interest Period;

“**Interest Payment Date**” means 30th March in each year;

“**Interest Period**” means the period from, and including, the Closing Date to, but excluding, the first Interest Payment Date and each period thereafter from, and including, one Interest Payment Date to, but excluding, the next following Interest Payment Date;

“**Interest Rate**” means, in respect of an Interest Period, the percentage rate determined pursuant to Condition 5;

“**Liabilities**” means all present and future sums, liabilities and obligations payable or owing by the Issuer (whether actual or contingent, jointly or severally or otherwise howsoever);

“**Margin**” means 0.10 per cent. per annum;

“**Reference Rate**” means in respect of a relevant Interest Period, the 10-year mid-swap rate in EUR (annual, 30/360) versus 6-month EURIBOR (Semi-annual, ACT/360) which appears on the Relevant Screen Page under the heading “EURIBOR BASIS” and above the capital “11:00 AM CET” (as such headings and captions may appear from time to time) as of 11:00 a.m. (Central European time), on the Interest Determination Date;

“**Relevant Screen Page**” means Reuters Page “ISDAFIX2”;

“**Senior Liabilities**” means all Liabilities except the Subordinated Liabilities and Excluded Liabilities;

“**Subordinated Liabilities**” means all Liabilities to the Noteholders in respect of the Notes and all other Liabilities of the Issuer which rank or are expressed to rank *pari passu* with the Notes;

“**Subsidiary**” means, in relation to any person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**TARGET**” means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System; and

“**TARGET Business Day**” means a day on which TARGET is operating.

2. Form, Denomination and Title

The Notes are serially numbered and in bearer form in denominations of €1,000 with Coupons and one Talon attached at the time of issue. Notes of one denomination will not be exchangeable for Notes of another denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. Status and Subordination

- (a) The Notes constitute direct, unsecured and subordinated obligations of the Issuer and the rights and claims of the Noteholders against the Issuer rank *pari passu* without any preference among themselves. The rights of the Noteholders in respect of the Notes are subordinated to the Senior Liabilities and accordingly payment of any amount (whether principal, interest or otherwise) in respect of the Notes is conditional upon:
- (i) (if an order has not been made or an effective resolution passed for the Insolvency of the Issuer) the Issuer being in compliance with not less than 100 per cent. of its Financial Resources Requirement immediately after such payment, and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that (a) Condition 3(d) or Condition 6(g), as the case may be, has been complied with; and (b) the Issuer could make such payment and still be in compliance with such Financial Resources Requirement; and
 - (ii) the Issuer being solvent at the time of, and immediately after, such payment, and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that the Issuer could make such payment and still be solvent.
- (b) For the purposes of Condition 3(a) above, the Issuer shall be “solvent” if it is able to pay its Liabilities (other than the Subordinated Liabilities) in full disregarding (i) obligations which are not payable or capable of being established or determined in the Insolvency of the Issuer, and (ii) the Excluded Liabilities.
- (c) For the purposes of Condition 3(b) above, prior to the Insolvency of the Issuer, a report given at any relevant time as to the solvency of the Issuer by the Auditors, and on or after the Insolvency of the Issuer a report given at any relevant time as to the solvency of the Issuer by its Insolvency Officer, in each case in form and substance acceptable to the FSA, shall in the absence of manifest error be treated and accepted by the FSA, the Issuer and the Noteholders as correct and sufficient evidence of the Issuer’s solvency or Insolvency.
- (d) Payments of interest as provided for in Condition 5(a) may be made without notice to or consent of the FSA, except that where (i) immediately after payment, the Issuer’s Financial Resources would be less than or equal to 100 per cent. of its Financial Resources Requirement, or (ii) the Insolvency of the Issuer has commenced before such payment, and in either such case no such payment may be made without the prior written consent of the FSA.
- (e) If any Noteholder or any Couponholder receives from the Issuer payment of any sum in respect of the Notes at a time when any of the conditions referred to in Condition 3(a) or Condition 3(d) are not satisfied, such sum shall not be recoverable by the Issuer and the Issuer shall have no right against the Principal Paying Agent or any Noteholder or Couponholder in respect of such payment.

- (f) If any amount due to Noteholders from the Issuer is not paid when due solely by virtue of the operation of this Condition 3, such amount shall be paid on the earliest date on which such payment could be made in compliance with Condition 3(a) and Condition 3(d). Interest will accrue at the rate specified in Condition 5 (*Interest*) on any payment which does not become payable under Condition 3(a) or Condition 3(d).
- (g) All the other terms and conditions of the Notes shall be subject to the provisions of this Condition 3 and Condition 4 (*FSA Provisions*).

4. **FSA Provisions**

- (a) No person shall without the prior written consent of the FSA:
 - (i) purport to retain or set off at any time any amount payable by it to the Issuer against any amount due in respect of the Notes, and such person shall immediately pay an amount equal to any retention or set off in breach of this provision to the Issuer and such retention or set off shall be deemed not to have occurred;
 - (ii) subject as provided in Condition 13(b), amend or waive the terms of any document evidencing or providing for the Notes;
 - (iii) attempt to obtain repayment of any amount in respect of the Notes otherwise than in accordance with these Conditions;
 - (iv) take or omit to take any action whereby the subordination of the Notes or any part thereof to Senior Liabilities might be terminated, impaired or adversely affected; or
 - (v) take or enforce any security, guarantee or indemnity from any person for all or any part of the liabilities of the Issuer in respect of the Notes, and any security, guarantee or indemnity obtained in respect thereof and the proceeds thereof will be held by the recipient on trust for the benefit of the Issuer.
- (b) None of the Issuer or any of its Subsidiaries shall without the prior written consent of the FSA: (i) secure all or any part of the Notes; (ii) redeem, purchase or otherwise acquire all or any part of the Notes pursuant to Condition 6(b), 6(c) or 6(e) before the Maturity Date; (iii) amend any document evidencing or providing for the Notes; (iv) repay any amounts in respect of the Notes otherwise than in accordance with these Conditions; (v) take or omit to take any action whereby the subordination of the Notes or any part thereof to the Senior Liabilities might be terminated, impaired or adversely affected; or (vi) arrange or permit any contract of suretyship (or similar agreement) relating to its liabilities under these Conditions in respect of the Notes to be entered into; and the Issuer represents that it has not done so before the date of issue of the Notes.

5. **Interest**

- (a) The Notes bear interest at the rates of interest provided for in this Condition 5, payable in arrear on each Interest Payment Date, subject as provided in Condition 3 (*Status and Subordination*) and Condition 7 (*Payments*).
- (b) In respect of the period from and including the Closing Date to, but excluding, 30th March, 2007, the Notes bear interest at the rate of 6.625 per cent. per annum.
- (c) The Interest Amount payable on 30th March, 2006 in respect of the first Interest Period shall be €66.25 per Note of EUR1,000 denomination. Thereafter, the Interest Rate will be determined by the Principal Paying Agent for each Interest Period on the basis of the following provisions.

- (d) On each Interest Determination Date, the Principal Paying Agent will determine the Reference Rate as at 11.00 a.m. (Central European time). The Interest Rate for the relevant Interest Period shall be the aggregate of the relevant Reference Rate plus the Margin and provided that if the Interest Rate for any Interest Period would otherwise be greater than 8.00 per cent. per annum, it will be deemed to be 8.00 per cent. per annum for such Interest Period.
- (e) If the Reference Rate does not appear on the Relevant Screen Page on the relevant Interest Determination Date, the rate for that date will be determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the eurozone interbank market (the "Reference Banks") at approximately 11.00 a.m. (Central European Time), on the Interest Determination Date.
- (f) For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a 10 year maturity commencing on the first day of that Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis is, "EUREURIBOR-Telorate", with a maturity of six months.
- (g) The Principal Paying Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the first day of that Interest Period will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).
- (h) The Principal Paying Agent will, as soon as practicable after 11.00 a.m. (Central European Time) on each Interest Determination Date, determine the Interest Rate in respect of the relevant Interest Period and calculate the amount of interest payable per Preferred Security on the Interest Payment Date for the relevant Interest Period (the "Interest Amount") by applying the Interest Rate for such Interest Period to the nominal amount of each Note, multiplying such sum by the number of days elapsed in the period using a calendar year of 360 days consisting of 12 months of 30 days each (unless (i) the last day of the Interest Period is the 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of February, in which case, February shall not be considered to be lengthened to a 30-day month) divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- (i) The Principal Paying Agent shall cause the relevant Interest Rate and each Interest Amount payable in respect of the relevant Interest Period to be notified to the Issuer, the Channel Islands Stock Exchange and the Noteholders as soon as possible after their determination but in any event not later than the second Business Day thereafter. The Interest Amount so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of proven or manifest error.
- (j) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5, by the Principal Paying Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and the Noteholders and (in the absence as aforesaid) no liability to the Noteholders or the Issuer shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions.

6. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 30th March, 2035 (the “**Maturity Date**”), subject as provided in Condition 3 (*Status and Subordination*) and Condition 7 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice:
- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 29th March, 2005; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

- (c) *Redemption at the option of the Issuer*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on or after 30th March, 2010 (the date of redemption being the “**Call Settlement Date**”) at a redemption price equal to 100 per cent. of their principal amount plus accrued interest (if any) up to but excluding the Call Settlement Date on the Issuer’s giving not less than 15 nor more than 30 days’ notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued interest to such date).
- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption at the option of the Issuer*) above.
- (e) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmaturing Coupons are purchased therewith.
- (f) *Cancellation*: All Notes redeemed pursuant to Condition 6(a), 6(b) or 6(c) shall, and all Notes purchased pursuant to Condition 6(e) may, at the option of the Issuer, be cancelled (together with any unmaturing Coupons attached to or surrendered with them). All Notes redeemed or purchased and cancelled as aforesaid may not be reissued or resold.

- (g) *FSA Provisions*: Notwithstanding anything to the contrary in these Conditions, no repayment, prepayment or purchase of the Notes may be made by the Issuer, in whole or in part, pursuant to Condition 6(b), 6(c) or 6(e) before the Maturity Date, unless the Issuer shall have obtained the prior written consent of the FSA to such repayment, prepayment or purchase, if such consent is then required under the Financial Rules.

7. Payments

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in London.
- (b) *Interest*: Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) Each Note should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 10 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.
- (e) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation, and, in the case of payment by transfer to a euro account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.
- (f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (h) *Exchange of Talons*: On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the

Specified Office of the Principal Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8. Taxation

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or
- (d) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

9. Events of Default and Enforcement

- (a) If default is made for a period of (i) 7 days or more in the payment of any principal due, or (ii) 14 days or more in the payment of any interest due, the Noteholders may, at their discretion and after taking such preliminary steps or actions as may be necessary, enforce payment by instituting

proceedings for the Insolvency of the Issuer after giving seven Business Days' prior written notice to the FSA of their intention to do so.

- (b) The Noteholders may at their discretion, subject as provided herein, institute proceedings for the Insolvency of the Issuer to enforce any obligation, condition or provision binding on the Issuer under the Notes (other than any obligation for the payment of principal or interest in respect of the Notes) if:
- (i) a default under those obligations is not remedied to the satisfaction of the Noteholders within 60 days after notice of such default has been given to the Issuer by the Noteholders requiring such default to be remedied;
 - (ii) the Noteholders have taken all preliminary steps or actions required to be taken by them prior to the institution of such proceedings; and
 - (iii) the Noteholders have given seven Business Days' prior written notice to the FSA of their intention to institute such proceedings,

provided, however, that the Issuer shall not by virtue of the institution of any such proceedings for the Insolvency of the Issuer be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

- (c) No remedy against the Issuer other than as specifically provided by this Condition 9 shall be available to the Noteholders whether for the recovery of amounts owing under the Notes in respect of any breach by the Issuer of any of its obligations under the Notes.

10. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest (which for this purpose shall not include Talons) shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 7 (*Payments*).

11. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and/or additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent, (b) a paying agent in London (which may be the principal paying agent) and (c), if European Council Directive 2003/48/EC or any

other Directive implementing the conclusions of the ECOFIN Council meeting of 26th/27th November, 2000 is brought into force, a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to such Directive or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any Paying Agent or in the Specified Office of any Paying Agent shall promptly be given to the Noteholders.

13. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification by Extraordinary Resolution of any provision of these Conditions or the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, not less than one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Agency Agreement will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Principal Paying Agent may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Agency Agreement (other than in respect of a Reserved Matter) which is proper to make if such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

No modification (save in respect of a modification which is of a formal, minor or technical nature or is to correct a manifest error) to, and no waiver or authorisation of any proposed breach or breach of, the Notes or the Agency Agreement may be made without the prior written consent of the FSA, and any such modification, waiver or authorisation made or purported to be made without such consent is void.

Unless the Principal Paying Agent agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

14. Indemnification of FSA

The Agency Agreement contains provisions that the FSA shall not, by virtue of being referred to therein and in these Conditions, be taken to be a trustee or other fiduciary for, or have any obligation to, any Noteholder. The Issuer has agreed to indemnify the FSA on demand against all claims,

losses, costs, expenses and other liabilities made against or incurred by the FSA as a consequence of being referred to in, or taking action as contemplated under, these Conditions.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

16. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

The Issuer shall forthwith provide to the FSA a copy of any notice given to Noteholders under this Condition 16.

17. Governing Law

The Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Offering Circular.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of a Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. .

The Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) in denominations of €1,000 at the request of the bearer of the Global Note (acting on the instructions of a Noteholder in the case of (a) below or on the instructions of the Issuer in the case of (b) below) against presentation and surrender of the Global Note to the Principal Paying Agent if any of the following events (each, an “**Exchange Event**”) occurs:

- (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) any of the circumstances described in paragraphs (a) and (b) of Condition 9 (*Events of Default and Enforcement*) occurs; or
- (c) a change occurs in the practice of Euroclear and/or Clearstream, Luxembourg as a result of which if the Issuer would suffer a disadvantage which would not be suffered if the Notes were in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Principal Paying Agent.

Whenever the Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached in respect of interest which has not already been paid on the Global Note and security printed in accordance with all applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement, in an aggregate principal amount equal to the principal amount of the Global Note outstanding at such time to the bearer of the Global Note against the surrender of the Global Note at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of the Principal Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

Notices: Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by the Global Note and the Global Note is deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to €225,000,000 will be used by the Issuer to strengthen the regulatory capital base of the Group, to pay off existing loans and for general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated in England on 11th October, 1984 (with registration number 1854685) as a private limited company for an unlimited duration under the Companies Act 1948-81 and was re-registered as a public limited company under the Companies Act 1985 on 6th August, 1986. The Issuer is a wholly-owned subsidiary of Lehman Brothers Holdings Inc. ("LBHI"). The Issuer was originally organised to act as a UK holding company of LBHI's UK incorporated businesses, but in 1986 its objects were amended and since then its principal activity has been to act as a UK finance company supporting the working capital needs of a selected limited group of European subsidiaries of LBHI. The Issuer has a number of subsidiary undertakings including wholly-owned subsidiaries Lehman Brothers International (Europe), Lehman Brothers Europe Ltd and Lehman Brothers Limited. The average number of persons employed by the Issuer during 2004 was 7 and, at the date of this Offering Circular, is 7.

The registered office and principal place of business of the Issuer is at 25 Bank Street, London, E14 5LE.

Directors of the Issuer

Set forth below are the names, the principal occupations and principal outside activities (if any) of the current members of the board of directors of the Issuer.

Name	Principal Occupation within the Issuer	Principal Outside Activities
Ian Lowitt.....	Director	
Paolo R. Tonucci....	Director	
Richard J.A. Amat .	Director	
Peter A. Gamester ..	Director	
Kevin Hayes.....	Director	
Ian Jameson.....	Director	
Justin van Wijngaarden	Director	

All of the directors of the Issuer are executive directors.

The business address of each of the above is 25 Bank Street, London, E14 5LE, except that the business address of Ian Lowitt, is 745 Seventh Avenue, New York, NY 10019, USA.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

All of the financial information below is extracted without material adjustment from the unaudited non-consolidated financial statements of the Issuer for the year ended 30th November, 2004.

	30th November, 2004 (unaudited) (\$,000)
Long-Term Indebtedness	0
Short-Term Loans	0
Commercial Paper	0
Ordinary Shares, £1.00 par value; 79,750,000 authorised: 40,021,100 allotted, called up and fully-paid.....	66,266
Ordinary Shares \$1.00 par value; 1,000,000,000 authorised: 653,800,000 allotted, called up and fully-paid.....	653,800
Ordinary B Shares, £1.00 par value; 250,000 authorised; zero called up and fully-paid.....	0
Preference Shares, non-cumulative, redeemable, £1.00 par value; 20,000,000 authorised: 20,000,000 allotted, called up and fully-paid.....	33,116
Preference Shares, non-cumulative, redeemable, \$1.00 par value; \$2,000,000,000 authorised: 1,210,000,000 allotted, called up and fully-paid.....	1,210,000
Capital reserves.....	3,312
Other reserves.....	<u>162,587</u>
Profit and Loss	<u>236,812</u>
Total capital and reserves.....	<u>2,365,893</u>
Total indebtedness and capital and reserves.....	<u>2,365,893</u>

Notes:

- (1) On 2nd February, 2005, the Issuer issued \$50,000,000 non-cumulative redeemable preference shares.
- (2) Save as disclosed above, there has been no material change in the non-consolidated capitalisation and indebtedness of the Issuer since 30th November, 2004.

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following table sets forth selected non-consolidated financial information of the Issuer as of the dates and for the periods indicated. The selected non-consolidated financial information set out are below is extracted without material adjustment from the audited non-consolidated financial statements of the Issuer for the year ended 30th November, 2003.

Profit and Loss Account Data

	Year ended 30th November, 2003	Year ended 30th November, 2002
	<i>(in U.S.\$ thousands)</i>	
Operating Income	322,255	162,942
Administrative expenses.....	(2,883)	(1,561)
Operating Profit	319,372	161,381
Interest receivable and similar income.....	11,692	12,687
Interest payable and similar charges.....	(182,706)	(158,071)
Profit on Ordinary Activities before Taxation	148,358	15,997
Tax on profit on ordinary activities.....	-	-
Profit/(Loss) on Ordinary Activities after Taxation	148,358	15,997
Dividend paid.....	-	-
Profit/(Loss) Retained for the Year	148,358	15,997

Balance Sheet Data

	Year ended 30th November, 2003	Year ended 30th November 30 2002
	<i>(in U.S. \$ thousands)</i>	
Total assets.....	5,897,981	5,130,202
Total current liabilities ¹	4,535,948	4,173,993
Long-term liabilities ¹	3,041	8,968
Total shareholders' funds.....	1,358,992	947,241
Total capital (shareholders' funds and long-term liabilities)	1,362,033	956,209

Note:

- For the years ended 30th November, 2003 and 30th November, 2002, the total liabilities of the Issuer consist of the sum of the Total current liabilities and the Long-term liabilities.

TAXATION

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes and do not apply to certain classes of person (such as dealers and persons connected with the Issuer). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

A. UK Withholding Tax on UK Source Interest

1. The Notes will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Income and Corporation Taxes Act 1988. The Channel Islands Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.
2. In all cases falling outside the exemption described in 1 above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

B. Provision of Information

3. Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “paying agent”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “collecting agent”), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes. These provisions may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

C. Other Rules Relating to United Kingdom Withholding Tax

4. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

5. The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

EU Savings Directive

On 3rd June, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1st July, 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

SUBSCRIPTION AND SALE

Lehman Brothers UK Capital Funding LP has, in a note purchase agreement dated 29th March, 2005 (the “**Note Purchase Agreement**”) made between the Issuer and Lehman Brothers UK Capital Funding LP upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 100.00 per cent. of their principal amount.

GENERAL INFORMATION

1. Authorisations

The creation and issue of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated 21st March, 2005 and 23rd March, 2005.

2. Listing

Application has been made to list the Notes on the Channel Islands Stock Exchange.

3. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0215643973 and the common code is 021564397.

4. No significant change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position and no material adverse change in the financial position and prospects of the Issuer or the Group since 30th November, 2003.

5. Litigation

Other than as disclosed above, no member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months prior to the date of this document, a significant effect on the financial position of the Issuer or the Group, nor is the Issuer aware that any such proceedings are pending or threatened.

6. Accounts

The non-consolidated annual financial statements of the Issuer have been audited without qualification for the two years ending 30th November 2003, by Ernst & Young LLP. The Issuer does not currently publish consolidated financial statements or interim financial statements.

7. Documents available for inspection

Copies of the following documents may be inspected during normal business hours at the offices of the Issuer at 25 Bank Street, London E14 5LE during the period of 14 days from the date of this Offering Circular:

- (a) the memorandum and articles of association of the Issuer;
- (b) the Note Purchase Agreement;
- (c) the Agency Agreement; and
- (d) the audited non-consolidated financial statements of the Issuer for the years ended 30th November 2003 and 2002.

8. US tax

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States

OFFERING CIRCULAR

Lehman Brothers Holdings plc

(incorporated with limited liability under the laws of England and Wales with registered number 1854685)

€200,000,000

Fixed Rate Subordinated Notes due 2035

Issue Price: 100.00 per cent.

Unless previously redeemed or purchased and cancelled, the €200,000,000 Fixed Rate Subordinated Notes due 2035 (the "Notes") of Lehman Brothers Holdings plc (the "Issuer") will be redeemed at their principal amount on 21st September, 2035. The Notes are subject to redemption in whole at their principal amount, plus accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxation in the United Kingdom. The Notes may also be redeemed at the option of the Issuer, in whole but not in part, at their principal amount, plus accrued interest, at any time on or after 21st September, 2009. See "*Terms and Conditions of the Notes - Redemption and Purchase*". Under the existing requirements of The Financial Services Authority ("FSA"), the Issuer may not redeem or purchase any Notes prior to their maturity date unless the FSA has given its prior consent. See "*Terms and Conditions of the Notes - Redemption and Purchase*".

The Notes will be unsecured obligations of the Issuer and such obligations will be subordinated to the Senior Liabilities (as defined herein). See "*Terms and Conditions of the Notes - Status and Subordination*".

The Notes will bear interest from and including 21st September, 2005 (the "Closing Date") at the rate of 5.125 per cent. per annum. Payments on the Notes will be made annually in arrear on 21st September in each year and will be made in euro without deduction for, or on account of, taxes imposed or levied by the United Kingdom to the extent described under "*Terms and Conditions of the Notes - Taxation*".

Application has been made to list the Notes on the Channel Islands Stock Exchange.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Manager (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in denominations of €1,000. The Notes will initially be in the form of a global note (the "Global Note"), without interest coupons, which will be deposited on or around the Closing Date with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg"). The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in denominations of €1,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The date of this Offering Circular is 19th September, 2005

The Issuer accepts responsibility for the information contained in this Offering Circular and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer (or the Issuer and its subsidiaries (together, the "Group")) since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer to inform themselves about and to observe any such restrictions.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, unless otherwise specified, references to "pounds", "pounds sterling" or "£" are to the lawful currency from time to time of the United Kingdom, references to "EUR", "€" and "euro" are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time and references to "US\$" and "\$" are to United States dollars.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Neither the admission of the Notes to the Channel Islands Stock Exchange nor the approval of this Offering Circular pursuant to the listing requirements of the Channel Islands Stock Exchange shall constitute a warranty or representation by the Channel Islands Stock Exchange as to the competence of the service providers to or any other party connected with the Notes, the adequacy and accuracy of information contained in this Offering Circular or the suitability of the Issuer for investment or for any other purpose.

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INCORPORATION BY REFERENCE

The audited non-consolidated annual financial statements of the Issuer as of and for the years ended 30th November, 2004 and 2003 shall be deemed to be incorporated in, and to form part of, this Offering Circular.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, a copy of this Offering Circular and any document incorporated by reference in this Offering Circular.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €200,000,000 Fixed Rate Subordinated Notes due 2035 (the “Notes”, which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Lehman Brothers Holdings plc (the “Issuer”) are the subject of an agency agreement dated 21st September, 2005 (as amended or supplemented from time to time, the “Agency Agreement”) between the Issuer, JPMorgan Chase Bank, N.A., London Branch as principal paying agent (the “Principal Paying Agent”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and J.P. Morgan Bank Luxembourg S.A. as paying agent (together with the Principal Paying Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these terms and conditions (the “Conditions”) are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “Noteholders”) and the holders of the related interest coupons and the talons (Talons) for further interest coupons (the “Couponholders” and the “Coupons” (which expressions shall in these Conditions, unless the context otherwise requires, include the holders of the Talons and the Talons) respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions:

In these Conditions the following expressions have the following meanings:

“**Auditors**” means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to these Conditions, such other firm of chartered accountants as may be nominated for the relevant purpose by the Issuer;

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and on which the TARGET System, or any successor thereto, is operating;

“**Closing Day**” means 21st September, 2005;

“**Excluded Liabilities**” means Liabilities which are expressed to be and, in the opinion of the Insolvency Officer of the Issuer, do, rank junior to the Subordinated Liabilities in any Insolvency of the Issuer;

“**Financial Resources**” means the financial resources which apply to the Issuer as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Issuer via its Subsidiaries regulated by the FSA from time to time;

“**Financial Resources Requirement**” means the financial resources requirement which applies to the Issuer as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Issuer via its Subsidiaries regulated by the FSA from time to time;

“**Financial Rules**” means the rules in IPRU(INV) 10 in the FSA handbook, as the same may be modified, supplemented, amended or replaced from time to time by the FSA;

“FSA” means The Financial Services Authority Limited whose registered office is at 25 The North Colonnade, Canary Wharf, London E14 5HS and shall include any successor organisation responsible for the Issuer’s financial regulation;

“Insolvency” means and includes liquidation, winding up, bankruptcy, sequestration, administration, rehabilitation and dissolution (whichever term may apply to the Issuer) or the equivalent in any other jurisdiction to which the Issuer may be subject;

“Insolvency Officer” means and includes any person duly appointed to administer and distribute assets of the Issuer in the course of the Issuer’s Insolvency;

“Interest Payment Date” means 21st September in each year;

“Interest Period” means the period from, and including, the Closing Date to, but excluding, the first Interest Payment Date and each period thereafter from, and including, one Interest Payment Date to, but excluding, the next following Interest Payment Date;

“Liabilities” means all present and future sums, liabilities and obligations payable or owing by the Issuer (whether actual or contingent, jointly or severally or otherwise howsoever);

“Senior Liabilities” means all Liabilities except the Subordinated Liabilities and Excluded Liabilities;

“Subordinated Liabilities” means all Liabilities to the Noteholders in respect of the Notes and all other Liabilities of the Issuer which rank or are expressed to rank *pari passu* with the Notes;

“Subsidiary” means, in relation to any person (the “first Person”) at any particular time, any other Person (the “second Person”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“TARGET” means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System; and

“TARGET Business Day” means a day on which TARGET is operating.

2. Form, Denomination and Title

The Notes are serially numbered and in bearer form in denominations of €1,000 with Coupons and one Talon attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. Status and Subordination

- (a) The Notes constitute direct, unsecured and subordinated obligations of the Issuer and the rights and claims of the Noteholders against the Issuer rank *pari passu* without any preference among

themselves. The rights of the Noteholders in respect of the Notes are subordinated to the Senior Liabilities and accordingly payment of any amount (whether principal, interest or otherwise) in respect of the Notes is conditional upon:

- (i) (if an order has not been made or an effective resolution passed for the Insolvency of the Issuer) the Issuer being in compliance with not less than 100 per cent. of its Financial Resources Requirement immediately after such payment, and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that (a) Condition 3(d) or Condition 6(g), as the case may be, has been complied with; and (b) the Issuer could make such payment and still be in compliance with such Financial Resources Requirement; and
 - (ii) the Issuer being solvent at the time of, and immediately after, such payment, and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that the Issuer could make such payment and still be solvent.
- (b) For the purposes of Condition 3(a) above, the Issuer shall be “solvent” if it is able to pay its Liabilities (other than the Subordinated Liabilities) in full disregarding (i) obligations which are not payable or capable of being established or determined in the Insolvency of the Issuer, and (ii) the Excluded Liabilities.
 - (c) For the purposes of Condition 3(b) above, prior to the Insolvency of the Issuer, a report given at any relevant time as to the solvency of the Issuer by the Auditors, and on or after the Insolvency of the Issuer a report given at any relevant time as to the solvency of the Issuer by its Insolvency Officer, in each case in form and substance acceptable to the FSA, shall in the absence of manifest error be treated and accepted by the FSA, the Issuer and the Noteholders as correct and sufficient evidence of the Issuer’s solvency or Insolvency.
 - (d) Payments of interest as provided for in Condition 5(a) may be made without notice to or consent of the FSA, except that where (i) immediately after payment, the Issuer’s Financial Resources would be less than or equal to 100 per cent. of its Financial Resources Requirement, or (ii) the Insolvency of the Issuer has commenced before such payment, and in either such case no such payment may be made without the prior written consent of the FSA.
 - (e) If any Noteholder or any Couponholder receives from the Issuer payment of any sum in respect of the Notes at a time when any of the conditions referred to in Condition 3(a) or Condition 3(d) are not satisfied, such sum shall not be recoverable by the Issuer and the Issuer shall have no right against the Principal Paying Agent or any Noteholder or Couponholder in respect of such payment.
 - (f) If any amount due to Noteholders from the Issuer is not paid when due solely by virtue of the operation of this Condition 3, such amount shall be paid on the earliest date on which such payment could be made in compliance with Condition 3(a) and Condition 3(d). Interest will accrue at the rate specified in Condition 5 (*Interest*) on any payment which does not become payable under Condition 3(a) or Condition 3(d).
 - (g) All the other terms and conditions of the Notes shall be subject to the provisions of this Condition 3 and Condition 4 (*FSA Provisions*).

4. FSA Provisions

- (a) No person shall without the prior written consent of the FSA:
 - (i) purport to retain or set off at any time any amount payable by it to the Issuer against any amount due in respect of the Notes, and such person shall immediately pay an amount equal

to any retention or set off in breach of this provision to the Issuer and such retention or set off shall be deemed not to have occurred;

- (ii) subject as provided in Condition 13(b), amend or waive the terms of any document evidencing or providing for the Notes;
 - (iii) attempt to obtain repayment of any amount in respect of the Notes otherwise than in accordance with these Conditions;
 - (iv) take or omit to take any action whereby the subordination of the Notes or any part thereof to Senior Liabilities might be terminated, impaired or adversely affected; or
 - (v) take or enforce any security, guarantee or indemnity from any person for all or any part of the liabilities of the Issuer in respect of the Notes, and any security, guarantee or indemnity obtained in respect thereof and the proceeds thereof will be held by the recipient on trust for the benefit of the Issuer.
- (b) None of the Issuer or any of its Subsidiaries shall without the prior written consent of the FSA: (i) secure all or any part of the Notes; (ii) redeem, purchase or otherwise acquire all or any part of the Notes pursuant to Condition 6(b), 6(c) or 6(e) before the Maturity Date; (iii) amend any document evidencing or providing for the Notes; (iv) repay any amounts in respect of the Notes otherwise than in accordance with these Conditions; (v) take or omit to take any action whereby the subordination of the Notes or any part thereof to the Senior Liabilities might be terminated, impaired or adversely affected; or (vi) arrange or permit any contract of suretyship (or similar agreement) relating to its liabilities under these Conditions in respect of the Notes to be entered into; and the Issuer represents that it has not done so before the date of issue of the Notes.

5. Interest

- (a) The Notes bear interest at the rate of interest provided for in this Condition 5, payable in arrear on each Interest Payment Date, subject as provided in Condition 3 (*Status and Subordination*) and Condition 7 (*Payments*).
- (b) From and including the Closing Date, the Notes bear interest at the rate of 5.125 per cent. per annum.
- (c) Where interest is to be calculated in respect of any period other than an Interest Period, the applicable day count fraction will be the number of days in the relevant period from and including the date from which interest begins to accrue to but excluding the date on which it is payable divided by the number of days in the Interest Period comprising the relevant period or in which the relevant period falls.

6. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 21st September, 2035 (the "**Maturity Date**"), subject as provided in Condition 3 (*Status and Subordination*) and Condition 7 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 19th September, 2005; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (for the purpose of inspection by Noteholders during normal business hours) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

- (c) *Redemption at the option of the Issuer*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on or after 21st September, 2009 (the date of redemption being the “**Call Settlement Date**”) at a redemption price equal to 100 per cent. of their principal amount plus accrued interest (if any) up to but excluding the Call Settlement Date on the Issuer’s giving not less than 15 nor more than 30 days’ notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued interest to such date).
- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption at the option of the Issuer*) above.
- (e) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (f) *Cancellation*: All Notes redeemed pursuant to Condition 6(a), 6(b) or 6(c) shall, and all Notes purchased pursuant to Condition 6(e) may, at the option of the Issuer, be cancelled (together with any unmatured Coupons attached to or surrendered with them). All Notes redeemed or purchased and cancelled as aforesaid may not be reissued or resold.
- (g) *FSA Provisions*: Notwithstanding anything to the contrary in these Conditions, no repayment, prepayment or purchase of the Notes may be made by the Issuer, in whole or in part, pursuant to Condition 6(b), 6(c) or 6(e) before the Maturity Date, unless the Issuer shall have obtained the prior written consent of the FSA to such repayment, prepayment or purchase, if such consent is then required under the Financial Rules.

7. **Payments**

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in London.

- (b) *Interest:* Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) Each Note should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 10 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.
- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation, and, in the case of payment by transfer to a euro account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.
- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (h) *Exchange of Talons:* On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the Specified Office of the Principal Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8. Taxation

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by

law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or
- (d) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

9. Events of Default and Enforcement

- (a) If default is made for a period of (i) 7 days or more in the payment of any principal due, or (ii) 14 days or more in the payment of any interest due, the Noteholders may, at their discretion and after taking such preliminary steps or actions as may be necessary, enforce payment by instituting proceedings for the Insolvency of the Issuer after giving seven Business Days’ prior written notice to the FSA of their intention to do so.
- (b) The Noteholders may at their discretion, subject as provided herein, institute proceedings for the Insolvency of the Issuer to enforce any obligation, condition or provision binding on the Issuer under the Notes (other than any obligation for the payment of principal or interest in respect of the Notes) if:
 - (i) a default under those obligations is not remedied to the satisfaction of the Noteholders within 60 days after notice of such default has been given to the Issuer by the Noteholders requiring such default to be remedied;
 - (ii) the Noteholders have taken all preliminary steps or actions required to be taken by them prior to the institution of such proceedings; and

- (iii) the Noteholders have given seven Business Days' prior written notice to the FSA of their intention to institute such proceedings,

provided, however, that the Issuer shall not by virtue of the institution of any such proceedings for the Insolvency of the Issuer be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

- (c) No remedy against the Issuer other than as specifically provided by this Condition 9 shall be available to the Noteholders whether for the recovery of amounts owing under the Notes in respect of any breach by the Issuer of any of its obligations under the Notes.

10. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest (which for this purpose shall not include Talons) shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 7 (*Payments*).

11. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The Paying Agents shall not concern themselves with, or be responsible for inquiring into the receipt of, any consent required to be given by the FSA under these Conditions.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and/or additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent, (b) a paying agent in London (which may be the principal paying agent) and (c), a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any Paying Agent or in the Specified Office of any Paying Agent shall promptly be given to the Noteholders.

13. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification by Extraordinary Resolution of any provision of these Conditions or the Agency Agreement. The quorum at any

meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, not less than one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Agency Agreement will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Principal Paying Agent may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Agency Agreement (other than in respect of a Reserved Matter) which is proper to make if such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

No modification (save in respect of a modification which is of a formal, minor or technical nature or is to correct a manifest error) to, and no waiver or authorisation of any proposed breach or breach of, the Notes or the Agency Agreement may be made without the prior written consent of the FSA, and any such modification, waiver or authorisation made or purported to be made without such consent is void.

Unless the Principal Paying Agent agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

14. Indemnification of FSA

The Agency Agreement contains provisions that the FSA shall not, by virtue of being referred to therein and in these Conditions, be taken to be a trustee or other fiduciary for, or have any obligation to, any Noteholder. The Issuer has agreed to indemnify the FSA on demand against all claims, losses, costs, expenses and other liabilities made against or incurred by the FSA as a consequence of being referred to in, or taking action as contemplated under, these Conditions.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

16. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

The Issuer shall forthwith provide to the FSA a copy of any notice given to Noteholders under this Condition 16.

17. Governing Law

The Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Offering Circular.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of a Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. .

The Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) in denominations of €1,000 at the request of the bearer of the Global Note (acting on the instructions of a Noteholder in the case of (a) below or on the instructions of the Issuer in the case of (b) below) against presentation and surrender of the Global Note to the Principal Paying Agent if any of the following events (each, an “**Exchange Event**”) occurs:

- (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) any of the circumstances described in paragraphs (a) and (b) of Condition 9 (*Events of Default and Enforcement*) occurs; or
- (c) a change occurs in the practice of Euroclear and/or Clearstream, Luxembourg as a result of which if the Issuer would suffer a disadvantage which would not be suffered if the Notes were in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Principal Paying Agent.

Whenever the Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached in respect of interest which has not already been paid on the Global Note and security printed in accordance with all applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement, in an aggregate principal amount equal to the principal amount of the Global Note outstanding at such time to the bearer of the Global Note against the surrender of the Global Note at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of the Principal Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

Notices: Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by the Global Note and the Global Note is deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to €200,000,000 will be used by the Issuer to strengthen the regulatory capital base of the Group, to pay off existing loans and for general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated in England on 11th October, 1984 (with registration number 1854685) as a private limited company for an unlimited duration under the Companies Act 1948-81 and was re-registered as a public limited company under the Companies Act 1985 on 6th August, 1986. The Issuer is an indirectly wholly-owned subsidiary of LBHI which is the parent company of the Lehman Brothers group of companies.

The Issuer's memorandum of association permits it to carry out any business. It was originally organised to act as a UK holding company of LBHI's UK incorporated businesses, but since 1986 its principal activity has been to hold fixed asset investments in both subsidiary undertakings and non-subsidiary undertakings. Pursuant to the Issuer's memorandum of association, the Issuer's objects include, but are not limited to, borrowing and raising money and guaranteeing the performance of obligations of any person associated with the Issuer.

The Issuer has a number of subsidiary undertakings including wholly-owned subsidiaries, on which it depends, Lehman Brothers International (Europe), Lehman Brothers Europe Ltd and Lehman Brothers Limited. The average number of persons employed by the Issuer during 2004 was 7 and, as at the date of this Offering Circular, is 7.

The Issuer has not made any significant investments since 30th November, 2004, being the date of its last audited accounts.

The registered office and principal place of business of the Issuer is at 25 Bank Street, London, E14 5LE, telephone (44) 207 102 1000.

Directors of the Issuer and corporate governance

The board of directors of the Issuer are Ian Lowitt, Paolo R. Tonucci, Richard J.A. Amat, Ian Jameson, Antony J Rush, Marcus Jackson and Justin van Wijngaarden. The business address of each of the above is 25 Bank Street, London, E14 5LE.

All of the directors of the Issuer are executive directors. Each of the directors are also employees of other members of the Lehman Brothers group of companies. None have business interests outside the Lehman Brothers group of companies which are significant with respect to the Issuer.

There are no potential conflicts of interest between any duties to the Issuer of the directors and their private interests and/or other duties.

The Issuer does not have a separate audit committee.

The Issuer complies with English corporate governance rules to the full extent applicable to it.

Share capital of the Issuer

As of the date of this Offering Circular, the share capital of the Issuer is comprised as follows:

- Ordinary Shares, £1.00 par value; 79,750,000 authorised: 40,021,100 allotted, called up and fully-paid.
- Ordinary Shares \$1.00 par value; 1,000,000,000 authorised: 653,800,000 allotted, called up and fully-paid
- Ordinary B Shares, £1.00 par value; 250,000 authorised; zero called up and fully-paid
- Preference Shares, non-cumulative, redeemable, £1.00 par value; 20,000,000 authorised: 20,000,000 allotted, called up and fully-paid
- Preference Shares, non-cumulative, redeemable, \$1.00 par value; \$2,000,000,000 authorised: 1,910,000,000 allotted, called up and fully-paid

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following table sets forth selected non-consolidated financial information of the Issuer as of the dates and for the periods indicated. The selected non-consolidated financial information set out are below is extracted without material adjustment from the audited non-consolidated financial statements of the Issuer for the year ended 30th November, 2004.

Profit and Loss Account Data

	Year ended 30th November, 2004	Year ended 30th November, 2003
	<i>(in U.S.\$ thousands)</i>	
Operating	(67,115)	322,255
(Loss)/Income		
Administrative	(2,788)	(2,883)
expenses.....		
Operating	(69,903)	319,372
(Loss)/Profit		
Interest receivable and similar	58,162	11,692
income.....		
Interest payable and similar	(119,302)	(182,706)
charges.....		
Profit/(Loss) on Ordinary Activities before	(131,043)	148,358
Taxation		
Tax on profit on ordinary	-	-
activities.....		
Profit/(Loss) on Ordinary Activities after	(131,043)	148,358
Taxation		
Dividend	-	-
paid.....		
Profit/(Loss) Retained for the Year	(131,043)	148,358

Balance Sheet Data

	Year ended 30th November, 2004	Year ended 30th November, 2003
	<i>(in U.S. \$ thousands)</i>	
Total assets.....	8,106,443	5,897,981
Total current liabilities ¹	5,813,594	4,535,948
.....		
Long-term liabilities ¹	0	3,041
.....		
Total shareholders' funds.....	2,292,849	1,358,992
Total capital (shareholders' funds and long-term liabilities)	2,292,849	1,362,033

Note:

- For the years ended 30th November, 2004 and 30th November, 2003, the total liabilities of the Issuer consist of the sum of the Total current liabilities and the Long-term liabilities.

TAXATION

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes and do not apply to certain classes of person (such as dealers and persons connected with the Issuer). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

A. UK Withholding Tax on UK Source Interest

1. The Notes will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Income and Corporation Taxes Act 1988. The Channel Islands Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.
2. In all cases falling outside the exemption described in 1 above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

B. Provision of Information

3. Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “**paying agent**”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “**collecting agent**”), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes. These provisions may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

C. Other Rules Relating to United Kingdom Withholding Tax

4. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

5. The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1st July, 2005 to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

SUBSCRIPTION AND SALE

Lehman Brothers UK Capital Funding II LP has, in a note purchase agreement dated 19th September, 2005 (the "**Note Purchase Agreement**") made between the Issuer and Lehman Brothers UK Capital Funding II LP upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 100.00 per cent. of their principal amount.

GENERAL INFORMATION

1. Authorisations

The creation and issue of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated 15th September, 2005.

2. Listing

Application has been made to list the Notes on the Channel Islands Stock Exchange.

3. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0229553739 and the common code is 022955373.

4. No significant change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position and no material adverse change in the financial position and prospects of the Issuer or the Group since 30th November, 2004.

5. Litigation

Other than as disclosed above, no member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months prior to the date of this document, a significant effect on the financial position of the Issuer or the Group, nor is the Issuer aware that any such proceedings are pending or threatened.

6. Accounts

The non-consolidated annual financial statements of the Issuer have been audited without qualification for the two years ending 30th November 2004, by Ernst & Young LLP. The Issuer does not currently publish consolidated financial statements or interim financial statements.

7. Documents available for inspection

Copies of the following documents may be inspected during normal business hours at the offices of the Issuer at 25 Bank Street, London E14 5LE during the period of 14 days from the date of this Offering Circular:

- (a) the memorandum and articles of association of the Issuer;
- (b) the Note Purchase Agreement;
- (c) the Agency Agreement; and
- (d) the audited non-consolidated financial statements of the Issuer for the years ended 30th November 2004 and 2003.

8. US tax

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States

income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

REGISTERED OFFICE OF THE ISSUER

Lehman Brothers Holdings plc
25 Bank Street
London E14 5LE
England

PRINCIPAL PAYING AGENT

JPMorgan Chase Bank, N.A., London Branch
Trinity Tower
9 Thomas More Street
London E1W 1YT
England

PAYING AGENT

J.P. Morgan Bank Luxembourg S.A.
European Bank & Business Centre
6, route de Treves
L-2633 Senningerberg
Luxembourg

LEGAL ADVISERS

To the Issuer as to English law

Allen & Overy LLP
One New Change
London EC4M 9QQ
England

AUDITORS TO THE ISSUER

Ernst & Young LLP
1 More London Place
London SE1 2AF
England

LISTING SPONSOR

The Bank of New York
One Canada Square
London E14 5AL
England

OFFERING CIRCULAR

Lehman Brothers Holdings plc

(incorporated with limited liability under the laws of England and Wales with registered number 1854685)

€50,000,000

Fixed Rate Subordinated Notes due 2035

(to be consolidated and form a single series with the €200,000,000 Fixed Rate Subordinated Notes due 2035, which were issued on 21st September, 2005)

Issue Price: 100.00 per cent. plus 36 days' accrued interest from 21st September, 2005 at the rate of 5.125 per cent. per annum

The €50,000,000 Fixed Rate Subordinated Notes due 2035 (the "New Notes") of Lehman Brothers Holdings plc (the "Issuer") are proposed to be issued on 27th October, 2005 (the "Closing Date"). On issue, the New Notes will be consolidated and form a single series on the Closing Date with the €200,000,000 Fixed Rate Subordinated Notes due 2035 (the "Existing Notes" and, together with the New Notes, the "Notes"), which were issued by the Issuer on 21st September, 2005 and described in an Offering Circular dated 19th September, 2005.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 21st September, 2035. The Notes are subject to redemption in whole at their principal amount, plus accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxation in the United Kingdom. The Notes may also be redeemed at the option of the Issuer, in whole but not in part, at their principal amount, plus accrued interest, at any time on or after 21st September, 2009. See "*Terms and Conditions of the Notes - Redemption and Purchase*". Under the existing requirements of The Financial Services Authority ("FSA"), the Issuer may not redeem or purchase any Notes prior to their maturity date unless the FSA has given its prior consent. See "*Terms and Conditions of the Notes - Redemption and Purchase*".

The Notes will be unsecured obligations of the Issuer and such obligations will be subordinated to the Senior Liabilities (as defined herein). See "*Terms and Conditions of the Notes - Status and Subordination*".

The Notes will bear interest from and including the Closing Date at the rate of 5.125 per cent. per annum. Payments on the Notes will be made annually in arrear on 21st September in each year and will be made in euro without deduction for, or on account of, taxes imposed or levied by the United Kingdom to the extent described under "*Terms and Conditions of the Notes - Taxation*".

Application has been made to list the New Notes on the Channel Islands Stock Exchange.

The New Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to United States tax law requirements. The New Notes are being offered outside the United States by the Manager (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The New Notes will be in bearer form and in denominations of €1,000. The New Notes will initially be in the form of a global note (the "Global Note"), without interest coupons, which will be deposited on or around the Closing Date with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg"). The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for New Notes in definitive form in denominations of £1,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The date of this Offering Circular is 26th October, 2005

The Issuer accepts responsibility for the information contained in this Offering Circular and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer (or the Issuer and its subsidiaries (together, the "Group")) since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer to inform themselves about and to observe any such restrictions.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, unless otherwise specified, references to "pounds", "pounds sterling" or "£" are to the lawful currency from time to time of the United Kingdom, references to "EUR", "€" and "euro" are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time and references to "US\$" and "\$" are to United States dollars.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Neither the admission of the New Notes to the Channel Islands Stock Exchange nor the approval of this Offering Circular pursuant to the listing requirements of the Channel Islands Stock Exchange shall constitute a warranty or representation by the Channel Islands Stock Exchange as to the competence of the service providers to or any other party connected with the New Notes, the adequacy and accuracy of information contained in this Offering Circular or the suitability of the Issuer for investment or for any other purpose.

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INCORPORATION BY REFERENCE

The audited non-consolidated annual financial statements of the Issuer as of and for the years ended 30th November, 2004 and 2003 shall be deemed to be incorporated in, and to form part of, this Offering Circular.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, a copy of this Offering Circular and any document incorporated by reference in this Offering Circular.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €50,000,000 Fixed Rate Subordinated Notes due 2035 (the “**New Notes**”, which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Lehman Brothers Holdings plc (the “**Issuer**”) are the subject of a first supplemental agency agreement dated 27th October, 2005 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, JPMorgan Chase Bank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and J.P. Morgan Bank Luxembourg S.A. as paying agent (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). On the Closing Date (as defined below), the New Notes will be consolidated, and form a single series, with the €200,000,000 Fixed Rate Subordinated Notes due 2035 (the “**Existing Notes**” and together with the New Notes, the “**Notes**”), which were issued by the Issuer on 21st September, 2005 and described in an Offering Circular dated 19th September, 2005. Certain provisions of these terms and conditions (the “**Conditions**”) are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons and the talons (**Talons**) for further interest coupons (the “**Couponholders**” and the “**Coupons**” (which expressions shall in these Conditions, unless the context otherwise requires, include the holders of the Talons and the Talons) respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Definitions:**

In these Conditions the following expressions have the following meanings:

“**Auditors**” means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to these Conditions, such other firm of chartered accountants as may be nominated for the relevant purpose by the Issuer;

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and on which the TARGET System, or any successor thereto, is operating;

“**Closing Day**” means 27th October, 2005;

“**Excluded Liabilities**” means Liabilities which are expressed to be and, in the opinion of the Insolvency Officer of the Issuer, do, rank junior to the Subordinated Liabilities in any Insolvency of the Issuer;

“**Financial Resources**” means the financial resources which apply to the Issuer as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Issuer via its Subsidiaries regulated by the FSA from time to time;

“**Financial Resources Requirement**” means the financial resources requirement which applies to the Issuer as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Issuer via its Subsidiaries regulated by the FSA from time to time;

“Financial Rules” means the rules in IPRU(INV) 10 in the FSA handbook, as the same may be modified, supplemented, amended or replaced from time to time by the FSA;

“FSA” means The Financial Services Authority Limited whose registered office is at 25 The North Colonnade, Canary Wharf, London E14 5HS and shall include any successor organisation responsible for the Issuer’s financial regulation;

“Insolvency” means and includes liquidation, winding up, bankruptcy, sequestration, administration, rehabilitation and dissolution (whichever term may apply to the Issuer) or the equivalent in any other jurisdiction to which the Issuer may be subject;

“Insolvency Officer” means and includes any person duly appointed to administer and distribute assets of the Issuer in the course of the Issuer’s Insolvency;

“Interest Payment Date” means 21st September in each year;

“Interest Period” means the period from, and including, 21st September, 2005 to, but excluding, the first Interest Payment Date and each period thereafter from, and including, one Interest Payment Date to, but excluding, the next following Interest Payment Date;

“Liabilities” means all present and future sums, liabilities and obligations payable or owing by the Issuer (whether actual or contingent, jointly or severally or otherwise howsoever);

“Senior Liabilities” means all Liabilities except the Subordinated Liabilities and Excluded Liabilities;

“Subordinated Liabilities” means all Liabilities to the Noteholders in respect of the Notes and all other Liabilities of the Issuer which rank or are expressed to rank *pari passu* with the Notes;

“Subsidiary” means, in relation to any person (the **“first Person”**) at any particular time, any other Person (the **“second Person”**):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“TARGET” means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System; and

“TARGET Business Day” means a day on which TARGET is operating.

2. Form, Denomination and Title

The Notes are serially numbered and in bearer form in denominations of €1,000 with Coupons and one Talon attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. Status and Subordination

- (a) The Notes constitute direct, unsecured and subordinated obligations of the Issuer and the rights and claims of the Noteholders against the Issuer rank *pari passu* without any preference among themselves. The rights of the Noteholders in respect of the Notes are subordinated to the Senior Liabilities and accordingly payment of any amount (whether principal, interest or otherwise) in respect of the Notes is conditional upon:
- (i) (if an order has not been made or an effective resolution passed for the Insolvency of the Issuer) the Issuer being in compliance with not less than 100 per cent. of its Financial Resources Requirement immediately after such payment, and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that (a) Condition 3(d) or Condition 6(g), as the case may be, has been complied with; and (b) the Issuer could make such payment and still be in compliance with such Financial Resources Requirement; and
 - (ii) the Issuer being solvent at the time of, and immediately after, such payment, and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that the Issuer could make such payment and still be solvent.
- (b) For the purposes of Condition 3(a) above, the Issuer shall be “solvent” if it is able to pay its Liabilities (other than the Subordinated Liabilities) in full disregarding (i) obligations which are not payable or capable of being established or determined in the Insolvency of the Issuer, and (ii) the Excluded Liabilities.
- (c) For the purposes of Condition 3(b) above, prior to the Insolvency of the Issuer, a report given at any relevant time as to the solvency of the Issuer by the Auditors, and on or after the Insolvency of the Issuer a report given at any relevant time as to the solvency of the Issuer by its Insolvency Officer, in each case in form and substance acceptable to the FSA, shall in the absence of manifest error be treated and accepted by the FSA, the Issuer and the Noteholders as correct and sufficient evidence of the Issuer’s solvency or Insolvency.
- (d) Payments of interest as provided for in Condition 5(a) may be made without notice to or consent of the FSA, except that where (i) immediately after payment, the Issuer’s Financial Resources would be less than or equal to 100 per cent. of its Financial Resources Requirement, or (ii) the Insolvency of the Issuer has commenced before such payment, and in either such case no such payment may be made without the prior written consent of the FSA.
- (e) If any Noteholder or any Couponholder receives from the Issuer payment of any sum in respect of the Notes at a time when any of the conditions referred to in Condition 3(a) or Condition 3(d) are not satisfied, such sum shall not be recoverable by the Issuer and the Issuer shall have no right against the Principal Paying Agent or any Noteholder or Couponholder in respect of such payment.
- (f) If any amount due to Noteholders from the Issuer is not paid when due solely by virtue of the operation of this Condition 3, such amount shall be paid on the earliest date on which such payment could be made in compliance with Condition 3(a) and Condition 3(d). Interest will accrue at the rate specified in Condition 5 (*Interest*) on any payment which does not become payable under Condition 3(a) or Condition 3(d).
- (g) All the other terms and conditions of the Notes shall be subject to the provisions of this Condition 3 and Condition 4 (*FSA Provisions*).

4. FSA Provisions

- (a) No person shall without the prior written consent of the FSA:

- (i) purport to retain or set off at any time any amount payable by it to the Issuer against any amount due in respect of the Notes, and such person shall immediately pay an amount equal to any retention or set off in breach of this provision to the Issuer and such retention or set off shall be deemed not to have occurred;
 - (ii) subject as provided in Condition 13(b), amend or waive the terms of any document evidencing or providing for the Notes;
 - (iii) attempt to obtain repayment of any amount in respect of the Notes otherwise than in accordance with these Conditions;
 - (iv) take or omit to take any action whereby the subordination of the Notes or any part thereof to Senior Liabilities might be terminated, impaired or adversely affected; or
 - (v) take or enforce any security, guarantee or indemnity from any person for all or any part of the liabilities of the Issuer in respect of the Notes, and any security, guarantee or indemnity obtained in respect thereof and the proceeds thereof will be held by the recipient on trust for the benefit of the Issuer.
- (b) None of the Issuer or any of its Subsidiaries shall without the prior written consent of the FSA: (i) secure all or any part of the Notes; (ii) redeem, purchase or otherwise acquire all or any part of the Notes pursuant to Condition 6(b), 6(c) or 6(e) before the Maturity Date; (iii) amend any document evidencing or providing for the Notes; (iv) repay any amounts in respect of the Notes otherwise than in accordance with these Conditions; (v) take or omit to take any action whereby the subordination of the Notes or any part thereof to the Senior Liabilities might be terminated, impaired or adversely affected; or (vi) arrange or permit any contract of suretyship (or similar agreement) relating to its liabilities under these Conditions in respect of the Notes to be entered into; and the Issuer represents that it has not done so before the date of issue of the Notes.

5. Interest

- (a) The Notes bear interest at the rate of interest provided for in this Condition 5, payable in arrear on each Interest Payment Date, subject as provided in Condition 3 (*Status and Subordination*) and Condition 7 (*Payments*).
- (b) From and including 21st September, 2005, the Notes bear interest at the rate of 5.125 per cent. per annum.
- (c) Where interest is to be calculated in respect of any period other than an Interest Period, the applicable day count fraction will be the number of days in the relevant period from and including the date from which interest begins to accrue to but excluding the date on which it is payable divided by the number of days in the Interest Period comprising the relevant period or in which the relevant period falls.

6. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 21st September, 2035 (the “**Maturity Date**”), subject as provided in Condition 3 (*Status and Subordination*) and Condition 7 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 19th September, 2005; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (for the purpose of inspection by Noteholders during normal business hours) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

- (c) *Redemption at the option of the Issuer*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on or after 21st September, 2009 (the date of redemption being the “**Call Settlement Date**”) at a redemption price equal to 100 per cent. of their principal amount plus accrued interest (if any) up to but excluding the Call Settlement Date on the Issuer’s giving not less than 15 nor more than 30 days’ notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued interest to such date).
- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption at the option of the Issuer*) above.
- (e) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (f) *Cancellation*: All Notes redeemed pursuant to Condition 6(a), 6(b) or 6(c) shall, and all Notes purchased pursuant to Condition 6(e) may, at the option of the Issuer, be cancelled (together with any unmatured Coupons attached to or surrendered with them). All Notes redeemed or purchased and cancelled as aforesaid may not be reissued or resold.
- (g) *FSA Provisions*: Notwithstanding anything to the contrary in these Conditions, no repayment, prepayment or purchase of the Notes may be made by the Issuer, in whole or in part, pursuant to Condition 6(b), 6(c) or 6(e) before the Maturity Date, unless the Issuer shall have obtained the prior written consent of the FSA to such repayment, prepayment or purchase, if such consent is then required under the Financial Rules.

7. **Payments**

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in London.

- (b) *Interest:* Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) Each Note should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 10 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.
- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation, and, in the case of payment by transfer to a euro account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.
- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (h) *Exchange of Talons:* On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the Specified Office of the Principal Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8. Taxation

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by

law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or
- (d) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

9. Events of Default and Enforcement

- (a) If default is made for a period of (i) 7 days or more in the payment of any principal due, or (ii) 14 days or more in the payment of any interest due, the Noteholders may, at their discretion and after taking such preliminary steps or actions as may be necessary, enforce payment by instituting proceedings for the Insolvency of the Issuer after giving seven Business Days’ prior written notice to the FSA of their intention to do so.
- (b) The Noteholders may at their discretion, subject as provided herein, institute proceedings for the Insolvency of the Issuer to enforce any obligation, condition or provision binding on the Issuer under the Notes (other than any obligation for the payment of principal or interest in respect of the Notes) if:
 - (i) a default under those obligations is not remedied to the satisfaction of the Noteholders within 60 days after notice of such default has been given to the Issuer by the Noteholders requiring such default to be remedied;
 - (ii) the Noteholders have taken all preliminary steps or actions required to be taken by them prior to the institution of such proceedings; and

- (iii) the Noteholders have given seven Business Days' prior written notice to the FSA of their intention to institute such proceedings,

provided, however, that the Issuer shall not by virtue of the institution of any such proceedings for the Insolvency of the Issuer be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

- (c) No remedy against the Issuer other than as specifically provided by this Condition 9 shall be available to the Noteholders whether for the recovery of amounts owing under the Notes in respect of any breach by the Issuer of any of its obligations under the Notes.

10. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest (which for this purpose shall not include Talons) shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 7 (*Payments*).

11. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The Paying Agents shall not concern themselves with, or be responsible for inquiring into the receipt of, any consent required to be given by the FSA under these Conditions.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and/or additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent, (b) a paying agent in London (which may be the principal paying agent) and (c), a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any Paying Agent or in the Specified Office of any Paying Agent shall promptly be given to the Noteholders.

13. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification by Extraordinary Resolution of any provision of these Conditions or the Agency Agreement. The quorum at any

meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, not less than one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Agency Agreement will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Principal Paying Agent may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Agency Agreement (other than in respect of a Reserved Matter) which is proper to make if such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

No modification (save in respect of a modification which is of a formal, minor or technical nature or is to correct a manifest error) to, and no waiver or authorisation of any proposed breach or breach of, the Notes or the Agency Agreement may be made without the prior written consent of the FSA, and any such modification, waiver or authorisation made or purported to be made without such consent is void.

Unless the Principal Paying Agent agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

14. Indemnification of FSA

The Agency Agreement contains provisions that the FSA shall not, by virtue of being referred to therein and in these Conditions, be taken to be a trustee or other fiduciary for, or have any obligation to, any Noteholder. The Issuer has agreed to indemnify the FSA on demand against all claims, losses, costs, expenses and other liabilities made against or incurred by the FSA as a consequence of being referred to in, or taking action as contemplated under, these Conditions.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

16. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

The Issuer shall forthwith provide to the FSA a copy of any notice given to Noteholders under this Condition 16.

17. Governing Law

The Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Offering Circular.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The New Notes will initially be in the form of a Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. .

The Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) in denominations of €1,000 at the request of the bearer of the Global Note (acting on the instructions of a Noteholder in the case of (a) below or on the instructions of the Issuer in the case of (b) below) against presentation and surrender of the Global Note to the Principal Paying Agent if any of the following events (each, an “**Exchange Event**”) occurs:

- (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) any of the circumstances described in paragraphs (a) and (b) of Condition 9 (*Events of Default and Enforcement*) occurs; or
- (c) a change occurs in the practice of Euroclear and/or Clearstream, Luxembourg as a result of which the Issuer would suffer a disadvantage which would not be suffered if the Notes were in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Principal Paying Agent.

Whenever the Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached in respect of interest which has not already been paid on the Global Note and security printed in accordance with all applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement, in an aggregate principal amount equal to the principal amount of the Global Note outstanding at such time to the bearer of the Global Note against the surrender of the Global Note at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of the Principal Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

Notices: Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by the Global Note and the Global Note is deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to €50,252,739.73 (which includes €252,739.73 in respect of accrued interest) will be used by the Issuer to strengthen the regulatory capital base of the Group, to pay off existing loans and for general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated in England on 11th October, 1984 (with registration number 1854685) as a private limited company for an unlimited duration under the Companies Act 1948-81 and was re-registered as a public limited company under the Companies Act 1985 on 6th August, 1986. The Issuer is an indirectly wholly-owned subsidiary of LBHI which is the parent company of the Lehman Brothers group of companies.

The Issuer's memorandum of association permits it to carry out any business. It was originally organised to act as a UK holding company of LBHI's UK incorporated businesses, but since 1986 its principal activity has been to hold fixed asset investments in both subsidiary undertakings and non-subsiary undertakings. Pursuant to the Issuer's memorandum of association, the Issuer's objects include, but are not limited to, borrowing and raising money and guaranteeing the performance of obligations of any person associated with the Issuer.

The Issuer has a number of subsidiary undertakings including wholly-owned subsidiaries, on which it depends, Lehman Brothers International (Europe), Lehman Brothers Europe Ltd and Lehman Brothers Limited. The average number of persons employed by the Issuer during 2004 was 7 and, as at the date of this Offering Circular, is 7.

The Issuer has not made any significant investments since 30th November, 2004, being the date of its last audited accounts.

The registered office and principal place of business of the Issuer is at 25 Bank Street, London, E14 5LE, telephone (44) 207 102 1000.

Directors of the Issuer and corporate governance

The board of directors of the Issuer are Ian Lowitt, Paolo R. Tonucci, Richard J.A. Amat, Ian Jameson, Antony J Rush, Marcus Jackson and Justin van Wijngaarden. The business address of each of the above is 25 Bank Street, London, E14 5LE.

All of the directors of the Issuer are executive directors. Each of the directors are also employees of other members of the Lehman Brothers group of companies. None have business interests outside the Lehman Brothers group of companies which are significant with respect to the Issuer.

There are no potential conflicts of interest between any duties to the Issuer of the directors and their private interests and/or other duties.

The Issuer does not have a separate audit committee.

The Issuer complies with English corporate governance rules to the full extent applicable to it.

Share capital of the Issuer

As of the date of this Offering Circular, the share capital of the Issuer is comprised as follows:

- Ordinary Shares, £1.00 par value; 79,750,000 authorised: 40,021,100 allotted, called up and fully-paid.
- Ordinary Shares \$1.00 par value; 1,000,000,000 authorised: 653,800,000 allotted, called up and fully-paid
- Ordinary B Shares, £1.00 par value; 250,000 authorised; zero called up and fully-paid
- Preference Shares, non-cumulative, redeemable, £1.00 par value; 20,000,000 authorised: 20,000,000 allotted, called up and fully-paid
- Preference Shares, non-cumulative, redeemable, \$1.00 par value; \$2,000,000,000 authorised: 1,910,000,000 allotted, called up and fully-paid

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following table sets forth selected non-consolidated financial information of the Issuer as of the dates and for the periods indicated. The selected non-consolidated financial information set out are below is extracted without material adjustment from the audited non-consolidated financial statements of the Issuer for the year ended 30th November, 2004.

Profit and Loss Account Data

	Year ended 30th November, 2004	Year ended 30th November, 2003
Operating (Loss)/Income	(67,115)	322,255
Administrative expenses.....	(2,788)	(2,883)
Operating (Loss)/Profit	(69,903)	319,372
Interest receivable and similar income.....	58,162	11,692
Interest payable and similar charges.....	(119,302)	(182,706)
Profit/(Loss) on Ordinary Activities before Taxation	(131,043)	148,358
Tax on profit on ordinary activities.....	-	-
Profit/(Loss) on Ordinary Activities after Taxation	(131,043)	148,358
Dividend paid.....	-	-
Profit/(Loss) Retained for the Year	(131,043)	148,358

Balance Sheet Data

	Year ended 30th November, 2004	Year ended 30th November, 2003
Total assets.....	8,106,443	5,897,981
Total current liabilities ¹	5,813,594	4,535,948
Long-term liabilities ¹	0	3,041
Total shareholders' funds.....	2,292,849	1,358,992
Total capital (shareholders' funds and long-term liabilities)	2,292,849	1,362,033

Note:

- For the years ended 30th November, 2004 and 30th November, 2003, the total liabilities of the Issuer consist of the sum of the Total current liabilities and the Long-term liabilities.

TAXATION

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes and do not apply to certain classes of person (such as dealers and persons connected with the Issuer). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

A. UK Withholding Tax on UK Source Interest

1. The Notes will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Income and Corporation Taxes Act 1988. The Channel Islands Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.
2. In all cases falling outside the exemption described in 1 above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

B. Provision of Information

3. Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “**paying agent**”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “**collecting agent**”), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes. These provisions may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

C. Other Rules Relating to United Kingdom Withholding Tax

4. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

5. The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1st July, 2005 to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

SUBSCRIPTION AND SALE

Lehman Brothers UK Capital Funding II LP has, in a note purchase agreement dated 26th October, 2005 (the “**Note Purchase Agreement**”) made between the Issuer and Lehman Brothers UK Capital Funding II LP upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 100.00 per cent. of their principal amount, plus 36 days’ accrued interest from 21st September, 2005 at the rate of 5.125 per cent. per annum..

GENERAL INFORMATION

1. Authorisations

The creation and issue of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated 26th October, 2005.

2. Listing

Application has been made to list the Notes on the Channel Islands Stock Exchange.

3. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0229553739 and the common code is 022955373.

4. No significant change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position and no material adverse change in the financial position and prospects of the Issuer or the Group since 30th November, 2004.

5. Litigation

No member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months prior to the date of this document, a significant effect on the financial position of the Issuer or the Group, nor is the Issuer aware that any such proceedings are pending or threatened.

6. Accounts

The non-consolidated annual financial statements of the Issuer have been audited without qualification for the two years ending 30th November 2004, by Ernst & Young LLP. The Issuer does not currently publish consolidated financial statements or interim financial statements.

7. Documents available for inspection

Copies of the following documents may be inspected during normal business hours at the offices of the Issuer at 25 Bank Street, London E14 5LE during the period of 14 days from the date of this Offering Circular:

- (a) the memorandum and articles of association of the Issuer;
- (b) the Note Purchase Agreement;
- (c) the First Supplemental Agency Agreement; and
- (d) the audited non-consolidated financial statements of the Issuer for the years ended 30th November 2004 and 2003.

8. US tax

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States

income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

REGISTERED OFFICE OF THE ISSUER

Lehman Brothers Holdings plc
25 Bank Street
London E14 5LE
England

PRINCIPAL PAYING AGENT

JPMorgan Chase Bank, N.A., London Branch
Trinity Tower
9 Thomas More Street
London E1W 1YT
England

PAYING AGENT

J.P. Morgan Bank Luxembourg S.A.
European Bank & Business Centre
6, route de Treves
L-2633 Senningerberg
Luxembourg

LEGAL ADVISERS

To the Issuer as to English law

Allen & Overy LLP
One New Change
London EC4M 9QQ
England

AUDITORS TO THE ISSUER

Ernst & Young LLP
1 More London Place
London SE1 2AF
England

LISTING AGENT

The Bank of New York
One Canada Square
London E14 5AL
England

OFFERING CIRCULAR

Lehman Brothers Holdings plc

(incorporated with limited liability under the laws of England and Wales with registered number 1854685)

€500,000,000

Fixed/Floating Rate Subordinated Notes due 2036

Issue Price: 99.435 per cent.

Unless previously redeemed or repurchased and cancelled, the €500,000,000 Fixed/Floating Rate Subordinated Notes due 2036 (the "Notes") of Lehman Brothers Holdings plc (the "Issuer") will be redeemed at their principal amount on 22nd February, 2036. The Notes are subject to redemption in whole at their principal amount, plus accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxation in the United Kingdom. The Notes may also be redeemed at the option of the Issuer, in whole but not in part, at their principal amount, plus accrued interest, at any time on or after 22nd February, 2011. See "*Terms and Conditions of the Notes - Redemption and Purchase*". Under the existing requirements of The Financial Services Authority ("FSA"), the Issuer may not redeem or purchase any Notes prior to their maturity date unless the FSA has given its prior consent. See "*Terms and Conditions of the Notes - Redemption and Purchase*".

The Notes will be unsecured obligations of the Issuer and such obligations will be subordinated to the Senior Liabilities (as defined herein). See "*Terms and Conditions of the Notes - Status and Subordination*".

The Notes will bear interest from and including 22nd February, 2006 (the "Closing Date") to but excluding 22nd February, 2011 at the rate of 3.825 per cent. per annum and thereafter at a rate equal to Three Month EURIBOR plus 1.55 per cent. per annum. Payments on the Notes will be made annually in arrear on 22nd February in each year in respect of the period from and including the Closing Date to but excluding 22nd February, 2011 and thereafter quarterly in arrear on 22nd February, 22nd May, 22nd August and 22nd November and will be made in euro without deduction for, or on account of, taxes imposed or levied by the United Kingdom to the extent described under "*Terms and Conditions of the Notes - Taxation*".

Application has been made to list the Notes on the Channel Islands Stock Exchange.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Manager (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in denominations of €50,000. The Notes will initially be in the form of a global note (the "Global Note"), without interest coupons, which will be deposited on or around the Closing Date with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg"). The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in denominations of €50,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The date of this Offering Circular is 20th February, 2006

The Issuer accepts responsibility for the information contained in this Offering Circular and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer (or the Issuer and its subsidiaries (together, the "Group")) since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer to inform themselves about and to observe any such restrictions.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, unless otherwise specified, references to "pounds", "pounds sterling" or "£" are to the lawful currency from time to time of the United Kingdom, references to "EUR", "€" and "euro" are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time and references to "US\$" and "\$" are to United States dollars.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Neither the admission of the Notes to the Channel Islands Stock Exchange nor the approval of this Offering Circular pursuant to the listing requirements of the Channel Islands Stock Exchange shall constitute a warranty or representation by the Channel Islands Stock Exchange as to the competence of the service providers to or any other party connected with the Notes, the adequacy and accuracy of information contained in this Offering Circular or the suitability of the Issuer for investment or for any other purpose.

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INCORPORATION BY REFERENCE

The audited non-consolidated annual financial statements of the Issuer as of and for the years ended 30th November, 2004 and 2003 shall be deemed to be incorporated in, and to form part of, this Offering Circular.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, a copy of this Offering Circular and any document incorporated by reference in this Offering Circular.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €500,000,000 Fixed/Floating Rate Subordinated Notes due 2036 (the “Notes”, which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Lehman Brothers Holdings plc (the “Issuer”) are the subject of an agency agreement dated 22nd February, 2006 (as amended or supplemented from time to time, the “Agency Agreement”) between the Issuer, JPMorgan Chase Bank, N.A., London Branch as principal paying agent (the “Principal Paying Agent” and the “Calculation Agent”, which expression includes any successor principal paying agent or, as the case may be, Calculation Agent appointed from time to time in connection with the Notes) and J.P. Morgan Bank Luxembourg S.A. as paying agent (together with the Principal Paying Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these terms and conditions (the “Conditions”) are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “Noteholders”) and the holders of the related interest coupons and the talons (Talons) for further interest coupons (the “Couponholders” and the “Coupons” (which expressions shall in these Conditions, unless the context otherwise requires, include the holders of the Talons and the Talons) respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions:

In these Conditions the following expressions have the following meanings:

“**Auditors**” means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to these Conditions, such other firm of chartered accountants as may be nominated for the relevant purpose by the Issuer;

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and on which the TARGET System, or any successor thereto, is operating;

“**Closing Date**” means 22nd February, 2006;

“**Excluded Liabilities**” means Liabilities which are expressed to be and, in the opinion of the Insolvency Officer of the Issuer, do, rank junior to the Subordinated Liabilities in any Insolvency of the Issuer;

“**Financial Resources**” means the financial resources which apply to the Issuer as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Issuer via its Subsidiaries regulated by the FSA from time to time;

“**Financial Resources Requirement**” means the financial resources requirement which applies to the Issuer as calculated under rule 10-200(1) of the Financial Rules and are notifiable to the Issuer via its Subsidiaries regulated by the FSA from time to time;

“**Financial Rules**” means the rules in IPRU(INV) 10 in the FSA handbook, as the same may be modified, supplemented, amended or replaced from time to time by the FSA;

"First Call Date" means 22nd February, 2011;

"FSA" means The Financial Services Authority Limited whose registered office is at 25 The North Colonnade, Canary Wharf, London E14 5HS and shall include any successor organisation responsible for the Issuer's financial regulation;

"Insolvency" means and includes liquidation, winding up, bankruptcy, sequestration, administration, rehabilitation and dissolution (whichever term may apply to the Issuer) or the equivalent in any other jurisdiction to which the Issuer may be subject;

"Insolvency Officer" means and includes any person duly appointed to administer and distribute assets of the Issuer in the course of the Issuer's Insolvency;

"Interest Payment Date" means 22nd February in each year;

"Interest Period" means the period from, and including, the Closing Date to, but excluding, the first Interest Payment Date and each period thereafter from, and including, one Interest Payment Date to, but excluding, the next following Interest Payment Date;

"Liabilities" means all present and future sums, liabilities and obligations payable or owing by the Issuer (whether actual or contingent, jointly or severally or otherwise howsoever);

"Margin" means 1.55 per cent. per annum;

"Reference Banks" means any four major banks in the euro-zone interbank market selected by agreement between the Principal Paying Agent and the General Partner;

"Relevant Screen Page" means Bridge's Telerate Service Page 248 (or such replacement page on that service which displays the information);

"Senior Liabilities" means all Liabilities except the Subordinated Liabilities and Excluded Liabilities;

"Subordinated Liabilities" means all Liabilities to the Noteholders in respect of the Notes and all other Liabilities of the Issuer which rank or are expressed to rank *pari passu* with the Notes;

"Subsidiary" means, in relation to any person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"TARGET" means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System; and

"TARGET Business Day" means a day on which TARGET is operating.

2. Form, Denomination and Title

The Notes are serially numbered and in bearer form in denominations of €50,000 with Coupons and one Talon attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute

owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. Status and Subordination

- (a) The Notes constitute direct, unsecured and subordinated obligations of the Issuer and the rights and claims of the Noteholders against the Issuer rank *pari passu* without any preference among themselves. The rights of the Noteholders in respect of the Notes are subordinated to the Senior Liabilities and accordingly payment of any amount (whether principal, interest or otherwise) in respect of the Notes is conditional upon:
- (i) (if an order has not been made or an effective resolution passed for the Insolvency of the Issuer) the Issuer being in compliance with not less than 100 per cent. of its Financial Resources Requirement immediately after such payment, and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that (a) Condition 3(d) or Condition 6(g), as the case may be, has been complied with; and (b) the Issuer could make such payment and still be in compliance with such Financial Resources Requirement; and
 - (ii) the Issuer being solvent at the time of, and immediately after, such payment, and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that the Issuer could make such payment and still be solvent.
- (b) For the purposes of Condition 3(a) above, the Issuer shall be “solvent” if it is able to pay its Liabilities (other than the Subordinated Liabilities) in full disregarding (i) obligations which are not payable or capable of being established or determined in the Insolvency of the Issuer, and (ii) the Excluded Liabilities.
- (c) For the purposes of Condition 3(b) above, prior to the Insolvency of the Issuer, a report given at any relevant time as to the solvency of the Issuer by the Auditors, and on or after the Insolvency of the Issuer a report given at any relevant time as to the solvency of the Issuer by its Insolvency Officer, in each case in form and substance acceptable to the FSA, shall in the absence of manifest error be treated and accepted by the FSA, the Issuer and the Noteholders as correct and sufficient evidence of the Issuer’s solvency or Insolvency.
- (d) Payments of interest as provided for in Condition 5(a) may be made without notice to or consent of the FSA, except that where (i) immediately after payment, the Issuer’s Financial Resources would be less than or equal to 100 per cent. of its Financial Resources Requirement, or (ii) the Insolvency of the Issuer has commenced before such payment, and in either such case no such payment may be made without the prior written consent of the FSA.
- (e) If any Noteholder or any Couponholder receives from the Issuer payment of any sum in respect of the Notes at a time when any of the conditions referred to in Condition 3(a) or Condition 3(d) are not satisfied, such sum shall not be recoverable by the Issuer and the Issuer shall have no right against the Principal Paying Agent or any Noteholder or Couponholder in respect of such payment.
- (f) If any amount due to Noteholders from the Issuer is not paid when due solely by virtue of the operation of this Condition 3, such amount shall be paid on the earliest date on which such payment could be made in compliance with Condition 3(a) and Condition 3(d). Interest will accrue at the rate specified in Condition 5 (*Interest*) on any payment which does not become payable under Condition 3(a) or Condition 3(d).

- (g) All the other terms and conditions of the Notes shall be subject to the provisions of this Condition 3 and Condition 4 (*FSA Provisions*).

4. FSA Provisions

- (a) No person shall without the prior written consent of the FSA:
- (i) purport to retain or set off at any time any amount payable by it to the Issuer against any amount due in respect of the Notes, and such person shall immediately pay an amount equal to any retention or set off in breach of this provision to the Issuer and such retention or set off shall be deemed not to have occurred;
 - (ii) subject as provided in Condition 13(b), amend or waive the terms of any document evidencing or providing for the Notes;
 - (iii) attempt to obtain repayment of any amount in respect of the Notes otherwise than in accordance with these Conditions;
 - (iv) take or omit to take any action whereby the subordination of the Notes or any part thereof to Senior Liabilities might be terminated, impaired or adversely affected; or
 - (v) take or enforce any security, guarantee or indemnity from any person for all or any part of the liabilities of the Issuer in respect of the Notes, and any security, guarantee or indemnity obtained in respect thereof and the proceeds thereof will be held by the recipient on trust for the benefit of the Issuer.
- (b) None of the Issuer or any of its Subsidiaries shall without the prior written consent of the FSA: (i) secure all or any part of the Notes; (ii) redeem, purchase or otherwise acquire all or any part of the Notes pursuant to Condition 6(b), 6(c) or 6(e) before the Maturity Date; (iii) amend any document evidencing or providing for the Notes; (iv) repay any amounts in respect of the Notes otherwise than in accordance with these Conditions; (v) take or omit to take any action whereby the subordination of the Notes or any part thereof to the Senior Liabilities might be terminated, impaired or adversely affected; or (vi) arrange or permit any contract of suretyship (or similar agreement) relating to its liabilities under these Conditions in respect of the Notes to be entered into; and the Issuer represents that it has not done so before the date of issue of the Notes.

5. Interest

- (a) The Notes bear interest at the rate of interest provided for in this Condition 5, payable in arrear on each Interest Payment Date, subject as provided in Condition 3 (*Status and Subordination*) and Condition 7 (*Payments*).
- (b) From and including the Closing Date to but excluding 22nd February, 2011, the Notes bear interest at the rate of 3.825 per cent. per annum.
- (c) Where interest is to be calculated in respect of any period other than an Interest Period, the applicable day count fraction will be the number of days in the relevant period from and including the date from which interest begins to accrue to but excluding the date on which it is payable divided by the number of days in the Interest Period comprising the relevant period or in which the relevant period falls.
- (d) In relation to any Interest Period commencing on the First Call Date or any Interest Payment Date thereafter, the rate of interest shall be the sum of Three Month EURIBOR and the Margin. For these purposes, "Three Month EURIBOR" means the rate for deposits in euro for a period of three months which appears on the Relevant Screen Page as of 11.00 a.m., Brussels time, (or such other time as

may be customary for the daily reset of such rate) on the day that is two TARGET Business Days preceding the first day of the relevant Interest Period.

- (e) If such rate does not appear on the Relevant Screen Page on the day that is two TARGET Business Days preceding the first day of the relevant Interest Period, then Three Month EURIBOR for the relevant Interest Period will be determined on the basis of the rates at which deposits in euro are offered by the Reference Banks at approximately 11.00 a.m., Brussels time, on the day that is two TARGET Business Days preceding the first day of the relevant Interest Period to leading banks in the euro-zone interbank market for a period of three months commencing on the first day of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time. The Principal Paying Agent shall request the principal euro-zone office of each of the Reference Banks to provide a quotation of its rate. If at least two quotations are provided, the rate shall be the arithmetic mean of such quotations.

If fewer than two quotations are provided as requested, Three Month EURIBOR in respect of such Interest Period shall be the arithmetic mean of the rates quoted by major banks in the euro-zone selected by the Principal Paying Agent, at approximately 11.00 a.m., Brussels time, on the day that is two TARGET Business Days preceding the first day of the relevant Interest Period for loans in euro to leading banks in the euro-zone interbank market for a period of three months commencing on the first day of such Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time, except that, if the banks so selected by the Principal Paying Agent are not quoting as mentioned above, the rate of distribution for such Interest Period shall be either (i) the rate of distribution in effect for the last preceding Interest period to which one of the preceding paragraphs of this definition of Three Month EURIBOR shall have applied or (ii) if none, 3.825 per cent. per annum.

- (f) Whenever it is necessary to calculate the amount of any interest in respect of a Note for each period beginning on or after the 22nd February, 2011, the amount of such interest shall be calculated by multiplying the applicable rate by the denomination of the Note and the actual number of days in the relevant Interest Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).
- (g) The Principal Paying Agent shall, as soon as practicable after 11.00 a.m., Brussels time, on the day which is two TARGET Business Days prior to the first day of each Interest Period, calculate the interest payable on the relevant Interest Payment Date for the Notes for the relevant Interest Period.
- (h) The Calculation Agent shall cause the rate of interest and the amount of interest for each Interest Period and the relative Interest Payment Date to be notified to the Issuer, the Principal Paying Agent and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed (by no later than the first day of each Interest Period) and to be published in accordance with Condition 16 as soon as possible after their determination, and in no event later than the second Business Day thereafter. The interest amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.
- (i) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them) or the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or the Noteholders or the Couponholders shall attach to the Reference Banks (or any of them), the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

- (j) The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all time a Calculation Agent for the purposes of the Notes and the Issuer may terminate the appointment of the Calculation Agent. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine the rate of interest and the interest amount for any Interest Period, the Issuer shall appoint the Euro-zone office of another major bank engaged in the Euro-zone interbank market to act in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed.

6. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or repurchased and cancelled, the Notes will be redeemed at their principal amount on 22nd February, 2036 (the "Maturity Date"), subject as provided in Condition 3 (*Status and Subordination*) and Condition 7 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice:
- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20th February, 2006; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (for the purpose of inspection by Noteholders during normal business hours) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

- (c) *Redemption at the option of the Issuer*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on or after 22nd February, 2011 (the date of redemption being the "Call Settlement Date") at a redemption price equal to 100 per cent. of their principal amount plus accrued interest (if any) up to but excluding the Call Settlement Date on the Issuer's giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued interest to such date).
- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption at the option of the Issuer*) above.

- (e) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (f) *Cancellation*: All Notes redeemed pursuant to Condition 6(a), 6(b) or 6(c) shall, and all Notes purchased pursuant to Condition 6(e) may, at the option of the Issuer, be cancelled (together with any unmatured Coupons attached to or surrendered with them). All Notes redeemed or purchased and cancelled as aforesaid may not be reissued or resold.
- (g) *FSA Provisions*: Notwithstanding anything to the contrary in these Conditions, no repayment, prepayment or purchase of the Notes may be made by the Issuer, in whole or in part, pursuant to Condition 6(b), 6(c) or 6(e) before the Maturity Date, unless the Issuer shall have obtained the prior written consent of the FSA to such repayment, prepayment or purchase, if such consent is then required under the Financial Rules.

7. Payments

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in London.
- (b) *Interest*: Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) Each Note should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons). Upon the date on which any Note becomes due and repayable, all unmatured Coupons appertaining to the Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.
- (e) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation, and, in the case of payment by transfer to a euro account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.
- (f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

- (h) *Exchange of Talons*: On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the Specified Office of the Principal Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8. Taxation

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or
- (d) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

In these Conditions, "Relevant Date" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

9. Events of Default and Enforcement

- (a) If default is made for a period of (i) 7 days or more in the payment of any principal due, or (ii) 14 days or more in the payment of any interest due, the Noteholders may, at their discretion and after taking such preliminary steps or actions as may be necessary, enforce payment by instituting

proceedings for the Insolvency of the Issuer after giving seven Business Days' prior written notice to the FSA of their intention to do so.

- (b) The Noteholders may at their discretion, subject as provided herein, institute proceedings for the Insolvency of the Issuer to enforce any obligation, condition or provision binding on the Issuer under the Notes (other than any obligation for the payment of principal or interest in respect of the Notes) if:
- (i) a default under those obligations is not remedied to the satisfaction of the Noteholders within 60 days after notice of such default has been given to the Issuer by the Noteholders requiring such default to be remedied;
 - (ii) the Noteholders have taken all preliminary steps or actions required to be taken by them prior to the institution of such proceedings; and
 - (iii) the Noteholders have given seven Business Days' prior written notice to the FSA of their intention to institute such proceedings,

provided, however, that the Issuer shall not by virtue of the institution of any such proceedings for the Insolvency of the Issuer be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

- (c) No remedy against the Issuer other than as specifically provided by this Condition 9 shall be available to the Noteholders whether for the recovery of amounts owing under the Notes in respect of any breach by the Issuer of any of its obligations under the Notes.

10. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest (which for this purpose shall not include Talons) shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 7 (*Payments*).

11. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The Paying Agents shall not concern themselves with, or be responsible for inquiring into the receipt of, any consent required to be given by the FSA under these Conditions.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a

successor principal paying agent and/or additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent, (b) a paying agent in London (which may be the principal paying agent) and (c), a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any Paying Agent or in the Specified Office of any Paying Agent shall promptly be given to the Noteholders.

13. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification by Extraordinary Resolution of any provision of these Conditions or the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “Reserved Matter”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, not less than one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Agency Agreement will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Principal Paying Agent may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Agency Agreement (other than in respect of a Reserved Matter) which is proper to make if such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

No modification (save in respect of a modification which is of a formal, minor or technical nature or is to correct a manifest error) to, and no waiver or authorisation of any proposed breach or breach of, the Notes or the Agency Agreement may be made without the prior written consent of the FSA, and any such modification, waiver or authorisation made or purported to be made without such consent is void.

Unless the Principal Paying Agent agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

14. Indemnification of FSA

The Agency Agreement contains provisions that the FSA shall not, by virtue of being referred to therein and in these Conditions, be taken to be a trustee or other fiduciary for, or have any obligation

to, any Noteholder. The Issuer has agreed to indemnify the FSA on demand against all claims, losses, costs, expenses and other liabilities made against or incurred by the FSA as a consequence of being referred to in, or taking action as contemplated under, these Conditions.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

16. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

The Issuer shall forthwith provide to the FSA a copy of any notice given to Noteholders under this Condition 16.

17. Governing Law

The Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Offering Circular.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of a Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg

The Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) in denominations of €50,000 at the request of the bearer of the Global Note (acting on the instructions of a Noteholder in the case of (a) below or on the instructions of the Issuer in the case of (b) below) against presentation and surrender of the Global Note to the Principal Paying Agent if any of the following events (each, an “**Exchange Event**”) occurs:

- (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) any of the circumstances described in paragraphs (a) and (b) of Condition 9 (*Events of Default and Enforcement*) occurs;
- (c) upon not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Note); or
- (d) a change occurs in the practice of Euroclear and/or Clearstream, Luxembourg as a result of which if the Issuer would suffer a disadvantage which would not be suffered if the Notes were in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Principal Paying Agent.

Whenever the Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached in respect of interest which has not already been paid on the Global Note and security printed in accordance with all applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement, in an aggregate principal amount equal to the principal amount of the Global Note outstanding at such time to the bearer of the Global Note against the surrender of the Global Note at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of the Principal Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

Notices: Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by the Global Note and the Global Note is deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to €497,175,000 will be used by the Issuer to strengthen the regulatory capital base of the Group, to pay off existing loans and for general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated in England on 11th October, 1984 (with registration number 1854685) as a private limited company for an unlimited duration under the Companies Act 1948-81 and was re-registered as a public limited company under the Companies Act 1985 on 6th August, 1986. The Issuer is an indirectly wholly-owned subsidiary of LBHI which is the parent company of the Lehman Brothers group of companies.

The Issuer's memorandum of association permits it to carry out any business. It was originally organised to act as a UK holding company of LBHI's UK incorporated businesses, but since 1986 its principal activity has been to hold fixed asset investments in both subsidiary undertakings and non-subsiary undertakings. Pursuant to the Issuer's memorandum of association, the Issuer's objects include, but are not limited to, borrowing and raising money and guaranteeing the performance of obligations of any person associated with the Issuer.

The Issuer has a number of subsidiary undertakings including wholly-owned subsidiaries, on which it depends, Lehman Brothers International (Europe), Lehman Brothers Europe Ltd and Lehman Brothers Limited. The average number of persons employed by the Issuer during 2004 was 7 and, as at the date of this Offering Circular, is 7.

The Issuer has not made any significant investments since 30th November, 2004, being the date of its last audited accounts.

The registered office and principal place of business of the Issuer is at 25 Bank Street, London, E14 5LE, telephone (44) 207 102 1000.

Directors of the Issuer and corporate governance

The board of directors of the Issuer are Ian Lowitt, Paolo R. Tonucci, Richard J.A. Amat, Ian Jameson, Antony J Rush, Marcus Jackson and Justin van Wijngaarden. The business address of each of the above is 25 Bank Street, London, E14 5LE.

All of the directors of the Issuer are executive directors. Each of the directors are also employees of other members of the Lehman Brothers group of companies. None have business interests outside the Lehman Brothers group of companies which are significant with respect to the Issuer.

There are no potential conflicts of interest between any duties to the Issuer of the directors and their private interests and/or other duties.

The Issuer does not have a separate audit committee.

The Issuer complies with English corporate governance rules to the full extent applicable to it.

Share capital of the Issuer

As of the date of this Offering Circular, the share capital of the Issuer is comprised as follows:

- Ordinary Shares, £1.00 par value; 79,750,000 authorised: 40,021,100 allotted, called up and fully - paid.
- Ordinary Shares \$1.00 par value; 1,000,000,000 authorised: 653,800,000 allotted, called up and fully-paid
- Ordinary B Shares, £1.00 par value; 250,000 authorised; zero called up and fully-paid
- Preference Shares, non-cumulative, redeemable, £1.00 par value; 20,000,000 authorised: 20,000,000 allotted, called up and fully-paid
- Preference Shares, non-cumulative, redeemable, \$1.00 par value; \$2,000,000,000 authorised: 1,910,000,000 allotted, called up and fully-paid

FactSet Research Systems Inc.

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SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following table sets forth selected non-consolidated financial information of the Issuer as of the dates and for the periods indicated. The selected non-consolidated financial information set out are below is extracted without material adjustment from the audited non-consolidated financial statements of the Issuer for the year ended 30th November, 2004.

Profit and Loss Account Data

	Year ended 30th November, 2004	Year ended 30th November, 2003
<i>(in U.S.\$ thousands)</i>		
Operating	(67,115)	322,255
(Loss)/Income		
Administrative	(2,788)	(2,883)
expenses.....		
Operating	(69,903)	319,372
(Loss)/Profit		
Interest receivable and similar	58,162	11,692
income.....		
Interest payable and similar	(119,302)	(182,706)
charges.....		
Profit/(Loss) on Ordinary Activities before	(131,043)	148,358
Taxation		
Tax on profit on ordinary	-	-
activities.....		
Profit/(Loss) on Ordinary Activities after	(131,043)	148,358
Taxation		
Dividend	-	-
paid.....		
Profit/(Loss) Retained for the Year	(131,043)	148,358

Balance Sheet Data

	Year ended 30th November, 2004	Year ended 30th November, 2003
<i>(in U.S. \$ thousands)</i>		
Total assets.....	8,106,443	5,897,981
Total current liabilities ¹	5,813,594	4,535,948
.....		
Long-term liabilities ¹	0	3,041
.....		
Total shareholders' funds.....	2,292,849	1,358,992
Total capital (shareholders' funds and long-term liabilities)	2,292,849	1,362,033

Note:

- For the years ended 30th November, 2004 and 30th November, 2003, the total liabilities of the Issuer consist of the sum of the Total current liabilities and the Long-term liabilities.

TAXATION

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes and do not apply to certain classes of person (such as dealers and persons connected with the Issuer). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

A. UK Withholding Tax on UK Source Interest

1. The Notes will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Income and Corporation Taxes Act 1988. The Channel Islands Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.
2. In all cases falling outside the exemption described in 1 above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

B. Provision of Information

3. Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “**paying agent**”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “**collecting agent**”), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes. These provisions may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

C. Other Rules Relating to United Kingdom Withholding Tax

4. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

5. The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1st July, 2005 to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

SUBSCRIPTION AND SALE

Lehman Brothers UK Capital Funding III LP has, in a note purchase agreement dated 20th February, 2006 (the "Note Purchase Agreement") made between the Issuer and Lehman Brothers UK Capital Funding III LP upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 99.435 per cent. of their principal amount.

GENERAL INFORMATION

1. Authorisations

The creation and issue of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated 14th February, 2006.

2. Listing

Application has been made to list the Notes on the Channel Islands Stock Exchange.

3. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0245017446 and the common code is 024501744.

4. No significant change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position and no material adverse change in the financial position and prospects of the Issuer or the Group since 30th November, 2004.

5. Litigation

Other than as disclosed above, no member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months prior to the date of this document, a significant effect on the financial position of the Issuer or the Group, nor is the Issuer aware that any such proceedings are pending or threatened.

6. Accounts

The non-consolidated annual financial statements of the Issuer have been audited without qualification for the two years ending 30th November 2004, by Ernst & Young LLP. The Issuer does not currently publish consolidated financial statements or interim financial statements.

7. Documents available for inspection

Copies of the following documents may be inspected during normal business hours at the offices of the Issuer at 25 Bank Street, London E14 5LE during the period of 14 days from the date of this Offering Circular:

- (a) the memorandum and articles of association of the Issuer;
- (b) the Note Purchase Agreement;
- (c) the Agency Agreement; and
- (d) the audited non-consolidated financial statements of the Issuer for the years ended 30th November 2004 and 2003.

8. US tax

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States

income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

REGISTERED OFFICE OF THE ISSUER

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