

Supplement dated as of 28 February 2005

LEHMAN BROTHERS SECURITIES N.V.

Warrant Programme

**Unconditionally and Irrevocably Guaranteed by
LEHMAN BROTHERS HOLDINGS INC.**

Periodic Reset Warrants on the Puma Absolute Return Fund Limited

This Supplement is prepared in connection with the Warrant Programme of Lehman Brothers Securities N.V. (the “**Issuer**”) and is supplemental to, and should be read in conjunction with, the Information Memorandum dated 18 August 2004 (the “**Information Memorandum**”). This Supplement is valid for the purpose of listing Warrants issued during the period of one year from and including the date hereof. Except as disclosed in the Information Memorandum (including in any document incorporated by reference therein) and save as disclosed herein there has been no material adverse change in the financial position of either the Issuer or the Guarantor since the date of the last financial year end of the Issuer. Terms defined in the Information Memorandum have the same meaning when used in this Supplement.

Save as disclosed herein, neither the Issuer nor the Guarantor is involved in any litigation or arbitration proceedings which the Issuer or the Guarantor (as the case may be) believes would have a material adverse effect on the financial position of the Issuer or the Guarantor (as the case may be) nor is the Issuer or the Guarantor aware of any such proceedings pending or threatened.

The Issuer accepts responsibility for the information contained in this Supplement except as mentioned herein. 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 Supplement is (subject as mentioned herein) in accordance with the facts and does not omit anything likely to affect the import of such information.

The information contained herein with regard to the underlying asset (or basket of assets), Commodity (or basket of Commodities), Currency (or basket of Currencies), Debt Security (or basket of Debt Securities), depositary receipt (or basket of depositary receipts), Index (or basket of Indices), Share (or basket of Shares) (as all such terms are defined in the Terms and Conditions) or other item(s) (the “**Underlying**”) to which the Warrants relate consists of extracts from or summaries of information that are publicly available. Except as mentioned herein, the Issuer accepts responsibility for accurately reproducing and/or summarising the information relating to the Underlying to which the Warrants relate, which information is more particularly described in Part B hereto. The Issuer accepts no further or other responsibility in respect of such information.

Investing in the Warrants involves risks that each purchaser should consider prior to making an investment decision. See “Risk Factors” in Part C of this Supplement and in the Information Memorandum.

IN WITNESS WHEREOF, LEHMAN BROTHERS SECURITIES N.V. has caused this Supplement to be executed by a duly authorised officer or director.

Dated: 28 February 2005

Executed by
LEHMAN BROTHERS SECURITIES N.V.

and signed and delivered on its behalf

By: _____

Name:

Title: Authorised Signatory

Part A
Information about the Securities

General

1. Description of the Securities:
 - (a) Warrants or Certificates: The Securities are Warrants
 - (b) Type of Securities: The Securities are Fund Linked Securities
2. Description of the Underlying: Class B Shares (each, a “**Share**”) of the Puma Absolute Return Fund Limited, an exempted company incorporated under the laws of the Cayman Islands (the “**Fund**”),. More information concerning the Underlying is available from the sources described in Part B (Information relating to the Underlying).
3. If Warrants, American Style Warrants, European Style Warrants or other: American Style Warrants
4. If Warrants, Call Warrants, Put Warrants or other: Other
5. Number of Securities being issued: Up to 15,000 Securities
6. Series Number: L - 05/01
 - (a) Tranche Number: 1
7. Issue Date: 28 February 2005
8. Issue Price(s): GBP 1,000 per Security

Each Dealer reserves the right, in its sole discretion, at any time and from time to time, to offer and sell the Securities at one or more prices that differ from the Issue Price
9. Minimum initial purchase of the Securities: 100 Warrants
10. Minimum transferable number (for the purposes of Condition 1(c)): 100 Warrants
11. Last Trading Day (for the purposes of

Conditions 1(c) and 9(c):

Warrants - Provisions relating to exercise

- | | |
|---|--|
| 12. If American Style Warrants, the Exercise Period: | The period prior to each anniversary of the Issue Date up to and including 28 February 2010 (each an “Exercise Date”). |
| 13. If European Style Warrants, the Expiration Date: | Not Applicable |
| 14. Exercise Notice Deposit Time(s) (for the purposes of Condition 5(a)): | 10:00 a.m., Brussels time |
| 15. Minimum Exercise Number (for the purposes of Condition 5(b)): | The total number of Warrants in issue. |
| 16. Integral multiple of Minimum Exercise Number (for the purposes of Condition 5(b)): | Not Applicable |
| 17. If Physical Delivery Warrants, any modification of minimum Board Lot requirement in relation to exercise (for the purpose of Condition 9(h)): | Not Applicable |
| 18. If American Style Warrants, the Maximum Exercise Number (for the purposes of Condition 5(b)): | Not Applicable |
| 19. Automatic Exercise in respect of Cash Settled Warrants (for the purposes of Condition 4(a)): | Applicable |

Certificates - Provisions relating to interest

- | | |
|---|----------------|
| 20. Interest Payment Dates: | Not Applicable |
| 21. Notional Amount per Certificate (for the purposes of Condition 6): | Not Applicable |
| 22. Interest Rate (for the purposes of Condition 6): | Not Applicable |
| 23. Interest Rate Day Count Fraction (for the purposes of Condition 6): | Not Applicable |
| 24. Other terms relating to the method of calculating interest (for the purposes of | Not Applicable |

Condition 6):

Provisions relating to settlement and redemption

- | | |
|--|---|
| 25. Form of Settlement (for the purposes of Condition 1(a)): | Cash Settled Securities |
| 26. Issuer's option to vary settlement in respect of the Securities (for the purposes of Conditions 1(a) and 10(c)): | Not Applicable |
| 27. Valuation Date: | <p>For Warrants exercised during the Exercise Period, the Valuation Date shall be the Exercise Date, provided that if such date is not a NAV Date (as defined in Annex 1), the next following NAV Date.</p> <p>For Warrants that are terminated upon an Issuer Early Termination (as defined in Annex 1), the Valuation Date shall be the first calendar day of the month that ends after the 30th calendar day after the Issuer has sent its notice of early termination of the Warrants, provided that if such date is not a NAV Date, the next following NAV Date.</p> <p>For Warrants that are terminated upon the occurrence of an Early Termination Event (as defined in Annex 1), the Valuation Date shall be the first calendar day of the month that ends after the 30th calendar day after the Issuer has sent its notice of early termination of the Warrants, provided that if such date is not a NAV Date, the next following NAV Date.</p> <p>If the Investment Manager (as defined in Annex 1) adjusts a relevant NAV Date, the Calculation Agent shall make a corresponding adjustment to the Valuation Date.</p> |
| 28. Averaging Dates: | Not Applicable |
| 29. Consequence of Averaging Date Disruption (for the purposes of Condition 13(b)): | Not Applicable. |
| 30. Valuation Time: | Not Applicable. |
| 31. If Warrants, the Settlement Date: | The third Business Day after the day that a hypothetical investor in the Shares would receive proceeds with respect to redeeming Shares if the NAV Date for such |

redemption were the Valuation Date, as determined by the Calculation Agent. If such proceeds would be received on more than one date, the Settlement Dates will be the third Business Day after each date that such proceeds would actually be received, with the Cash Settlement Amount proportionately paid on such dates as determined by the Calculation Agent.

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|---|--|
| 32. If Certificates, the Certificate Settlement Notice Period: | Not Applicable |
| 33. If Certificates, the Redemption Date: | Not Applicable |
| 34. Business Day Centre(s): | London |
| 35. Exchange Rate, including details of when such rate is to be ascertained: | Not Applicable |
| 36. If Cash Settled Securities, Settlement Currency for the payment of the Cash Settlement Amount and/or Alternative Cash Settlement Amount: | GBP |
| 37. If Cash Settled Securities, Cash Settlement Amount or method of calculation of the Cash Settlement Amount (for the purposes of Condition 4(b) or Condition 7, as applicable): | <p>The Cash Settlement Amount with respect to each Warrant shall be an amount in the Settlement Currency as determined by the Calculation Agent on the Final Valuation Date in accordance with the following formula:</p> <p>The Cash Settlement Amount per Warrant is equal to:</p> $\text{Max [Notional Amount}_f - \text{Strike Price}_f; 0]$ <p>Where</p> <p>“Notional Amount_f” means the Notional Amount (as defined in Annex 1) as of the Valuation Date</p> <p>“Strike Price_f” means the Strike Price (as defined in Annex 1) as of the Settlement Date</p> |
| 38. If Physical Delivery Warrants, the Strike Price(s): | Not Applicable |
| 39. If Physical Delivery Securities: | |
| (a) the Relevant Asset(s) (for the purposes of the definition in | Not Applicable |

Condition 28):

- | | |
|---|----------------|
| (b) method of delivery of the Physical Settlement Amount (for the purposes of Condition 10(b)(i) or (ii)): | Not Applicable |
| (b) method of evidencing the Physical Delivery Amount (for the purposes of Condition 10(b)(i) or (ii)): | Not Applicable |
| (c) treatment of dividends payable on the Relevant Assets(s) (for the purposes of Condition 10(b)(iii)): | Not Applicable |
| 40. If Physical Delivery Certificates, any modification of minimum Board Lot requirement in relation to settlement (for the purpose of Condition 9(h)): | Not Applicable |
| 41. Other circumstances where Holder will receive the Alternative Settlement Amount (for the purposes of Condition 10(c)): | Not Applicable |
| 42. Other additional conditions to settlement (for the purposes of Condition 10(a)(i), 10(a)(ii), 10(b)(i) and 10(b)(ii)): | Not Applicable |

Other specified terms and modifications to the Conditions

- | | |
|---|----------------|
| 43. If Currency Securities, details of the Relevant Screen Page, the Base Currency and the relevant Subject Currency or Subject Currencies: | Not Applicable |
| 44. If Commodity Securities, provisions for calculations: | Not Applicable |
| 45. If Index Securities: | |
| Index or Indices: | Not Applicable |
| (d) Exchange: | Not Applicable |
| (e) Related Exchange: | Not Applicable |
| (f) Consequences of Index | |

Adjustment Event (for the purposes of Condition 14(a)(ii)):

- (i) Index Modification: Not Applicable
- (ii) Index Cancellation: Not Applicable
- (iii) Index Disruption: Not Applicable

46. If Share Securities:

Share(s): Not Applicable

(g) Exchange: Not Applicable

(h) Related Exchange: Not Applicable

(i) Method of Adjustment (for the purposes of Condition 14(b)): Not Applicable

(j) Consequences of Merger Events (for the purposes of Condition 15(a)):

Share-for-Share: Not Applicable

(iv) Share-for-Combined: Not Applicable

(v) Share-for-Other: Not Applicable

(k) Consequences of Tender Offers (for the purposes of Condition 15(b))

Share-for-Share: Not Applicable

(vi) Share-for Combined: Not Applicable

(vii) Share-for-Other: Not Applicable

(l) Options Exchange (for the purposes of Condition 14(b)(i), Condition 15(a)(iii) or Condition 15(b)(ii), where applicable) Not Applicable

47. Additional Disruption Events:

Applicable Additional Disruption Events: None

(m) Consequences of Additional Not Applicable

Disruption Event:

48. Further adjustments:

whether provisions for market disruption apply other than as provided for in Condition 13: Yes. See Part B of this Pricing Supplement

(n) in relation to Debt Instrument Securities, provisions dealing with the situation where one or more of the relevant Debt Instruments is redeemed (or otherwise ceases to exist before expiration of the relevant Securities): Not Applicable

(o) any supplemental adjustment provisions: Not Applicable

49. Other special conditions and any modification to the Terms and Conditions of the Securities: See Part B of this Pricing Supplement

50. Relevant Clearing System(s) (for the purposes of the definition in Condition 28): Euroclear
Clearstream, Luxembourg
The Bank of New York, Brussels shall act as common depositary for Euroclear and Clearstream, Luxembourg

51. Calculation Agent if not the Issuer: Lehman Brothers International (Europe)

52. Listing: Unlisted

53. Rule 144A eligibility: No

54. Eligibility for private placement to other "accredited investors" in the United States: No

55. US Selling Restrictions and additional selling restrictions:

(a) details of the applicable type of US Selling Restrictions including in respect of the relevant US Selling Restrictions certification required for the purposes of exercise or redemption: Type 2B

(b) details of any additional selling restrictions (for the purposes of Condition 9(e)): Applicable

Netherlands Antilles

The Dealer has represented and agreed:

(a) that it has not, directly or indirectly, offered, sold, transferred or delivered and will not, directly or indirectly, offer, sell, transfer or deliver any Securities (including rights representing an interest in a Global Security) in the Netherlands Antilles; and

(b) that in respect of Securities issued, with the exception if those having a denomination of at least Netherlands Antillean guilder (NAf) 100,000 or the equivalent thereof in other currencies, it has not, directly or indirectly, offered, sold, transferred or delivered and will not, directly or indirectly, offer, sell, transfer or deliver any Securities (including rights representing an interest in a Global Security) to the account of any person or entity other than persons or entities which trade or invest in securities in the conduct of a profession or business, which includes banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises.

56. Method of distribution of the Securities: Non-syndicated

(c) Names of the Dealer(s): Lehman Brothers International (Europe)

57. ISIN: ANNS5213N2625

58. Common Code: 21374466

59. CUSIP: Not Applicable

60. Telekurs number and, where any additional or alternative Clearing System(s) has/have been specified in paragraph 39(b) above, any other relevant security code: Not Applicable

61. Principal Securities Agent: Belgian Securities Agent

62. Whether Definitive Security Certificates may be issued as well as/instead of a Global Security:

The Securities will be at all times represented by a Global Security

PART B

Information relating to the Underlying

The Information Memorandum and this Supplement constitute neither an offer to sell nor an offer to buy any Shares of the Fund. The Fund is not involved in the offering of the Warrants and has no obligation with respect to the Warrants, including any obligation to consider the interests of the holders of the Warrants for any reason. The Fund is neither responsible for, nor has it participated in the determination of the timing of issuance of, prices for or quantities of, the Warrants or the determination, calculation or timing of amounts to be paid to holders of the Warrants. The Fund is not involved with the administration, marketing or trading of the Warrants and has no obligation with respect to any amount to be paid to holders of the Warrants.

Neither the Issuer, the Guarantor, the Dealer nor any of their respective affiliates makes any representation as to the performance of the Fund.

Each prospective purchaser of the Warrants should undertake an independent investigation of the Fund, as in its judgment is appropriate to make an informed decision with respect to an investment based on the performance of the Fund.

Additional information regarding the Fund may be obtained from the document entitled listing particulars for Fund dated 23 April 2003 (“Listing Particulars”). Neither the Issuer, the Guarantor, the Dealer nor any of their affiliates has participated in the preparation of such information or made any due diligence inquiry with respect to the Fund in connection with the offering of the Warrants or makes any representation or warranty as to the accuracy or completeness of any such information or reports.

PART C

Risk Factors

It is suggested that investors considering purchasing Warrants reach an investment decision only after carefully considering, with their financial, legal, tax, accounting and other advisors, the suitability of the Warrants in light of their particular circumstances and the risk factors set forth below and other information in this Supplement.

Investors May Lose Their Entire Investment

The Warrants are leveraged investments that involve a high degree of risk that may result in the Warrants expiring worthless. Warrantholders will suffer a total loss of their investment (and an Early Termination Event will occur) to the extent the Notional Amount is less than or equal to the Strike Price.

Limited Trading History on the Performance of the Fund and the Shares

The Fund and the Shares have a limited trading history. As a consequence, each prospective investor should understand that very limited historical performance is available, by which it may be able to evaluate the Warrants' or the Fund's performance.

Reliance on the Investment Manager

The Cash Settlement Amount is based on changes in the value of the Fund, which fluctuates and cannot be predicted. Moreover, any persons relying on the performance of the Fund should note section in the Listing Particulars entitled "Risk Factors and Conflicts of Interest". The Investment Manager is dependent on the services of its key personnel. If the services of any such person were to become unavailable, there is no guarantee that the services of the Investment Manager would continue to be available or that the Fund will continue to invest according to the same methodology.

The Issuer and its affiliates are not in a position to protect the Warrantholders against negligence, fraud and misrepresentation by the Investment Manager. Warrantholders do not have and are not entitled to any beneficial interests in the Fund and as such, have no recourse against the Fund, or the Investment Manager either contractually or statutorily. Furthermore, as a practical matter, it may be difficult to bring an action, or to seek to enforce a judgment obtained in an action, against any of the aforementioned entities. In addition, the Investment Manager may be removed or replaced, the allocation of assets may vary from time to time and the various positions of the investments underlying the Fund may be economically offsetting, all of which may affect the performance of the Fund.

Risks Relating to the Investment Manager

Neither the Issuer, the Guarantor, the Dealer nor any of their respective affiliates are affiliated with the Trading Managers or the Investment Manager. The performance of the Warrants could be adversely affected by the occurrence of negligence, fraud or misconduct on the part of the Investment Manager. While the Issuer, the Guarantor and the Dealer are not currently aware of any such conditions, investors should understand that they could be materially adversely

affected by any such occurrences. For example, the occurrence of any such conditions may lead to the termination of the Investment Manager. The termination of the Investment Manager may cause the termination of the Warrants and thus an investor will lose the opportunity to participate in the performance of the Fund. Investors should further understand that they will have no recourse against the Investment Manager for any loss of return on their Warrants.

Risks Relating to Fund of Hedge Funds

For a further description of the risks related to the Shares see the Listing Particulars relating the Puma Absolute Return Fund Limited dated 23 April 2003.

Warrants and Guarantee Not Registered Securities

The Warrants are not registered under the Securities Act or under any state securities laws. Neither the Securities and Exchange Commission nor any state securities commission or regulatory authority has recommended or approved the Warrants, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of the Information Memorandum or this Supplement.

Secondary trading of the Warrants is limited and they are subject to substantial restrictions on transferability

The Warrants will not be listed on an organized securities exchange in the U.S. or abroad. There may be little or no secondary market for the Warrants. Even if there is a secondary market, it is not likely to provide significant liquidity. Accordingly, it will be difficult to obtain reliable information about the value of the Warrants at any given time. Lehman Brothers International (Europe) intends to buy and sell the Warrants to create a secondary market in the warrants, but it is not obligated to do so or to continue such activity once it has begun. If Lehman Brother International (Europe) agrees to buy a Warrant from an investor, there may be significant delays between the time it agrees to such purchase and the pricing and settlement of such purchase. Investors must thus be prepared to bear the risk of owning Warrants for an extended period of time.

Investors in Warrants will be exposed to the Issuer's and Guarantor's credit risk

The Warrants will constitute senior unsecured obligations of the Issuer, Lehman Brothers Securities N.V., will rank equal in right with all other senior unsecured obligations of the Issuer and will be guaranteed by Lehman Brothers Holdings Inc. Irrespective of whether the Issuer hedges its exposure to the Warrants, the claims of Warrantholders, if any, will not be guaranteed by any governmental entity or secured by shares in the Fund or otherwise, and no amount will have been placed or will be placed in escrow to satisfy any such claims. Moreover, in the event the Issuer or the Guarantor becomes the subject of voluntary or involuntary bankruptcy proceedings, investors may lose the whole of their investment, whether a cash settlement amount is or becomes due upon expiration or termination, or otherwise, and will not have a claim for any shares in the Fund.

ANNEX 1

1. Definitions

The “**Adjustment Date**” for a Deleverage Adjustment is the day that a hypothetical investor in the Shares would receive proceeds with respect to redeeming Shares if it initiated such redemption on the applicable Observation Date, as determined by the Calculation Agent. If such proceeds would be received on more than one date, the Adjustment Dates will be each date that such proceeds would actually be received, with the Number of Shares, Notional Amount and Strike Price adjusted on such dates as determined by the Calculation Agent. The “**Adjustment Date**” for an Releverage Adjustment is the day that a hypothetical investor in the Shares would deliver proceeds with respect to subscribing for Shares if it initiated such subscription on the applicable Observation Date, as determined by the Calculation Agent.

The “**Leverage Ratio**” on any Observation Date will be equal to the quotient of (i) the Notional Amount divided by (ii) the Notional Amount minus the Strike Price, and can be expressed by the following formula:

- $\text{Leverage Ratio} = \text{Notional Amount} / (\text{Notional Amount} - \text{Strike Price})$

For purposes of determining the Leverage Ratio on any Observation Date, the Calculation Agent may use the lesser of the last estimated net asset value of the Shares as provided by the Administrator or the last available official net asset value of the Shares as provided by the Administrator. *Solely* for purposes of determining the Leverage Ratio between an Observation Date and the corresponding Adjustment Date, the Calculation Agent shall treat the Notional Amount and the Strike Price as if each had been adjusted by the Adjustment Amount on such Observation Date.

The “**Floating Rate**” is equal to GPB-LIBOR-BBA with a designated maturity of 1 month, determined two Business Days prior to the 1st of each month.

“**Fund Business Day**” means a day on which banks are ordinarily open for business in London and Dublin.

The “**Initial Leverage Ratio**” is equal to 2.0 as of the Issue Date.

The “**Maximum Leverage Ratio**” is equal to 2.15.

The “**Maximum Strike Price**” is equal to GBP 1,400, (140% of the initial Strike Price).

The “**Minimum Adjustment Ratio**” is equal to 1.85.

The “**Minimum Strike Price**” is equal to GBP100 (10% of the initial Strike Price).

The “NAV Dates” are any day for which the official net asset value of the Shares is calculated by the Administrator of the Fund for purposes of redeeming or subscribing for such Shares. The NAV Dates are scheduled to occur on the first Fund Business Day of each month, subject to adjustment by the Investment Manager of the Fund.

“Notional Amount” means the product of the net asset value per Share times the number of Shares per Warrant, as determined by the Calculation Agent. As of the Issue Date, the Notional Amount will be GBP 2,000, and may be adjusted as described in “Warrant Adjustment”.

“Number of Shares per Warrant” means, as of the Issue Date, a number of Shares equal to the quotient of (i) the Notional Amount per Warrant divided by (ii) the net asset value per Share for the NAV Date immediately following the Issue Date. Upon the occurrence of a Deleverage Adjustment Event, the Number of Shares per Warrant shall be reduced on the relevant Adjustment Date, by an amount equal to the Adjustment Amount divided by the net asset value per Share for the relevant NAV Date for a hypothetical investor that initiated redemption of its Shares on the Observation Date. If a Deleverage Adjustment Event results in more than one Adjustment Date, the Number of Shares per Warrant shall be reduced on such dates as determined by the Calculation Agent. Upon the occurrence of an Releverage Adjustment Event, the Number of Shares per Warrant shall be increased on the relevant Adjustment Date, by an amount equal to the Adjustment Amount divided by the net asset value per Share for the relevant NAV Date for a hypothetical investor that initiated a subscription for Shares on the Observation Date.

Each “Observation Date” is one Business Day prior to the last calendar day on which a hypothetical investor in the Shares has to deliver and execute a redemption notice to redeem such Shares at the official net asset value for each NAV Date.

The “Spread” is equal to 1.25%.

The “Strike Price” is initially equal to GBP 1,000 (50% of the initial Notional Amount), accruing daily at the Floating Rate plus the Spread on the basis of Act/360, compounded monthly from the Issue Date to but not including the Settlement Date, and shall be adjusted as described in “Warrant Adjustment”.

The “Target Leverage Ratio” is equal to 2.0.

“Trade Date” means 28 February, 2005.

2. Warrant Adjustment

If on any Observation Date the Calculation Agent determines that the then-current Leverage Ratio exceeds the Maximum Leverage Ratio (a “Deleverage Adjustment Event”), the Strike Price and the Notional Amount shall be reduced by the same Adjustment Amount on the relevant Adjustment Date (a “Deleverage Adjustment”). The Calculation Agent shall determine the Adjustment Amount on the Observation Date pursuant to the following formula:

- Adjustment Amount = Notional Amount on the Observation Date – ((Notional Amount on the Observation Date – Strike Price on the Observation Date) x Target Leverage Ratio)

In the event that the Strike Price is reduced to or below the Minimum Strike Price, the Warrants will be terminated early pursuant to the “Early Termination Events” section.

If on any Observation Date the Calculation Agent determines that the then-current Leverage Ratio is below the Minimum Leverage Ratio (an “**Releverage Adjustment Event**”), the Strike Price and the Notional Amount shall be increased by the same Adjustment Amount on the relevant Adjustment Date (an “**Releverage Adjustment**”). The Calculation Agent shall determine the Adjustment Amount on the Observation Date pursuant to the following formula:

- Adjustment Amount = ((Notional Amount on the Observation Date – Strike Price on the Observation Date) x Target Leverage Ratio) – Notional Amount on the Observation Date

However, under no circumstances shall the Strike Price be increased above the Maximum Strike Price pursuant to an Upward Adjustment. If the Strike Price is adjusted such that it equals the Maximum Strike Price, the Adjustment Amount for purposes of calculating the Number of Shares and Notional Amount shall be the amount by which the Strike Price is actually adjusted.

If on any Observation Date, Redemption Fees (as defined in the Investment Guidelines attached) which would be payable by a hypothetical investor if the entire Notional Amount was to be redeemed exceeds 0.5% of the net asset value of the Fund, then the Strike Price shall be adjusted such that:

$$\text{Strike Price} = \text{Strike Price on the Observation Date} + \text{Notional Amount} \times \text{Max}[x - 0.5\%, 0]$$

3. **Issuer Early Termination**

Upon a change in law having material adverse consequences for the Issuer, in its sole discretion, or at any time on or after the third anniversary of the Trade Date, the Issuer shall have the right to terminate the Warrants by giving Warrantholders at least 66 calendar days prior written notice and paying to Warrantholders the Cash Settlement Amount, as determined by the Calculation Agent, less the cost to the Issuer, or any affiliate, of unwinding any related hedging arrangements, as determined by the Issuer.

4. **Early Termination Events**

An “Early Termination Event” means the occurrence of any of the following events, as determined by the Calculation Agent in its sole discretion, acting in a commercially reasonable manner:

- the Fund fails to comply with the investment guidelines as agreed from time to time by the Fund and the Calculation Agent, unless such failure is waived by the Calculation Agent;
- the currency of the Shares of the Fund is amended in a material way and/or the net asset value of the Shares is no longer calculated in GBP;
- the Administrator of the Fund fails to calculate and publish the net asset value of the Shares for two or more consecutive months;
- the annualized Volatility of the net asset value for the Fund exceeds 15% for a four-month rolling window. “Volatility” for a given time window means, as of any date of determination and with respect to the Fund, the annualized standard deviation of the monthly percentage changes in the level of the Fund for the particular time window preceding such date of determination, expressed as a percentage, as determined by the Calculation Agent;
- the Fund introduces a redemption fee or a subscription fee, or a bid/offer spread that the Issuer or any affiliated entity that purchases Fund Shares as a hedge to this Warrant transaction on behalf of the Issuer shall bear;
- there is a change in tax law, tax regulations or the interpretation of tax law or regulations by any court, tribunal or regulatory authority which might reasonably be expected to have a material economic impact for an investor in the Fund;
- the Issuer or any affiliated entity that purchases Fund Shares as a hedge to this Warrant transaction on behalf of the Issuer is unable to purchase or sell a Share or a share of a Fund on a monthly basis, other than as provided in the Fund’s prospectus;
- the Fund is wound-up or terminated, the Fund is consolidated, amalgamated or merged with or into another entity, or any regulatory approval or registration of the Fund or its Investment Manager is cancelled or is under review (for reasons of wrongdoing, actual breach of any rule or regulation);
- any mandatory redemption of such Fund Shares imposed by the Fund, other than any restriction in existence on the Issue Date;
- the Administrator or Investment Manager of the Fund ceases to act in its capacity of administrator or investment manager and a replacement administrator or investment manager is not appointed within a period of 30 Business Days and/or is not acceptable to the Calculation Agent acting in a commercially reasonable manner;
- if at any time, the Notional Amount is less than or equal to the Strike Price;

Where:

The “**Investment Manager**” is Shore Capital Stockbrokers Limited

The “**Administrator**” is International Fund Managers (Ireland) Limited

If an Early Termination Event occurs, the Issuer will send notice of early termination to Warrantheolders, the Warrants shall be terminated as of the Valuation Date and Warrantheolders shall be entitled to an amount equal to the Cash Settlement Amount, as determined by the Calculation Agent, less the cost to the Issuer, or any affiliate, of unwinding any related hedging arrangements, as determined by the Issuer.

REGISTERED AND PRINCIPAL OFFICE OF THE ISSUER

Lehman Brothers Securities N.V.
E-Commercepark
E-Zone Vredenberg
Hoek Heelsumstraat / Hugenzweg Z/N
Curacao
The Netherlands Antilles

PRINCIPAL OFFICE OF THE GUARANTOR

Lehman Brothers Holdings Inc.
745 Seventh Avenue
New York, New York 10019
USA

US WARRANT AGENT

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10286
USA

**BELGIAN
WARRANT AGENT**

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1040 Brussels
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WARRANT AGENT**

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Luxembourg

LEGAL ADVISERS TO THE ISSUER

As to English and US law:
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Limited Liability Partnership
10 Upper Bank Street
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E14 5JJ
England

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Werdstrasse 138
8003 Zurich
Switzerland

LISTING AGENT

Luxembourg Listing Agent:
The Bank of New York (Luxembourg) S.A.
1A, Hoehnhof
L-1736 Senningerberg
Luxembourg