

## 50,000,000 Shares

# Lehman Brothers Private Equity Partners Limited

### In the form of Shares or Restricted Depositary Shares

This is a global offering of 50,000,000 class A ordinary shares (the “Shares”) of Lehman Brothers Private Equity Partners Limited, a closed-end investment company registered under the laws of Guernsey. The global offering consists of a private placement in the Netherlands and in other countries. In the United States, restricted depositary shares (“RDSs”), each representing one Share, will be offered to certain “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”). Additionally, as part of the global offering, we will directly offer RDSs in a private placement, with the managers acting as placement agents, to certain “accredited investors” (as defined in Rule 501(a) under the U.S. Securities Act).

Simultaneously with the closing of the global offering, affiliates of Lehman Brothers Holdings Inc. (“Lehman Brothers”) will purchase \$100 million of our Shares (in the form of RDSs) at the offering price. Additionally, in connection with the global offering, Lehman Brothers has agreed to sell to us a portfolio of private equity assets (the “Initial Investments”) for an aggregate purchase price of approximately \$260.5 million. We will also assume related unfunded commitments aggregating approximately \$354.1 million. The purchase price for the Initial Investments will be their aggregate net asset value as of December 31, 2006 plus the amount of drawdowns on the related unfunded commitments, minus distributions in respect of such assets, plus an interest factor. See “Business—Our Initial Investments.”

Our Shares and RDSs have certain voting rights, but are not eligible to vote in the election of our company’s directors.

No public market currently exists for our Shares or the RDSs. We have applied to list all of our Shares on Euronext Amsterdam N.V.’s Eurolist by Euronext (“Eurolist by Euronext”) under the symbol “LBPE.” It is expected that such listing will become effective and that dealings in our Shares will commence on or about July 18, 2007 on an “as-if-and-when-issued” basis. We expect that dealings in our Shares will commence unconditionally on or about July 25, 2007. The settlement date, on which the delivery of the Shares is scheduled to take place, is expected to be on or about July 25, 2007. The RDSs will not be listed on any exchange.

### **Investing in our Shares or the RDSs involves significant risks. See “Risk Factors.”**

#### *INITIAL OFFERING PRICE: \$10 PER SHARE OR RDS*

**Our Shares and the RDSs have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States. Our Shares are being offered outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S of the U.S. Securities Act. Our Shares may not be offered or sold within the United States or to U.S. persons (as defined under the U.S. Securities Act). The RDSs may not be offered or sold within the United States or to U.S. persons, except to persons who are (a) qualified purchasers (as defined in the U.S. Investment Company Act of 1940, as amended (the “U.S. Investment Company Act”) and related rules) and (b) either (1) qualified institutional buyers or (2) accredited investors. For additional transfer restrictions, see “Transfer Restrictions,” “Certain ERISA Considerations” and “Notice to Investors.”**

We have granted to Lehman Brothers International (Europe) in its capacity as stabilizing manager an over-allotment option in an amount up to a maximum of 10 percent of the total number of Shares and RDSs initially offered in the global offering at the initial offering price until 30 days from the commencement of trading of our Shares on the regulated market of Euronext Amsterdam N.V. (“Euronext Amsterdam”).

The Shares and RDSs are offered subject to receipt and acceptance by the managers of any order by them and subject to their right to reject any order in whole or in part and will be ready for delivery on or about July 25, 2007. If delivery of the Shares does not take place on or about the settlement date or at all, all transactions in our Shares on Euronext Amsterdam conducted between the announcement of the offering and the settlement date are subject to cancellation by Euronext Amsterdam N.V. See “The Global Offering—Listing and Trading of the Shares.” All dealings in our Shares on Euronext Amsterdam prior to delivery are at the sole risk of the parties concerned. Euronext Amsterdam N.V. is not responsible or liable for any loss incurred by any person as a result of the cancellation of any transactions on Euronext Amsterdam.

The number of Shares and RDSs offered in the global offering can be increased or decreased prior to the settlement date, provided, however, that the aggregate number of Shares and RDSs issued in the global offering, including any Shares issued pursuant to the stabilizing manager’s over-allotment option, will in no event exceed 60,000,000 Shares and RDSs. Any increase or decrease in the number of Shares and RDSs being offered in the global offering will be announced in a press

release issued in the Netherlands. The actual number of Shares and RDSs offered in the global offering will be determined after taking into account the conditions and factors described under “The Global Offering” and “Plan of Distribution” and the actual number of Shares and RDSs offered in the global offering will be published in a pricing statement to be filed with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) and will be announced in a press release and the Official Price List and a Netherlands newspaper on or about July 18, 2007.

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*Global Coordinator*

**LEHMAN BROTHERS**

*Joint Bookrunners*

**HOARE GOVETT LIMITED**

**UBS INVESTMENT BANK**

July 6, 2007

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## SUMMARY

*This summary highlights certain aspects of our business and the global offering and should be read as an introduction to this offering memorandum. Any decision to invest in our company should be based on a consideration of this offering memorandum as a whole. No civil liability is to attach to our company solely on the basis of this summary unless it is misleading, inaccurate or inconsistent when read together with the other parts of this offering memorandum. If a claim relating to the information contained in this offering memorandum is brought before a court of a Member State of the European Economic Area, the plaintiff may under the national legislation of the Member State where the claim is brought be required to bear the costs of translating this offering memorandum before legal proceedings are initiated.*

*We encourage you to review the information contained in “Notice to Investors” and “Risk Factors” for important information concerning your potential investment in our company and explanations of defined terms used in this offering memorandum.*

## Our Company

We are a closed-end investment company registered under the laws of Guernsey managed by Lehman Brothers Private Fund Advisers, LP, a unit of Lehman Brothers Private Fund Investments Group (“PFIG”), and its affiliates (the “Investment Manager”). We will invest in private equity funds managed by leading sponsors and make direct private equity investments alongside leading sponsors (“co-investments”). In addition, we may invest a portion of our portfolio in opportunistic investments. Our investment objective is to produce attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification. We intend to pursue diversification for our private equity investments across asset class, vintage year, geography, industry and sponsor.

The Investment Manager will make all of our investment decisions and we have delegated to the Investment Manager the day-to-day management and operations of our business. The Investment Manager, including its predecessors, has over twenty years of investing experience specializing in private equity funds, co-investments and secondary investments and has built relationships with leading private equity sponsors over that time. Since January 1, 2006, the Investment Manager has committed, on behalf of funds managed by it, more than \$1.2 billion to more than 63 private equity funds. During that period, the Investment Manager has also made co-investments alongside private equity sponsors aggregating more than \$600 million in 17 transactions and has purchased, on behalf of funds managed by it, \$475 million of private equity interests in the secondary market in 17 transactions.

The Investment Manager’s investment decisions will be made by its Fund of Funds Investment Committee (the “Investment Committee”), which currently consists of ten members with an aggregate of more than 170 years of experience with private equity investing. The sourcing and evaluation of our investments will be conducted by the Investment Manager’s team of over 40 investment professionals who specialize in private equity fund investments and co-investments. In addition, the Investment Manager’s 110-person administrative and finance staff will be responsible for our administrative, financial management and reporting needs. The Investment Manager currently maintains offices in New York, Dallas, London and Hong Kong.

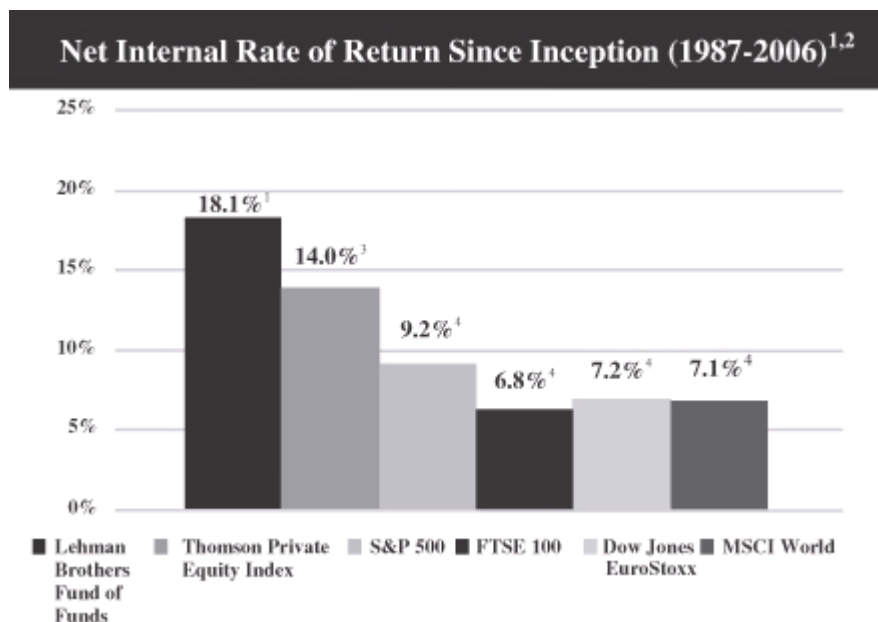
The Investment Manager will also draw on the resources of Lehman Brothers, a leading global investment bank with over 50 offices around the world, in sourcing, evaluating and managing our investments. As of May 31, 2007, Lehman Brothers had over \$263 billion in client assets under management and over 28,000 employees. Lehman Brothers acquired the assets of the Investment Manager’s predecessor entity in October 2003.

## The Investment Manager’s Track Record

The Investment Manager, including its predecessor entities, has achieved an annual, compounded net internal rate of return of 18.1% on its fund accounts focused on primary private equity fund investments and co-investments during the period since its inception in 1987 through December 31, 2006.

When considering the track record data presented in this offering memorandum, you should bear in mind that past performance is not necessarily indicative of future results and, as a result, our actual returns may be greater or less than the amounts shown below. Your investment returns will depend on the increase or decrease in the trading price of our Shares and/or RDSs. The trading prices of our Shares and RDSs are affected by financial or economic forces, market dynamics, interest rate levels and other factors that may not correlate to the performance of our investments. In addition, we are a closed-end investment company and the performance data presented in this offering memorandum for the Investment Manager, as well as the private equity index performance data, relate principally to funds structured as self-liquidating partnerships and in which investor contributions were made only when the underlying fund made an actual investment.

The following chart presents comparative information relating to the Investment Manager's track record and certain other public and private equity investment indices. The performance information for the Investment Manager is net of the Investment Manager's management fees, expenses and carried interests, as well as all management fees, expenses and carried interests at the level of the underlying funds.



*Note: Indices not adjusted for currency exchange rates*

You should also review the information set forth under “Risk Factors” and “Notice to Investors—Track Record Data” elsewhere in this offering memorandum for other important information about the foregoing presentation. Although we believe that the track record presented may be considered as evidence of the Investment Manager's overall investment experience, the track record should not be taken to represent the same investment program to be pursued by our company.

Set forth below are the returns, net of the underlying funds' management fees, expenses and carried interests, as of March 31, 2007, for the Investment Manager's primary private equity fund investments and co-investments made for underlying funds and co-investments having vintage years from 2001 through 2005. Management fees, expenses and carried interests at the fund of funds or co-investment fund level have been allocated on a pro rata basis across the various vintage years shown based upon the dollar amount of capital commitments to funds or co-investments made in the specified vintage year by the relevant fund of funds or co-investment fund as a percentage of the total capital commitments to funds or co-investments by such funds. As used herein, the vintage year of a fund is the year in which the fund made its first investment and the vintage year of a co-investment is the year in which the co-investment was made.

Vintage Year <sup>5</sup>	Internal Rate of Return <sup>6</sup>
2001 <sup>7</sup>	6.9%
2002	26.7%
2003	36.3%
2004	6.1%
2005 <sup>8</sup>	23.5%

1. This performance information has been derived from the financial statements of the Investment Manager's funds, managed accounts and underlying funds in which they have invested, is a composite of returns from multiple funds and managed accounts, reflects cash flows of the underlying funds calculated on an aggregate basis, does not represent the performance of any single fund account and does not equate with the returns experienced by an investor in any particular fund account. During the years included in this period, funds and fund accounts managed by the Investment Manager reflected in this information experienced returns that were lower or higher than the composite return shown and in some years experienced losses. In addition, the net internal rate of return realized throughout the life of the prior

private equity fund investments made by the Investment Manager may be lower than those presented above depending on the performance of the unrealized portion of the investments made by such underlying private equity funds.

The Investment Manager's performance information presented above does not include a fund account managed by a predecessor of the Investment Manager that focused exclusively on a single 1999 investment in a secondary portfolio and a secondary fund account closed in the fourth quarter of 2005 managed by the Investment Manager, because those investments reflected a different investment strategy than was followed by the fund accounts whose performance data is reflected above.

The Investment Manager's performance information includes a fund of funds whose sole investors are Lehman Brothers and its employees and for which no fees, expenses or carried interests are charged. The fund's investments were selected by employees of Lehman Brothers who are now active in the Investment Manager's business, but who made their investment decisions prior to Lehman Brothers' acquisition of the Investment Manager's predecessor. The aggregate commitments by such fund are less than 5% of all commitments to underlying funds whose performance data is reflected above.

2. The track record of the Investment Manager reflects the internal rate of return of individual investments held by other funds advised by the Investment Manager. The terms of these other funds, including management fees, expenses and carried interests, are different from those of our company. The returns indicated in the track record presented have not been calculated assuming that such other funds had the same terms as those of our company which, for example, generally has a lower effective management fee but a higher carried interest than certain of such other funds.  
Our company's performance will be affected by our over-commitment strategy and the amount of uninvested cash we maintain, which, initially, will be significantly more than that maintained by the Investment Manager's other funds.
3. Thomson Venture Economics' U.S. Private Equity Performance Index is based on statistics as of December 31, 2006 published by Thomson Venture Economics' Private Equity Performance Database analyzing the cash flows and returns for over 1,860 U.S. venture capital and private equity funds having an aggregate capital commitment of over \$678 billion to such funds. The Thomson Venture Economics data are compiled from information provided to Thomson by limited partner investors and general partners of such partnerships and are not independently verified by Thomson Venture Economics or the Investment Manager. Returns are net to investors after management fees, expenses and carried interests at the underlying fund level, but, since the data are collected in respect of underlying funds, the index does not reflect the impact on returns of fund of funds level management fees, expenses and carried interests. The Thomson Venture Economics data presented measure performance of the applicable index since January 1, 1987. The investment strategies of the funds included in the Thomson Venture Economics index are in some cases not the same as those in which the Investment Manager's funds and accounts directly or indirectly invested. This information is presented in order to allow you to compare the performance of the Investment Manager to what is believed to be a widely used benchmark for assessing the relative performance of private equity funds.
4. Source: Bloomberg L.P. The foregoing indices are not an indication of expected returns. This information is presented in order to allow you to compare the performance of the Investment Manager to what are believed to be certain widely-recognized measures of performance in various sectors of the global equities markets. See "The Investment Manager and Investment Management and Service Agreement—The Investment Manager's Track Record."
5. Vintage year is the date of the first company investment made by a private equity fund or the date of the co-investment.
6. The vintage year performance information presented in this document does not include the secondary fund accounts managed by the Investment Manager that closed in 2005. Vintage year performance numbers are presented net of management fees, expenses and carried interests at the underlying private equity fund level. Certain funds of funds managed by the Investment Manager consist of capital contributed by employees and affiliates of Lehman Brothers and do not have fees, expenses, or carried interests. The allocation of management fees, expenses and carried interests of the Investment Manager in respect of funds of funds managed by it does not take into account differences in timing of capital flows between a fund of funds and its limited partners and the capital flows between Lehman Brothers fund of funds and the underlying partnership investments, and does not equate with the net performance of any specific fund of funds limited partner.
7. Returns for the 2001 vintage year are as of December 31, 2006. All other vintage year performance information is as of March 31, 2007. Sufficient data was not available on the date of this document for the 2001 vintage year to produce a March 31, 2007 internal rate of return.
8. The 2005 vintage year is the most recent vintage year for which we believe information is meaningful.

### **Our Investment Strategy**

Our investment objective is to produce attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification. We classify attractive investment returns as those that meet the

Investment Manager's expectations in light of our investment strategy. We intend to pursue diversification for our private equity investments across asset class, vintage year, geography, industry and sponsor.

We currently anticipate that, over the long term, our portfolio will consist principally of primary investments in private equity funds, both directly and through funds of funds managed by the Investment Manager (with respect to such funds of funds we will not be charged additional management fees or carried interest). We expect our portfolio of private equity investments will also include a substantial exposure to co-investments and may include interests in private equity funds purchased in the secondary market. We currently anticipate that our private equity investments will consist principally of investments in buyouts, and will also include investments in special situations (including distressed debt, credit strategies and turnaround strategies), and venture capital (including growth capital). Our private equity investments may also include investments in securities commonly used in private equity transactions that the Investment Manager reasonably deems consistent with our investment objective and strategy. In addition, we may invest a portion of our portfolio in opportunistic investments, which are investments that the Investment Manager believes may not be commonly regarded as private equity investments but have an attractive risk / return profile and are investments in which Lehman Brothers has expertise. We currently intend our geographic mix of investments to cover principally North America and Europe. Our anticipated portfolio mix and exposure levels are long term targets and do not limit our ability to make other investments in accordance with our investment policies except, measured at the time of investment, with respect to opportunistic investments, which will not comprise more than 10% of our portfolio without approval from a majority of our company's board of directors and our shareholders.

We also intend to pursue an "over-commitment" strategy when making investments in order to maximize the amount of our capital that is invested at any given time. In following an over-commitment strategy, the aggregate amount of our unfunded private equity commitments at a given time may exceed the aggregate amount of cash that we have available for immediate investment. Private equity fund investors pursue such over-commitment strategies because private equity funds typically draw down their committed capital over a three-to-six year period. We intend to fund our commitments primarily through cash on hand, realizations of investments and borrowings under our Credit Facility (as defined below).

A key component of our over-commitment strategy is a senior secured revolving credit facility of up to \$250 million (the "Credit Facility") that we expect to enter into with Bank of Scotland, as lead arranger and administrative agent, after the closing of the global offering. We believe our Credit Facility will provide us with a ready source of long-term capital to meet future capital calls, provide us with additional flexibility to make investments, particularly during periods when we are not receiving cash distributions or proceeds from our investments, and enhance our investment returns by reducing the amount of our capital that is invested in cash and short-term investments with lower expected returns than private equity. We have entered into a commitment letter regarding the Credit Facility with Bank of Scotland and expect that the Credit Facility will be secured by a substantial portion of our assets and those of the Investment Partnership, will contain customary conditions precedent to borrowing, will require compliance with certain financial ratios and covenants (including a maximum debt to value ratio) and will contain customary events of default. For further information, see "Operating and Financial Review—Liquidity and Capital Resources—Our Credit Facility." As the final terms of the Credit Facility have not been agreed upon, the final terms of the Credit Facility may differ from those set forth herein and those differences may be significant. We may increase the size of our Credit Facility in the event the size of the global offering is increased, including in connection with an exercise of the stabilizing manager's over-allotment option.

We intend to make co-investments to actively manage our investment pace, both initially and over time. Capital for co-investments, unlike private equity fund commitments, is typically deployed at the time the investment is made. Accordingly, through the Investment Manager's co-investment capability we expect to be able to reach full investment more quickly than we could through a strategy of investing exclusively in private equity funds.

Our Initial Investments (as defined below) will place us at a full commitment level and a more than 50% investment level when acquired, and we expect to be fully invested within 18 months of the closing of the global offering, though this time period could be longer or shorter and we cannot guarantee we will ever be fully invested. See "Risk Factors." We will not pay management fees to the Investment Manager on cash and short-term investments or on unfunded commitments.

### **Our Initial Investments**

In connection with the global offering, Lehman Brothers has agreed to sell to us a portfolio of private equity assets (the "Initial Investments") for an aggregate purchase price of approximately \$260.5 million. We will also assume related unfunded commitments aggregating approximately \$354.1 million. The purchase price for the Initial Investments will be their aggregate net asset value as of December 31, 2006 plus the amount of drawdowns on the related unfunded commitments, minus distributions in respect of such assets, plus an interest factor. In the event the size of the global offering is reduced below 50,000,000 Shares, we will have the ability to purchase a reduced amount of the Initial Investments. In

connection with our purchase of the Initial Investments, Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (“Houlihan Lokey”) was engaged to provide advice to the Investment Manager and our company’s board of directors with respect to the aggregate purchase price for the Initial Investments. See “Operating and Financial Review” and “Business—Our Initial Investments.” We believe our Initial Investments will provide us with immediate exposure to a diversified portfolio of private equity investments and significantly shorten the period of time required for us to fully invest the proceeds of the global offering.

Our purchase of the Initial Investments will in many cases require the consent of the general partners or similar entities that are involved in such investments. We expect that, by the time of the closing of the global offering, we will complete the acquisition of Initial Investments representing a majority of the total exposure thereof. Moreover, we expect to complete the acquisition of substantially all of the Initial Investments by September 30, 2007. Sales of private equity interests are time consuming, and it may take a significant period of time after closing of the global offering for the sale to be executed, and certain sales may not occur at all if consents are not obtained. In the event consents on any Initial Investments have not been received by the closing of the global offering, we and Lehman Brothers have agreed to use commercially reasonable efforts to obtain such consents by January 31, 2008. If a required consent has not been received by that date, we will be under no obligation to acquire, and Lehman Brothers will be under no obligation to sell, the related investment. See “Risk Factors.” We will bear all legal, accounting, and administrative costs relating to the sale of the Initial Investments.

The following table presents summary information concerning the Initial Investments.

<i>(\$ in Millions)</i>	Number of Investments <sup>1</sup>	Estimated Purchase Price <sup>2</sup>	Estimated Unfunded Commitments <sup>2</sup>	Estimated Total Exposure <sup>2</sup>
Direct Fund Investments .....	28	\$ 149.9	\$ 275.0	\$ 424.9
Direct Co-investments .....	8	63.3	4.7	68.0
Lehman Brothers Fund of Funds .....	5	47.3	74.5	121.7
<b>Total .....</b>	<b>41</b>	<b>\$ 260.5</b>	<b>\$ 354.1</b>	<b>\$ 614.6</b>

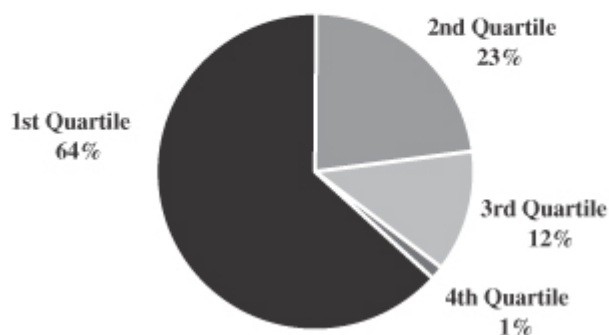
1. The Initial Investments will include exposure to over 1,400 underlying portfolio companies.
2. Estimated as of June 30, 2007. See “Business—Our Initial Investments.”

The following chart presents approximate quartile information relating to the prior private equity funds managed by the private equity fund sponsors of the direct fund investments contained in the Initial Investments. While past performance is not necessarily indicative of future results, we believe that the private equity sponsors who have been successful investors in the past frequently continue to outperform their peers. The following chart includes information covering 74 private equity funds and 27 sponsors. Of the prior funds managed by these sponsors, the Investment Manager estimates that 87% in number were in the first (64%) or second (23%) quartile as compared to Thomson Venture Economics vintage year performance data. As a result, we believe the Initial Investments are composed of high quality private equity assets. We refer to private equity assets as being of high quality when they present an attractive return profile such as, with respect to private equity funds, a ranking in the first or second quartile as compared to Thomson Venture Economics data. However, a comparison of the performance of these private equity funds to Thomson Venture Economics performance data is not necessarily indicative of the future results of the private equity funds comprising the Initial Investments.

The internal rate of return for a vintage year reflects the aggregate cash inflows and outflows to investors in the funds comprising the sample of funds used for that year, with consideration of the residual value of such funds’ investments. The return is calculated net of each private fund’s management fees, partnership expenses and carried interest, the parameters of which vary among the funds included in the sample. Thomson Venture Economics uses information, including valuations, provided by the sponsors of, and investors in, the private funds comprising the investment benchmark’s sample without independent verification. The compilation of these statistics requires a number of assumptions and judgments, and in its analysis the Investment Manager has relied on the information provided by Thomson Venture Economics without independent verification. Certain of the funds comprising the investment benchmarks pursued different investment strategies than those pursued by the prior funds of the sponsors of the Initial Investments.



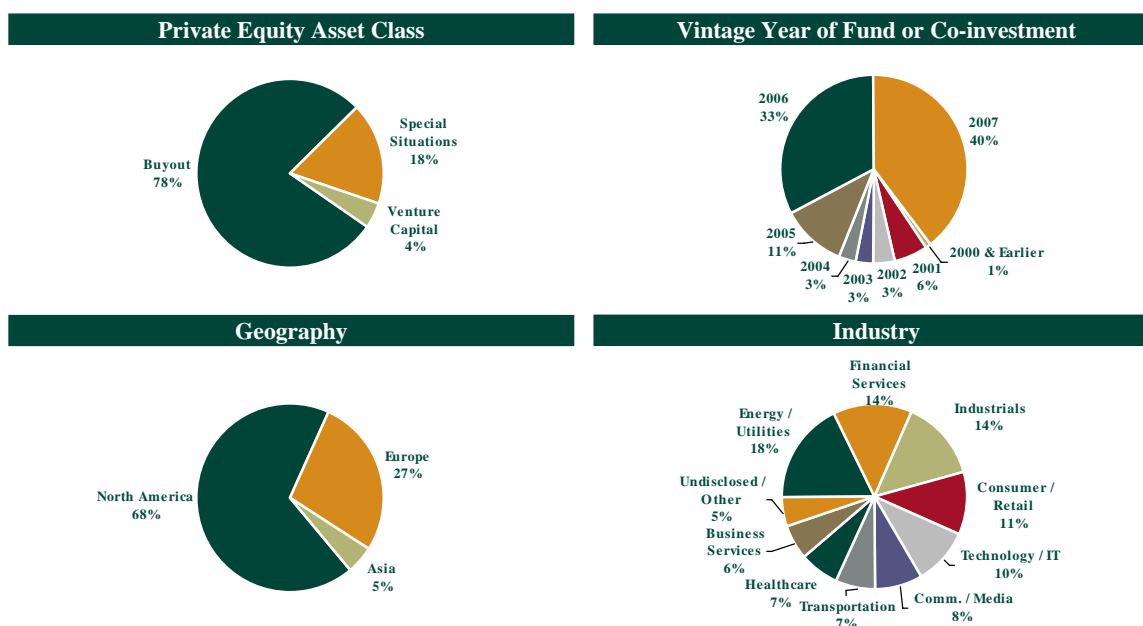
**Performance Quartile Analysis of Prior Funds Managed by the Sponsors of the Initial Investments<sup>1, 2</sup>**



1. The above performance quartile information was prepared by the Investment Manager based on publicly available information and on information received from the general partners of the underlying private equity funds, which the Investment Manager has compared to information compiled by Thomson Venture Economics. The above percentages are based on the net internal rate of return of the prior private equity funds with investment strategies similar to those of the sponsors of the Initial Investments. The prior funds of one sponsor were not included in the information presented above because prior fund performance information was not available. In addition, two prior private equity funds managed by two sponsors were not included in the information presented above because insufficient benchmark data was available.
2. Thomson Venture Economics reports on a sample of private equity funds investing in various asset classes (such as buyouts and mezzanine debt, special situations and others) that commenced operations in a given year to serve as the investment benchmark sample for that vintage year. Thomson Venture Economics ranks vintage year funds by four quartiles or tiers. The Investment Manager derived the percentages shown in the chart by comparing the most recent available net realized and unrealized internal rates of return of the prior private equity funds managed by the sponsors of the direct fund investments contained in the Initial Investments against what the Investment Manager believed were the most applicable cumulative vintage year performance benchmarks provided by Thomson Venture Economics. In the Investment Manager's analysis, special situation funds were compared against all private equity funds. The Investment Manager invested in some, but not all, of such prior funds. Only one of such prior funds is included in the Initial Investments and the performance of such prior funds has not been independently verified.

We believe the Initial Investments will be highly diversified. The following charts present the approximate breakdown of the Initial Investments by private equity asset class, vintage year, geography and industry as determined by the Investment Manager.

### Estimated Allocation of Expected Initial Investments<sup>1</sup> (Estimated Purchase Price Plus Unfunded Commitments)



- The above analysis is based on the diversification of underlying portfolio investments at fair value plus unfunded commitments as estimated by the Investment Manager. Estimates regarding the allocation of unfunded commitments are based on the Investment Manager's proprietary analyses. Determinations regarding private equity asset class, geography and industry diversification also represent the Investment Manager's estimates. Accordingly, actual diversification of the Initial Investments and the diversification of our company's investment portfolio on an ongoing basis will vary from the foregoing information.

### Our Competitive Strengths

Our competitive strengths will assist us in achieving our investment objective of producing attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification.

**Experienced Private Equity Manager.** The Investment Manager is an experienced private equity fund manager with significant investment expertise. Key strengths of the Investment Manager include:

- Broad Experience.** The Investment Manager has more than 20 years of experience in private equity investing, including with respect to private equity funds (primary and secondary investments) and co-investments. Decisions by the Investment Manager regarding our investment strategy will be made by the Investment Committee, whose members have over 170 years of combined private equity investment experience. The sourcing and evaluation of our investments will be conducted by the Investment Manager's team of over 40 investment professionals who specialize in private equity fund investments and co-investments. In addition, the Investment Manager's 110-person administrative and finance staff will be responsible for our administrative, financial management and reporting needs.
- Access to Leading Private Equity Sponsors.** The Investment Manager has built strong industry relationships with leading private equity sponsors. For example, of the prior private equity funds managed by the sponsors of the direct fund investments in our Initial Investments, the Investment Manager estimates that 87% in number were in the first (64%) or second (23%) quartile as compared to Thomson Venture Economics for vintage year data. See

“Summary—Our Initial Investments.” The broad network of Lehman Brothers’ private equity, investment banking and capital markets franchises enhances the Investment Manager’s range of private equity relationships.

- **Strong Track Record.** The Investment Manager, including its predecessor entities, has achieved an annual, compounded net internal rate of return of 18.1% since 1987 through December 31, 2006 on its fund accounts focused on primary private equity fund investments and co-investments. See “Summary—The Investment Manager’s Track Record.”
- **Lehman Brothers’ Global Platform and Due Diligence Resources.** Lehman Brothers’ global network of investment bankers, research analysts and private equity investment professionals provides the Investment Manager with valuable industry-specific knowledge, information and valuation expertise with which to supplement its team’s sourcing, analysis and evaluation of investment opportunities.

**Diversified Portfolio.** We intend to maintain a diversified investment portfolio:

- **Substantial Portfolio of Initial Private Equity Investments.** We anticipate that our Initial Investments will consist of a portfolio of high quality private equity assets having an aggregate purchase price of approximately \$260.5 million. We will also assume related unfunded commitments aggregating approximately \$354.1 million. We believe our Initial Investments will provide us with immediate exposure to a diversified portfolio of private equity investments, and will place us at a full commitment level and a more than 50% investment level when acquired. We expect to be fully invested within 18 months of the closing of the global offering.
- **Diversification Strategy.** We intend to provide our shareholders with an investment in a well-diversified portfolio of private equity investments. We expect to make private equity fund investments and co-investments, which are diversified by private equity asset class, geography, industry, vintage year and sponsor. We believe that by investing in this manner, we will achieve higher risk-adjusted returns than we would achieve in a less diversified portfolio.

**Multiple Tools to Actively Manage the Portfolio and Maintain Full Investment.** We will employ multiple tools to actively manage our private equity portfolio. The Investment Manager intends to use its experience, including proprietary data and analytic capabilities, to apply these tools to prudently and significantly shorten the period of time required for us to reach and maintain a full investment level. These tools include:

- **Prudent Over-commitment Strategy.** In order to achieve a full investment level, we expect to pursue an “over-commitment” strategy, which involves making commitments to private equity funds in excess of our available funds as of the commitment date. Private equity fund investors pursue such over-commitment strategies because private equity funds typically draw down their committed capital over a three-to-six year period. A key component of our over-commitment strategy is our Credit Facility, which we believe will provide us with a ready source of long-term capital to meet future capital calls, provide us with additional flexibility to make investments, even during periods when we are not receiving cash distributions or proceeds from our investments, and enhance our investment returns by reducing the amount of our capital that is invested in cash and short-term investments with lower expected returns than private equity.
- **Co-investments.** We intend to use our co-investments to manage our investment pace, both initially and over time. Capital for co-investments, unlike private equity fund commitments, is typically deployed at the time the investment is made. Accordingly, through the Investment Manager’s co-investment capability we expect to be able reach full investment more quickly than we could through a strategy of only fund commitments.

**Alignment of Interests.** Upon completion of the global offering, Lehman Brothers will own \$100 million of our outstanding Shares (in the form of RDSs). Moreover, the Investment Manager’s management fee will be charged on the net asset value of our private equity and opportunistic investments. As a result, the total value of the Investment Manager’s management fees will be directly correlated with the value of our private equity and opportunistic investments, incentivizing the Investment Manager to prudently and efficiently select quality investments that fit within our investment strategy. The carried interests we distribute will be based on the growth in the net asset value of our entire company, incentivizing the Investment Manager to maintain a full investment level and to avoid substantial low yielding cash balances. In addition, a portion of the carried interest we distribute will be shared with the Investment Manager’s investment professionals. As a result, the interests of Lehman Brothers, the Investment Manager and the investment team will be aligned with those of our investors.

**Underwriting Fees Borne by the Investment Manager.** The Investment Manager will bear the underwriting and placement fees and other expenses associated with the global offering, which will eliminate dilution of our net asset value that would otherwise result from such fees and expenses.

### **Corporate Governance and Voting Rights**

Our company's board of directors consists of five members, three of which are required to be independent of Lehman Brothers. The right to elect our entire board of directors will be exercised by the Trustee, an entity independent of Lehman Brothers. As a result of its holding of our class B shares, the Trustee will have the right to elect all of our company's directors and to make other decisions usually made by shareholders. Lehman Brothers will have the right to designate two of our company's directors. Our Shares and RDSs will have certain voting rights (including the right to dissolve or wind-up our company), but will not be eligible to vote in the election of our company's directors. See "Description of our Shares and our Memorandum and Articles of Association."

### **Dividend Policy**

We do not intend to pay dividends to our shareholders, although we may elect to do so in the future. In the event we do elect to pay dividends in the future, the actual amount and timing of any dividends will always be subject to the discretion of our company's board of directors. See "Dividend Policy."

## SUMMARY TERMS OF THE GLOBAL OFFERING

Shares offered in the global offering	50,000,000 class A ordinary shares in the form of Shares or RDSs, including RDSs to be purchased by Lehman Brothers.
RDSs to be purchased by Lehman Brothers	10,000,000 Shares in the form of RDSs to be purchased by Lehman Brothers for \$100 million.
Over-allotment option	The stabilizing manager has the option to require our company to issue additional Shares up to 10 percent of the total number of Shares and RDSs initially offered in the global offering at the initial offering price until 30 days from the commencement of trading of our Shares on Euronext Amsterdam. See “The Global Offering—Over-allotment Option.”
Maximum overall size of offering	60,000,000 Shares or RDSs including the stabilizing manager’s over-allotment option.
Initial offering price	\$10 per Share or RDS
Minimum subscription amount	\$100,000 or such lesser amount as may be decided by our company.
Euronext symbol	LBPE
Security codes of the Shares	ISIN: GG00B1ZBD492  Amsterdam Security Code ( <i>fondscore</i> ): 600737
Restricted depositary shares	Each RDS will represent one Share. The RDSs will be evidenced by restricted depositary receipts. For a description of the RDSs, see “Description of the Restricted Depositary Shares and Our Restricted Deposit Agreement.”
Transfer restrictions	Our Shares are subject to certain ownership limitations and transfer restrictions. For a description of these limitations and restrictions and the consequences of acquiring or holding Shares in violation thereof, see “Description of Our Shares and Our Memorandum and Articles of Association,” “Transfer Restrictions” and “Certain ERISA Considerations.”
Management and administration fees	Under an investment management and services agreement with the Investment Manager, our company and the Investment Partnership will pay the Investment Manager an annual management fee equal to the net asset value of our private equity and opportunistic investments multiplied by 1.5%. The management fee will be paid quarterly in arrears based on the net asset value of our private equity and opportunistic investments at the end of the quarter. Any investment made in a primary fund of funds, co-investment fund or secondary fund managed by the Investment Manager will be excluded from the management fee calculation. We will not pay management fees to the Investment Manager on cash and short-term investments under our investment management and services agreement. We will also pay the Investment Manager an annual administration fee in an amount equal to the net asset value of our private equity and opportunistic investments multiplied by 0.1%, which fee will be in addition to the fees and expenses we will pay to our Guernsey administrator. The administration fee will be paid quarterly in arrears. For more information, see “The Investment Manager and the Investment Management and Services Agreement.”

Carried interests	<p>If our internal rate of return for any performance period, determined on a mark-to-market basis, exceeds 7.5%, the Special Limited Partner will generally be entitled to a carried interest in an amount equal to 7.5% of the overall increase in our net asset value for that performance period. These carried interests will be reduced in connection with certain investments we may make from time to time.</p>
	<p>Carried interests are subject to a “high water mark” provision under which net losses as of the end of each performance period are carried forward to subsequent performance periods. No carried interests will be earned for any performance period until, and carried interests will be earned for any performance period only to the extent that, subsequent net profits exceed such cumulative net losses.</p>
	<p>A “performance period” generally means the first business day following the last business day of the immediately preceding performance period and ending on the next succeeding December 31<sup>st</sup> (or, if such date is not a business day, the last preceding business day).</p>
	<p>For more information, see “The Investment Manager and the Investment Management and Services Agreement—Carried Interest.”</p>
Offering and other expenses	<p>The Investment Manager will bear the underwriting and placement fees and other expenses associated with the global offering, which will eliminate dilution of our net asset value that would otherwise result from such fees and expenses.</p>
T+5 settlement cycle	<p>We expect that delivery of the Shares and RDSs will be made against payment therefor on or about the settlement date specified on the cover page of this offering memorandum, which will be the fifth business day following the expected initial date of trading of the Shares (T+5). You should note that trading of the Shares on the initial date of trading of the Shares and the next business day may be affected by the T+5 settlement. See “The Global Offering.”</p>

## Expected Timetable for the Global Offering

The timetable below lists certain expected key dates for the global offering.

Event	Date
Expected allotment of the RDSs and Shares.....	July 17, 2007
Announcement of the offer size in pricing statement .....	July 18, 2007
Euronext Amsterdam listing date.....	July 18, 2007
Dealings to commence on “as-if-and-when-issued” basis .....	July 18, 2007
Admission to official listing (unconditional listing) .....	July 25, 2007
Settlement date.....	July 25, 2007

## RISK FACTORS

*Your investment in our company will involve substantial risks. You should carefully consider the following factors in addition to the other information set forth in this offering memorandum before you decide to purchase our securities. Additional risks and uncertainties that we do not presently know about or that we currently believe are immaterial may also adversely impact our business, financial condition, results of operations or the value of your investment. If any of the following risks actually occur, our business, financial condition, results of operations and the value of your investment would likely suffer. In addition, we encourage you to review the information contained in "Notice to Investors" for important information concerning your potential investment in our company and explanations of certain defined terms used in this offering memorandum.*

### **Risks Relating to Our Investments**

***Our investments, including our Initial Investments, may not appreciate in value or generate investment income or gains, or may lose some or all of their value and you could lose all or part of your investment.***

We intend to make investments that will create long-term value for our shareholders. However, investments that we make, including investments made through private equity funds in which we invest, may not appreciate in value and, in fact, may decline in value. To the extent that we make a co-investment in a portfolio company of a private equity fund in which we are a limited partner, the effect of any such diminution of value would be magnified, because we would lose both the value of the investment made through the fund and the value of the co-investment. In addition, our opportunistic and temporary investments are expected to include investments in debt securities, including debt securities which are not rated by any rating agency or which do not have investment grade ratings. Issuers of debt securities may default on payments of interest, principal or both. Accordingly, we cannot assure you that our investments will generate gains or income or that any gains or income that may be generated will be sufficient to offset any losses that may be sustained. In addition, our Initial Investments may not appreciate in value and, in fact, may decline in value. Accordingly, we cannot assure you that these investments will generate gains or income or that any gains or income that may be generated will be sufficient to offset any losses that may be sustained. Moreover, with respect to our Initial Investments, you will bear the investment risk associated the Initial Investments as of January 1, 2007, since the purchase price of the Initial Investments is based on their net asset value as of December 31, 2006, as adjusted for subsequent cash flows to the date of their sale. As a result, investing in our Company is speculative and involves a high degree of risk. Our performance may be volatile and you could lose all or part of your investment. Past performance is no indication of future results and there can be no assurance that we will achieve results comparable to any past performance described in this offering memorandum.

***We expect to follow an over-commitment strategy when making investments in private equity funds, which will likely result in our contingent commitments exceeding our available equity capital.***

We expect to follow an over-commitment strategy when making investments in private equity funds. When an over-commitment approach is followed, the aggregate amount of capital committed by us to private equity funds at any given time exceeds the aggregate amount of capital available for immediate investment. Depending on the circumstances, we may need to make borrowings (including under our Credit Facility) or we may need to dispose of investments at unfavorable prices or at times when the holding of the investments would be more advantageous in order to fund capital calls that are made by private equity funds to which they have made commitments. Under such circumstances, legal, practical, contractual or other restrictions may limit our flexibility in selecting investments for disposal. In addition, our Credit Facility may not be available or may not allow us to adequately fund future capital calls. If for any reason we are unable to fulfill our capital commitments to one or more of the private equity funds in which we invest, we may be subject to significant consequences, including, without limitation, the sale of our assets at a discount or the forfeiture of a significant portion of our interests or rights in such private equity funds.

***We may not be able to complete the acquisition of all of the Initial Investments.***

In connection with the global offering, Lehman Brothers has agreed to sell the Initial Investments to us as described elsewhere in this offering memorandum. The private equity fund investments and co-investments included in the Initial Investments will generally require the consent of the general partners or similar entities that are involved in such investments. As a result, a number of those investments will not have been sold to us by the closing of the global offering. Many of these general partners require that these sales take place only at certain times of the year, such as at the end or beginning of a quarter or year. Some will require that we or the Investment Manager deliver an opinion of counsel that the sale will not violate various laws or subject the underlying private equity fund, the general partner or its advisor to additional regulations. Additionally, some general partners may impose conditions which we find unacceptable, or such a general partner may decide not to consent to such assignment for no reason at all. See "Business—Initial Investments." In the event consents in any Initial Investments have not been received by the closing of the global offering, we and Lehman Brothers will use



commercially reasonable efforts to obtain such consents by January 31, 2008. If a required consent has not been received by that date, we will be under no obligation to acquire, and Lehman Brothers will be under no obligation to sell, the related investment.

***Our private equity investments are likely to be, and our other investments may be, illiquid.***

A substantial proportion of our investments will be in private equity funds or private companies and will require a long-term commitment of capital. For example, while a portfolio investment by a private equity fund may be sold at any time, we would not ordinarily expect a sale to occur for a substantial period of time (often, three to five years or more) after the investment is made. In addition, a substantial amount of our investments, and of investments made by funds in which we invest, will also be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult to sell investments if the need arises or if we or the Investment Manager determines such sale would be in our best interests. In addition, if we were to be required to liquidate all or a portion of an investment quickly, we may realize significantly less than the value at which the investment was previously recorded, which could result in a decrease in our net asset value which could have a negative effect on the value of your Shares.

***We will operate in a highly competitive market for investment opportunities.***

We will operate in a highly competitive market for investment opportunities. Identifying and consummating investments with leading private equity sponsors is highly competitive and involves a high degree of uncertainty. We encounter competition for investments from other investors, including public and private pension funds, investment partnerships, limited liability companies and trusts, as well as from individuals, corporations, bank and insurance company investment accounts, foreign investors and other entities engaged in investment activities. Some of these competitors may have higher risk tolerances or different risk assessments than ours, which could allow them to more aggressively compete. In addition, the underlying funds in respect of our private equity investments also face similar significant competition with respect to their investments. Moreover, in recent years, an increasing number of private equity funds and funds of funds have been formed and these and existing funds have raised significant amounts of capital. The increased amount of capital available for investment has led to increased competition among such funds for suitable investments. Additionally, new funds or investment vehicles with investment objectives similar to ours may be formed in the future. No assurance can be given that the Investment Manager or private equity sponsors will be able to locate suitable investment opportunities that satisfy our objectives or that it will be able to invest all of our committed capital.

***Our private equity fund investments will generally take time before producing returns, if any.***

There is generally a period of years before a new private equity fund has completed making its investments. Such investments also may take a significant period from the date they are made to reach a state of maturity allowing for realization of the investment to be achieved. As a result, based on historical realization periods for private equity funds, it is likely that no significant return, if any, from disposition of such investments will occur until a substantial number of years from the inception of such private equity fund. Return on our investments in such funds, therefore, is not likely to be realized for a substantial time period, if at all.

***It may be difficult for us to access private equity funds particularly in light of our status as a public vehicle.***

The Investment Manager seeks to maintain strong relationships with the sponsors of private equity funds with which it has previously invested and to create targeted new relationships. However, private equity sponsors frequently seek to limit or prohibit the public dissemination of information regarding their investments. Since our company will be a publicly-listed investment vehicle with certain ongoing public reporting obligations, particularly with respect to our portfolio of investments, we may be excluded from certain investment opportunities if private equity sponsors are not prepared to permit us to disclose information required to meet our public reporting obligations.

***We expect to incur indebtedness, which will be in addition to indebtedness that is incurred by the underlying portfolio companies in which our investments are made. Such additional indebtedness could subject our shareholders to additional risks.***

We expect to incur indebtedness to fund our liquidity needs, to enhance returns on our investments and for general corporate purposes. As the general partner of the Investment Partnership, we are liable without limitation for all debts of the Investment Partnership. This indebtedness, which may be incurred under one or more credit facilities, will be in addition to any indebtedness that is incurred by companies in which our investments are made. While the incurrence of this indebtedness may positively affect our net asset value when the values of underlying investments increase, it has the potential to negatively impact our net asset value when the values of underlying investments decline, because a greater percentage of the value of the underlying assets would be subject to a lender's superior claim.

This indebtedness would also give rise to additional costs, including debt issuance and servicing costs, and financial and operating covenants, which could affect our ability to engage in certain types of activities or to make distributions in respect of the Shares. In addition, our Credit Facility will require us to pay a non-utilization fee on the difference between the committed amounts and amounts actually borrowed.

Because we anticipate that a significant proportion of our investments will be illiquid and will not generate distributable cash on a regular basis, we may not be able to meet any debt service obligations. If we fail to satisfy any debt service obligations or breach any related financial or operating covenants, we could be prohibited from making any distributions until such breach is cured or the lender could declare the full amount of the indebtedness to be immediately due and payable and could foreclose on any assets pledged as collateral. In addition, under our Credit Facility, the administrative agent will have the power to direct, or to cause us to direct, the sale of our assets upon the occurrence of an event of default. In the event that we are unable to meet our debt service obligations from other sources, we may need to issue additional Shares, including at a discount to our net asset value. Any of these outcomes could materially adversely affect the value of your investment in our company.

***Fund of funds investments are subject to a number of significant risks.***

Each of the private equity funds in which we intend to invest pays (or requires its limited partners to pay) its respective general partners and investment advisers or managers certain fees and bears certain costs and expenses. Such fees and expenses are expected to reduce materially the actual returns to investors (including our company) in such private equity funds. In addition, because of management fees, expenses and carried interests payable or distributable by us, our returns on private equity investments will be lower than the returns to a direct investor in the private equity funds in which we invest. Your returns on investments other than co-investments will generally reflect two sets of fees and expenses, one directly at our company's level and one indirectly through us at the underlying private equity funds' level. Fees and expenses of our company and the underlying private equity funds will generally be paid regardless of whether we or the underlying private equity funds produce positive investment returns.

The Investment Manager will not have an active role in the day-to-day management of the private equity funds and/or companies in which we invest and will not have the opportunity to evaluate the specific investments made by any underlying private equity fund. The underlying private equity funds in which we will invest will also be exposed to some or all, depending on the nature of such fund's investments, of the other risks described herein.

The sponsors and others affiliated with any of the private equity funds in which we will invest may have conflicts of interest. One type of conflict of interest involves the overlap of investment interests by different private equity funds in which we may acquire interests, and that are operated by the same sponsor. Such an overlap of investment interests may result in competition between such sponsor's funds for the same investment opportunities. In addition, such private equity funds may engage in other transactions with affiliated parties on terms and conditions not determined through arm's-length negotiations.

If for any reason, we are unable to fulfill our capital commitments to one or more of the private equity funds in which we invest, we may be subject to significant consequences, including, without limitation, the forfeiture of a significant portion of our interests or rights in such private equity funds, which could cause you to lose all or part of your investment in our Shares.

***Substantially all of our investments will be in vehicles that neither we nor the Investment Manager control.***

Our investments will include investments in private equity funds and in equity securities and debt instruments of companies that are not controlled by us or the Investment Manager. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of such company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments could decrease and our financial condition and results of operations could suffer as a result.

***Our co-investments may afford us only limited rights as a shareholder and, as a result, we may be unable to protect our interests in such investments. In addition, in certain private equity funds in which we may invest, other investors may be able to vote to cause a liquidation of such fund at a time when we would not have so voted.***

In connection with co-investments, we are likely to hold non-controlling interests in certain portfolio companies and, therefore, generally will have only a limited ability to protect our interests in such companies and to influence such companies' management. In addition, co-investments may be made with third parties through joint ventures or other entities which may have controlling ownership interests in such portfolio companies. In such cases, we will rely significantly on the existing management and board of directors of such companies, which may include representatives of other financial

investors with whom we are not affiliated and whose interests may at times conflict with our interests and the interests of our shareholders. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third party may be in a position to take (or block) action in a manner contrary to our investment objectives or may have financial difficulties resulting in a negative impact on such investment. Moreover, in certain private equity funds in which we may invest other investors may be able to vote to cause a liquidation of such funds at a time when we would not have so voted. This likelihood may be enhanced by the fact that we will almost always be a minority investor in such private equity funds. In addition, we may in certain circumstances be liable for the actions of their third-party co-venturers. Co-investments made with third parties in joint ventures or other entities also may involve carried interests and/or other fees payable to such third party partners or co-venturers. There can be no assurance that appropriate minority shareholder rights will be available to us or that such rights will provide sufficient protection of our interests.

***We may make speculative high-risk investments of all kinds, which could subject us to greater risk of loss.***

We may enter into speculative high-risk investment opportunities of all kinds in all markets globally, especially with respect to our opportunistic investments. These may include, among others, investments in joint ventures, pooled investment vehicles, limited partnership and limited liability company interests, hedge funds, natural resources, real estate, fixed income venture capital debt and equity securities, foreign currencies, precious metals and derivative instruments. Such high-risk investments may be illiquid and the value of any such investment may be difficult to ascertain. Other than with respect to opportunistic investments (which will not exceed 10% of our total exposure without board and shareholder approval), we are not required to invest, or limit our investment to, any specified percentage of our assets in any type of investment. In addition, companies in which we invest, or in which underlying private equity funds in which we invest, may not achieve their expected profitability, may experience substantial fluctuations in their operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, or to finance expansion to maintain their competitive position, or may otherwise have a weak financial condition. Some companies will depend for their success on the management talents and efforts of one person or a small group of persons whose death, disability or resignation would adversely affect their businesses. To the extent we invest in hedge funds, our investments will be subject to risk of loss in part because hedge funds use highly speculative investment techniques, including without limitation, leverage, short-selling, derivative instruments, investing in work-outs and start-ups, short-term trading and arbitrage. We may invest, expect to invest, and expect that the underlying private equity funds in which we invest will invest, in companies with highly leveraged capital structures that make them more vulnerable to adverse financial or business developments than less highly leveraged companies. In addition, the securities in which we or such underlying funds will invest may include the most junior securities in complex capital structures and thus will be subject to the greatest risk of loss. In all such cases, we will be subject to the risks associated with the underlying businesses engaged in by portfolio companies, including market conditions, changes in regulatory environment, general economic and political conditions, the loss of key management personnel and other factors.

***Our private equity investments are subject to a number of significant risks and you could lose all or part of your investment.***

Our private equity investments involve a number of significant risks, including the following:

- the market for private equity investments is subject to fluctuations and may significantly diminish owing to changes in interest rates, the availability of financing (including senior credit, mezzanine and high yield) and general market conditions; a disruption in the market for private equity investments could cause our investment strategy to fail and cause you to lose all or part of your investment;
- companies in which private equity investments are made are often dependent on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects and the investment made;
- companies in which private equity investments are made generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- generally limited public information exists about companies in which private equity investments are made and investors in those companies generally must rely on the ability of the equity sponsor to obtain adequate information for the purposes of evaluating potential returns and making a fully informed investment decision; and
- if we receive distributions in kind from any of our private equity investments we will incur additional costs and risks in disposing of such assets.

***Our private equity fund investments and co-investments may, directly or indirectly, be in companies that are highly leveraged.***

We expect to make investments, both directly and indirectly through other funds, in companies whose capital structures have a significant degree of leverage. In addition, companies that are not or do not become highly leveraged at the time an investment is made may increase their leverage after the time of investment. Investments in highly leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. In addition, the incurrence of a significant amount of indebtedness by a company may, among other things:

- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which may limit the company's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the company's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- limit the company's ability to engage in strategic acquisitions that may be necessary to generate attractive returns or further growth; and
- limit the company's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company is generally greater than for companies with comparatively less debt.

***We may make investments in restructurings or distressed assets, which could subject us to greater risk of loss.***

We may make, and the underlying funds in which we invest may make, investments in restructurings, including bankruptcies and workouts, which involve companies that are experiencing or are expected to experience financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject us to certain additional potential liabilities. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments by such companies to us could be required to be returned if any such payment is later determined to have been a fraudulent conveyance or a preferential payment. Numerous other risks also arise in the workout and bankruptcy contexts.

***We will invest directly and indirectly in less established companies, which may subject us to greater risk of loss.***

We and the underlying funds in which we will invest may invest a portion of assets in the securities of less established companies or early stage companies, including, for example, in venture capital investments. Investments in such portfolio companies may involve greater risks than are generally associated with investments in more established companies. For example, to the extent there is any public market for such securities, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Such companies may have shorter operating histories on which to judge future performance and, if operating, may have negative cash flow. In the case of start-up enterprises, such companies may not have significant or any operating revenues. Such companies also may have a lower capitalization and fewer resources (including cash) and be more vulnerable to failure, resulting in the loss of our entire investment. The availability of capital is generally a function of capital market conditions that are beyond our control, or the control of the underlying private equity funds or portfolio companies in which we, directly or indirectly, will invest. There can be no assurance that any portfolio company will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. In addition, less mature companies could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which we, directly or indirectly, invest, we may suffer a partial or total loss of our investment. There can be no assurance that any such losses will be offset by gains (if any) realized on our other investments.

***We may make mezzanine debt investments, which could subject us to greater risk of loss.***

We may invest, both directly and indirectly through other funds, in companies whose capital structures have significant leverage ranking ahead of our investment. In such mezzanine debt investments, due to their subordinated positions in a portfolio company's capital structure, we may not be able to take the steps necessary to protect our investment in a timely manner or at all and there can be no assurance that our rate of return objectives or any particular mezzanine debt investment will be achieved. As debt, such mezzanine investments generally are subject to various creditor risks, including the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, so-called lender

liability claims by the issuer of the obligations and environmental liabilities that may arise with respect to collateral securing the obligations. Additionally, adverse credit events with respect to any investee company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership or distressed exchange, can significantly diminish the value of our investment in any such company. Furthermore, we may provide commitments and capital for interim financing such as bridge loans. In addition to the risks and uncertainties associated with any debt investments, a bridge loan may not be repaid or refinanced as scheduled and the bridge loan may become in default or be required to be made part of the permanent capital structure of the borrower under circumstances in which the investee company was not able to execute its financing plan. In either case, the risk of loss of our principal in the investment will be exacerbated.

***It will take time to fully invest our capital and we expect that we will generate lower returns during that period than after we have fully deployed our capital in private equity investments, co-investments and opportunistic investments.***

It will take a significant amount of time to fully invest our capital, in particular because it will take time for the general partners of the private equity funds in which we will invest to call our capital commitments to make investments. We anticipate that upon completion of the global offering and related transactions, and after we acquire the Initial Investments, approximately 50% of the proceeds of the global offering, will be subject to further investment, assuming that we issue 50,000,000 Shares in the global offering and related transactions at an initial offering price of \$10 per Share. The Investment Manager has not yet identified all of the potential investments that it will make with the capital contributions that we receive in connection with the global offering and related transactions. Moreover, the Investment Manager intends to conduct extensive due diligence with respect to our private equity and co-investments and, as a result, suitable investment opportunities in addition to the Initial Investments may not be immediately available.

We cannot predict how long it will take to deploy our capital in private equity investments, co-investments and opportunistic investments. Timing will depend, among other things, on the willingness of general partners and, potentially, limited partners to allow us to invest as a limited partner in their private equity funds, the speed with which such general partners call our capital commitments, the identification of new investment opportunities by the Investment Manager, the availability of suitable private equity investments, co-investments and opportunistic investments and the interest of limited partners of private equity funds to participate in co-investment opportunities that may be granted by the funds' general partners (which could potentially decrease the amount of co-investments that we are able to make).

Pursuant to our cash management policy, we will invest in temporary investments, including cash and short-term investments, which are expected to generate returns that are substantially lower than the returns we anticipate receiving from private equity investments, co-investments and opportunistic investments. There may also be a high degree of variability between the returns generated by different types of temporary investments. In addition, the Investment Manager will have broad discretion under our investment policies when making investments and our shareholders will not have a right to provide input with regard to the Investment Manager's investment decisions or an opportunity to evaluate a proposed investment before investing in our company. These factors will increase the uncertainty, and thus the risk, of an investment in our company.

***We expect returns from our cash investments to be substantially lower than returns from our private equity, co-investments and opportunistic investments, and, as a result, we expect that the longer it takes to fully deploy our capital, the lower the overall returns on our investments will be.***

Based on an assumed initial offering price of \$10 per Share and assuming that we issue 50,000,000 Shares in the global offering and related transactions, including our acquisition of the Initial Investments, we anticipate that upon completion of the global offering and related transactions we will have approximately \$500 million of cash. This cash will need to be invested in temporary investments pending its use in private equity, co-investments and opportunistic investments. We anticipate that these temporary investments will consist of government securities, cash, cash equivalents, money market instruments, asset-backed securities and other investment grade securities. The allocation of cash investments will be made by the Investment Manager.

Temporary investments are expected to generate returns that are substantially lower than the returns that we anticipate receiving from private equity funds, co-investments and opportunistic investments, which could prevent us from meeting our investment objectives and negatively impact our results and the value of our Shares and RDSs pending the full investment of our capital. If the yields on temporary investments do not exceed our expenses, we may incur operating losses and the market price of our Shares and RDSs may decline. In addition, while we believe that our temporary investments will be relatively conservative compared to our private equity, co-investments and opportunistic investments, they are nevertheless subject to the risks associated with any investment, which could result in the loss of all or a portion of the capital invested.

***We will invest in a variety of currencies and jurisdictions around the world which may subject us to significant price fluctuations and greater risk of loss.***

We may invest in a variety of currencies and the assets and securities of issuers in a variety of jurisdictions. Investments of this type may be subject to significant price fluctuations and above-average risk. These investments involve certain additional risks, including risks relating to currency exchange matters, including fluctuations in the rate of exchange between the United States dollar and the various foreign currencies in which our investments are denominated (which could result in significant changes in the net asset values we report), and costs associated with conversions of investment principal and income from one currency to another; certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; the possibility of substantial rates of inflation or rapid fluctuation in inflation rates; and the possible imposition of taxes on income and gains recognized with respect to such securities or distributions therefrom.

***Our Shares and RDSs are denominated in U.S. dollars, which may present certain risks for non-U.S. investors.***

Our Shares and RDSs are denominated in U.S. dollars. Investors subscribing for Shares or RDSs in any country in which U.S. dollars are not the local currency should note that changes in the value of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. There may be foreign exchange regulations applicable to investments in foreign currencies in certain jurisdictions where this offering memorandum is being issued. You should consult with your own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in our Shares or RDSs.

***Performance allocations in the funds and portfolio companies in which we will invest may create certain investment risks.***

We intend to invest in other investment vehicles that have performance-based fee or compensation arrangements for the managers of such vehicles. The existence of such arrangements may create an incentive for such investment vehicles' managers to make riskier or more speculative investments on behalf of such investment vehicles than they would make in the absence of such performance-based compensation payments.

***Your rights as a shareholder will differ substantially from the rights of an investor in a private fund of funds vehicle or private equity fund and the potential return on your investment may not be commensurate with the returns achieved by such investors.***

Your rights and benefits as shareholder will differ substantially from the rights and benefits that you would have as an investor in a private fund of funds vehicle or in a private equity fund. Certain differences and risks associated with such differences include the following.

- ***Reinvestment vs. Dividends.*** Investors in private fund of funds vehicles and in private equity funds, which generally are organized as self-liquidating partnerships, typically receive dividends or distributions from such funds' current income and other net cash proceeds from the funds' investments and from dispositions of investments. We have adopted a dividend policy for our company pursuant to which we do not intend to pay dividends to our shareholders. Instead, we will seek to re-invest any dividends or distributions we receive. Accordingly, the only way our shareholders may be able to realize a return on their investment in us will be to sell the Shares and RDSs that they own. See "Risk Factors—Risks Relating to Our Shares and RDSs."
- ***Timing of Capital Contributions.*** Investors in private fund of funds and in private equity funds generally are initially required only to make capital commitments to a fund, which commitments are thereafter funded only when a capital call is made by the fund's general partner. Our shareholders will be required to contribute their capital to our company when acquiring our securities. Because our shareholders must fully fund their investment in our company at the time they purchase our securities, and because our cash management strategy is likely to result in lower returns than our private equity investments, co-investments, and opportunistic investments, our shareholders may realize rates of returns on their investments that are lower than the rates of returns realized by investors in private fund of funds vehicles or in private equity funds until full deployment is achieved.
- ***Differing Calculations of Management Fees; Two Sets of Fees and Expenses.*** The management fees that investors in private fund of funds vehicles must pay to investment managers of such funds generally are based on a percentage of capital committed to the fund during the fund's investment period. The management fee that is payable to the Investment Manager under our investment management and services agreement, on the other hand, is based on the net asset value of our private equity investments. As a result, unlike the management fees that investors in private fund of funds vehicles typically must pay, our management fee will vary over time in response to changes in the unrealized value of our investments. In addition, with respect to our investments in underlying

private equity funds, you will pay, in effect, two sets of management fees, expenses, and carried interests, one directly at our company's level and one indirectly at the underlying private equity fund level.

- **Less Information.** Investors in private fund of funds vehicles and in private equity funds typically receive comparatively more information concerning a fund's portfolio company investments than will be provided to our shareholders. The underlying funds information provided to investors in a private fund of funds vehicle or in a private equity fund is generally subject to confidentiality restrictions and may include an annual review of each fund's portfolio companies, including individual portfolio company valuations and selected business and financial information for those companies, quarterly letters that include investment highlights for select portfolio company investments and report any changes in individual portfolio company valuations as of the end of the quarter, confidential memoranda relating to a fund's acquisition of a portfolio company that contains business and selected financial information relating to the portfolio company and information concerning the acquisition and certain additional information that an investor in such a fund may request. Our shareholders, in contrast, will only receive our annual and quarterly reports, which will include our consolidated financial statements, a discussion and analysis by management of our respective results of operations, liquidity and capital resources and an individual disclosure of our ten largest investments based upon net asset value as of the end of the applicable reporting period, and certain monthly reports. See "Operating and Financial Review." Consequently, when you make an investment decision with respect to our Shares, you will always have less information than an investor in a private equity fund of funds or a private equity fund would have.

***The due diligence process that the Investment Manager intends to undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.***

Before we make any investment, the Investment Manager intends to conduct extensive due diligence it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process will be to identify attractive investment opportunities based on the facts and circumstances surrounding an investment. When conducting due diligence and making an assessment regarding an investment, the Investment Manager will be required to rely on resources available to it, including information provided by the target of the investment or, in the case of co-investments, the party with whom we are co-investing. Accordingly, we cannot assure you that the due diligence investigation that the Investment Manager will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. We also cannot assure you that such an investigation will result in an investment being successful.

***We have very broad investment policies and the Investment Manager will have substantial discretion when making investment decisions, including with respect to the allocation of investment opportunities to other private equity funds managed by the Investment Manager.***

We have very broad investment policies for our investments. These policies will provide the Investment Manager with substantial discretion when selecting, acquiring and disposing of investments, including in determining the types of investments that it deems appropriate, the investment approach that it follows when making investments and the timing of investments. See "Risk Factors—Risks Relating to Conflicts of Interests." While our company's board of directors will periodically review the Investment Manager's compliance with our investment policies, it is generally not expected to review or approve individual investment decisions. It may be difficult or impossible to unwind investments that are not consistent with our investment policies by the time they are reviewed by our company's board of directors. In addition, our investment policies do not impose any limitations on the terms of the funds through which we may make our investments, including with respect to fund size, affiliation, geographic concentration, investment parameters and industry focus.

***Our investments may rank junior to investments made by others.***

We expect to make private equity investments (either directly or indirectly) and co-investments, and may also make opportunistic investments, in companies that have indebtedness or equity securities, or may be permitted to incur indebtedness or to issue equity securities, that rank senior to our investment. By their terms, such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment in the company would typically be entitled to receive payment in full before distributions could be made in respect of our investment. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets.

***Economic recessions or downturns could impair the value of our investments.***

We may make investments, directly or indirectly through other funds, in companies that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, these companies may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing could cause the value of our investments to decline. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments and harm our net asset value and operating results.

***Access to confidential information may restrict the ability of the Investment Manager to take action with respect to some investments, which, in turn, may negatively affect the potential returns to our shareholders.***

Employees of Lehman Brothers may directly or indirectly obtain confidential information concerning one or more companies in which an investment has been or may be made. Lehman Brothers has implemented compliance procedures designed to seek to ensure that material non-public information is not used for making investment decisions on our behalf, although we cannot assure you that such procedures will be effective. Under these procedures, if employees of Lehman Brothers possess confidential information concerning a company, there may be restrictions on their ability to inform the individuals responsible for making our investment decisions. Such restrictions could limit our freedom to make potentially profitable investments or to liquidate an investment when it would be in our best interests to do so.

***We do not have any operations and our principal source of cash will be the investments that we make through the Investment Partnership.***

Upon completion of the global offering and related transactions, we expect to contribute substantially all of our cash to the Investment Partnership, and we do not expect to retain a significant amount of cash. The ability of the Investment Partnership to make cash distributions to us will depend on a number of factors, including, among others, the actual results of operations and financial condition of the Investment Partnership and its subsidiaries, restrictions on cash distributions that are imposed by applicable law or the limited partnership agreement of the Investment Partnership, the timing and amount of cash generated by investments that are made by the Investment Partnership and its subsidiaries, any contingent liabilities to which the Investment Partnership and its subsidiaries may be subject (including any amounts required to be repaid in connection with clawback provisions in underlying private equity fund investments), the amount of taxable income generated by the Investment Partnership and its subsidiaries. If we are unable to receive cash distributions from the Investment Partnership or if it is unable to receive cash distributions from its subsidiaries, we may not be able to meet our expenses when they become due and we may be required to delay or cancel any cash distributions we may choose to pay in the future.

***Risk management activities may adversely affect the return on our investments.***

While we have no current plans to do so, when managing our exposure to market risks the Investment Manager may use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments or use highly speculative investment techniques to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. We anticipate that the scope of risk management activities undertaken by the Investment Manager will vary based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that we enter into generally will depend on the Investment Manager's ability to correctly predict market changes. As a result, while the Investment Manager may cause us to enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, the Investment Manager may not seek or be successful in establishing a perfect correlation between the instruments used in a hedging or other derivative transactions and the position being hedged. An imperfect correlation could prevent the Investment Manager from achieving the intended result and could give rise to a loss.



In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the value of our investments, because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond our control.

***We expect to be exposed to general capital markets risks in connection with our opportunistic and temporary investments.***

Our opportunistic and temporary investments are expected to include investments in publicly-traded securities. We and the private equity funds in which we invest may also make investments in portfolio companies whose securities are offered to the public in connection with the process of exiting an investment. The market prices and values of publicly traded securities of companies in which we have investments may be volatile and are likely to fluctuate due to a number of factors beyond our control, including actual or anticipated fluctuations in the quarterly and annual results of such companies or of other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, industry conditions, changes in government regulation, shortfalls in operating results from levels forecast by securities analysts, the general state of the securities markets and other material events, such as significant management changes, refinancings, acquisitions and dispositions. In accordance with U.S. GAAP, we will value investments in publicly-traded securities based on current market prices at the end of each accounting period, which could lead to significant changes in the net asset values we report monthly and operating results that we report from quarter to quarter.

***We expect to be exposed to risks arising from movements in prevailing interest rates.***

We expect to incur indebtedness, including through our Credit Facility, to fund our liquidity needs, to leverage our opportunistic investments and potentially to leverage certain of our temporary investments. We may also make fixed income investments that are sensitive to changes in interest rates. As a result, we believe that we will be exposed to risks associated with movements in prevailing interest rates. An increase in interest rates could make it more difficult or expensive for us to obtain debt financing, could negatively impact the values of fixed income investments and could decrease the returns that our investments generate.

We believe that we will be subject to additional risks associated with changes in prevailing interest rates due to the fact that our capital will be invested either directly or indirectly through private equity funds, in portfolio companies whose capital structures have a significant degree of indebtedness. Investments in highly leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would be the case if money had not been borrowed. As a result, the risk of loss associated with an investment in a leveraged company is generally greater than for companies with comparatively less debt.

***We may receive distributions in kind in connection with our investments which may subject us to certain risks.***

We may receive distributions in kind in connection with our investments which may subject us to certain risks. For example, there can be no assurance that securities distributed in kind will be readily marketable or saleable, and we may be required to hold such securities for an indefinite period and/or may incur additional expense in connection with any disposition of such securities.

**Risks Relating to Our Company and Our Investment Strategy**

***We are a newly formed company with no separate operating history and the Investment Manager's private equity track record is not indicative of its or our future performance.***

We were registered in Guernsey as a closed-end investment company on June 22, 2007 and have not yet commenced operations. We intend to make all of our investments through the Investment Partnership, a newly formed Guernsey limited partnership of which we will be the general partner. Neither we nor the Investment Partnership have any historical financial statements or other meaningful operating or financial data with which you may evaluate us, the performance of the investments that we intend to make or the effectiveness of our investment strategy as a whole. An investment in our company is therefore subject to all of the risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objectives and that the value of your investment could decline substantially.

We have presented in this offering memorandum certain information with respect to the historical performance of the Investment Manager. Such information is included, among other places, under "Track Record Data" and "Summary—The Investment Manager's Track Record." When considering this information you should bear in mind that the historical results of the investments that the Investment Manager has managed in the past are not indicative of the future results that you should expect from us and that the unrealized values of the investments presented herein may not be realized in the future. In

particular, our results may differ substantially from the historical results achieved by the Investment Manager due to the fact that:

- we will have a different structure than a typical private equity fund, which would generally be organized as a self-liquidating partnership;
- we will initially have a substantial amount of surplus cash that will generate returns that are substantially lower than the returns we anticipate receiving from private equity, co-investments and opportunistic investments;
- we intend to make significant co-investments from time to time alongside private equity sponsors, which will increase our exposure to changes in the values of individual investments, while the track record information presented for the Investment Manager does not include information regarding co-investments; and
- we intend to acquire limited partner interests in one or more existing private equity funds managed by the Investment Manager or its affiliates and, to the extent that we acquire such interests at prices that are commensurate with the funds' net asset values, we will not benefit from any value that was created prior to such acquisitions, which, in the case of funds in which investments are not at an early stage, may be substantial.

***We are highly dependent on the Investment Manager and its investment professionals and we cannot assure you we will have continued access to them.***

We, the Investment Partnership and the Investment Partnership's subsidiaries do not currently have any employees or own any facilities, and we each will depend on the Investment Manager for the day-to-day management and operation of our respective businesses. Under our investment management and services agreement, the Investment Manager will be responsible for, among other things, selecting, acquiring and disposing of investments, carrying out financing, cash management and risk management activities, providing investment advisory services, including with respect to our investment policies, and arranging for personnel and support staff to be provided to carry out the management and operation of our respective businesses. Additionally, there are no restrictions on the Investment Manager's ability to establish funds or other publicly traded entities that compete with us. For example, upon the closing of this global offering, we will compete with Lehman Crossroads Fund XVIII, a fund of funds managed by the Investment Manager; we will likely in the future compete with other funds managed by the Investment Manager. Personnel and support staff provided by the Investment Manager are not required to have as their primary responsibility the day-to-day management and operations of our company or any of the other service recipients or to act exclusively for any of us. Moreover, certain private equity funds in which we will make investments, including Lehman Crossroads Fund XVII and Lehman Crossroads Fund XVIII, will similarly be dependent on the Investment Manager for investment management, operational and financial advisory services.

We believe that our success and the success of certain of the private equity funds or other investments in which we invest will depend upon the experience of the Investment Manager and its continued involvement in our business and those private equity funds. If the Investment Manager were to cease to provide services under our investment management and services agreement or to cease to provide investment management, operational and financial advisory services to us or to any of its private equity funds for any reason, we would experience difficulty in making new investments, our business and prospects would be materially harmed and the value of our existing investments and our results of operations and financial condition would be likely to suffer materially.

***Our financial condition and results of operations will depend on the Investment Manager's ability to effectively implement our investment strategy.***

Our ability to achieve our investment objectives will depend on our ability to grow our investment base, which will depend, in turn, on the Investment Manager's ability to identify, invest in and monitor a suitable number of companies and implement the various aspects of our investment strategy. Achieving growth will be largely a function of the Investment Manager's structuring of the investment process, its ability to provide competent, attentive and efficient services under our investment management and services agreement and our ability to reinvest our capital and to obtain additional capital on acceptable terms. The Investment Manager will have substantial responsibilities under our investment management and services agreement. In order for us to grow, the Investment Manager may be required to hire, train, supervise and manage new employees. However, we can offer no assurance that any of those employees will contribute to the work that the Investment Manager carries out on our behalf. Any failure to manage our future growth or to effectively implement our investment strategy could have a material adverse effect on our business, financial condition and results of operations.

***We cannot assure you that the values of investments that we report from time to time will in fact be realized.***

We anticipate that a substantial portion of the investments that we make, including investments that are made through private equity funds, will be in the form of investments for which market quotations are not readily available. The Investment Manager will be required to make good faith determinations as to the fair value of these investments on a quarterly basis (and

on a monthly basis for the determination of net asset value) in connection with the preparation of our company's financial statements. In addition, these determinations will often be based on information (including calculations of net asset value) made by the underlying general partners or similar entities of the private equity funds in which we will invest, which, in turn, may be based on estimates made by such entities. Moreover, the management fee payable to the Investment Manager and the carried interest distributable to the Special Limited Partner will be based on the good faith determinations made by the Investment Manager of the value of our private equity and opportunistic investments and our internal rate of return. In addition, while we have received advice from an independent valuation consultant with respect to the Initial Investments has, we are not required, and we do not intend, to utilize the services of any independent valuation consultant or similar entity in the future.

There is no single standard for determining fair value in good faith and, in many cases, fair value is best expressed as a range of fair values from which a single estimate may be derived. The types of factors that may be considered when applying fair value pricing to an investment in a particular company include the historical and projected financial data for the company, valuations given to comparable companies, the size and scope of the company's operations, the strengths and weaknesses of the company, expectations relating to investors' receptivity to an offering of the company's securities, the size of the Investment Manager's holding in the portfolio company and any control associated therewith, information with respect to transactions or offers for the portfolio company's securities (including the transaction pursuant to which the investment was made and the period of time that has elapsed from the date of the investment to the valuation date), applicable restrictions on transfer, industry information and assumptions, general economic and market conditions, the nature and realizable value of any collateral or credit support and other relevant factors. Fair values may be established using a market multiple approach that is based on a specific financial measure (such as EBITDA, adjusted EBITDA, cash flow, net income, revenues or net asset value) or, in some cases, a cost basis or a discounted cash flow or liquidation analysis.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that we would actually be able to realize because of various factors, including the possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. Our net asset value could be adversely affected if the values of investments that we record are materially higher than the values that are ultimately realized upon the disposal of the investments and changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations that we report from period to period. We cannot assure you that the investment values that we record from time to time will ultimately be realized.

***We expect to face significant uncertainty in our valuations of secondary investments that we may make in private equity funds.***

Our overall performance with respect to secondary investments will depend in large part on the acquisition price we pay for our investments, which is typically determined by reference to the carrying values most recently reported by the private equity funds in which we may seek to invest. Such private equity funds are not generally obligated to update any valuations in connection with a transfer of interests on a secondary basis, and such valuations may not be indicative of ultimate realizable values. Moreover, there is no established market for secondary investments or for the privately-held portfolio companies in which such private equity funds may own securities, and there may not be any comparable companies for which public market valuations exist. As a result, our valuation of secondary investments may be based on limited information and will be subject to inherent uncertainties. Generally, we will not be acquiring interests directly from the issuers of secondary investments, will not have the opportunity to negotiate the terms of the secondary investments being purchased or any special rights or privileges, and expect to hold our secondary investments on a long-term basis. As a result, our performance will be adversely affected in the event the valuations assumed by us in the course of negotiating acquisitions of private equity funds prove to have been too high. We may also face portfolio sales or other situations where, in order to make investments considered desirable, we will be required to make other investments considered less desirable or for which we are less comfortable with the estimated valuations.

***Because of our investment management and services agreement, the Investment Manager will exercise substantial influence over our business.***

We will delegate substantially all of our duties, rights and powers to the Investment Manager pursuant to our investment management and services agreement. Although our investment management and services agreement requires the Investment Manager to make investments in accordance with our investment policies, we may have difficulty enforcing or verifying compliance and it may be difficult or impossible to unwind investments that do not comply with our investment

policies after those investments have been made. Our company's board of directors will rely primarily on the Investment Manager to help monitor our compliance with our investment policies, which could make it more difficult for us to detect non-compliance or to enforce our rights.

***It may be difficult for us to terminate our investment management and services agreement with the Investment Manager.***

The termination of our investment management and services agreement by us for any reason would require the approval of a majority of our company's board of directors and our shareholders and would result in the payment of a significant termination fee. As a result, any such action would require the unanimous approval of our independent directors to the extent none of the directors affiliated with the Investment Manager agree with such action. Such approval may be difficult to obtain. If we are unable to terminate the investment management and services agreement, the market price of our Shares and RDSs could suffer.

***The departure or reassignment of some or all of the Investment Manager's investment professionals could prevent us from achieving our investment objectives.***

We will depend on the diligence, skill and business contacts of the Investment Manager's investment professionals and the information and deal flow they generate during the normal course of their activities. Our future success will depend on the continued service of these individuals, who are not obligated to remain employed with the Investment Manager. The Investment Manager has experienced departures of key investment professionals in the past and may do so in the future, and we cannot predict the impact that any such departures will have on our ability to achieve our investment objectives. The departure of any of the members of the Investment Committee or a significant number of its other investment professionals for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on our ability to achieve our investment objectives. Our investment management and services agreement does not require the Investment Manager to maintain the employment of any of its investment professionals or to cause any particular investment professionals, other than members of the Investment Committee, to provide services to us or on our behalf. In addition, a transfer of control over the Investment Manager's business could result in the departure or reassignment of some or all of the Investment Manager's investment professionals that are involved in our business.

***The liability of the Investment Manager and the Investment Manager's affiliates is limited under our arrangements with them, and we have agreed to indemnify the Investment Manager and the Investment Manager's affiliates against claims that they may face in connection with such arrangements, which may lead them to assume greater risks when making investment-related decisions than they otherwise would if investments were being made solely for their own account.***

Under our investment management and services agreement, the Investment Manager has not assumed any responsibility other than to render the services described in the investment management and services agreement in good faith and will not be responsible for any action that we take in following or declining to follow its advice or recommendations. The liability of the Investment Manager and its affiliates under our investment management and services agreement is limited to conduct involving bad faith, fraud, willful misconduct or gross negligence. These waivers do not include, however, waivers of any rights, duties or protections that cannot be waived under applicable securities laws. In addition, we have agreed to indemnify the Investment Manager and the Investment Manager's affiliates to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses incurred by an indemnified person or threatened in connection with our respective businesses, investments and activities or in respect of or arising from the investment management and services agreement or the services provided by the Investment Manager, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the conduct in respect of which such persons have liability as described above. These protections may result in the Investment Manager and its affiliates tolerating greater risks when making investment-related decisions than otherwise would be the case, including when determining whether to use leverage in connection with investments. The indemnification arrangements to which such persons are a party may also give rise to legal claims for indemnification that are adverse to our company and our shareholders.

***We are not, and do not intend to become, regulated as an investment company under the U.S. Investment Company Act of 1940 and related rules.***

We and the Investment Partnership have not been and do not intend to become registered as an investment company under the U.S. Investment Company Act of 1940 (the "U.S. Investment Company Act") and related rules. The U.S. Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. None of these protections or restrictions is or will be applicable to our company or the Investment Partnership. In addition, in order to avoid being required to register as an investment company under the U.S. Investment Company Act, we have implemented restrictions on the ownership and transfer of our Shares and RDSs, which may materially affect your ability to hold or transfer our Shares and RDSs. See "Description of Our Shares and Our Memorandum and Articles of Association" and "Transfer Restrictions."

***We may experience fluctuations in our quarterly operating results.***

We may experience fluctuations in our operating results from quarter to quarter due to a number of factors, including changes in the values of investments that we make, which in turn could be due to changes in values of portfolio companies, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of our Shares and RDSs and cause our results for a particular period not to be indicative of our performance in a future period.

***Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect our business, investments and results of operations.***

We and the Trustee are subject to laws and regulations enacted by national, regional and local governments. The Investment Partnership and the Investment Partnership's subsidiaries are subject to comparable laws and regulations. In particular, we will be required to comply with certain licensing and on-going notification requirements that are applicable to a Guernsey closed-end investment company, including laws and regulations supervised by the Guernsey Financial Services Commission, and will be required to comply with certain Netherlands legal requirements that are applicable to collective investment schemes established outside of the Netherlands. In addition, the Investment Partnership's subsidiaries are or will be subject to regulation in other countries. Additional laws may apply to the private equity funds and portfolio companies in which we make investments. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, by any of the persons referred to above could have a material adverse effect on our business, investments and results of operations.

***Risks Relating to Conflicts of Interests***

***The broad and wide-ranging activities of Lehman Brothers may give rise to conflicts of interest with our investors.***

As a diversified investment banking firm, Lehman Brothers engages in multiple activities, including financial advisory, underwriting, financing, lending, sales and trading, research, merchant banking and sponsoring and managing private equity funds. As a result, Lehman Brothers may engage in activities where Lehman Brothers' (including, without limitation, the Investment Manager's) interests or the interests of its clients may conflict with your interests, notwithstanding Lehman Brothers' investment in our company. **By acquiring Shares, you will be deemed to have acknowledged the existence of such actual and potential conflicts of interest, including all of the conflicts described under "Risks Relating to Conflicts of Interest," and to have waived any claim with respect to the existence of any such conflict of interest to the fullest extent permitted by law.** Our company's board of directors and committees thereof will have the power to resolve conflicts of interest and such resolution (including taking any necessary or appropriate actions to ameliorate such conflicts) will be binding on our company.

***The Investment Manager's relationships with other funds it and its affiliates manage may create conflicts in the types of investments we make.***

The Investment Manager and its affiliates manage, on an independent and autonomous basis, several private equity funds in which it is currently investing on behalf of third-party investors, Lehman Brothers (including certain of its employees) and others, including, without limitation, funds investing in private equity funds, co-investments, secondary fund interests, merchant banking, real estate, venture capital, master limited partnerships, mezzanine debt securities and other types of funds, and will raise other private funds and other investment vehicles in the future. Such funds may from time to time make investments that would be suitable for our company. In addition, Lehman Brothers makes such private equity investments for its own account.

Currently, the Investment Manager and Lehman Brothers follow an allocation program by which primary and secondary investments in private equity funds and co-investments are allocated across several private equity funds sponsored and managed by the Investment Manager and Lehman Brothers. With respect to primary investments in private equity funds, Lehman Brothers intends to seek the maximum allocation that fits within the pre-defined diversification targets for each relevant fund. If the total available primary fund allocation is less than the aggregated allocation targets, then allocation to each fund will equal the fund's proportional share of the total targeted allocation amount. With respect to co-investments and secondary investments in private equity funds, it is intended that funds of funds managed by the Investment Manager, including our company, may participate in a minimum of 10% of each co-investment transaction or secondary fund transaction. If total availability for such opportunities is less than the aggregate allocation targets, then allocation to funds of

funds managed by the Investment Manager is expected to follow the proportional sharing arrangement as presented above. Lehman Brothers may change these policies at any time in its sole discretion.

In general, the Investment Manager and Lehman Brothers will, from time to time, be presented with investment opportunities that fall within our investment objective and the investment objectives of Lehman Brothers and/or other private equity funds or funds of funds sponsored or managed by the Investment Manager or its affiliates and conflicts may arise in allocating such opportunities. Lehman Brothers also makes such investments for its own account. Lehman Brothers and the Investment Manager will allocate such opportunities among our company, such other funds and Lehman Brothers on a basis that it determines is appropriate taking into account portfolio diversification concerns, the specific nature of the investment, the source of the investment opportunity, the nature of the investment focus of each private equity fund, the relative amounts of capital available for investment in or by each such fund and other considerations deemed relevant by Lehman Brothers or the Investment Manager, as applicable, in their sole discretion. Neither Lehman Brothers nor the Investment Manager will be under any obligation to make investments that fall within our investment objective and selection criteria available, in whole or in part, to our company and may make such investments on its own behalf or on behalf of any other fund or entity sponsored or managed by the Investment Manager or its affiliates. In particular, opportunities to make follow-on investments in portfolio companies of a particular fund generally will be allocated to that fund.

Furthermore, investments to be made by our company may involve (directly or indirectly) new or follow-on investments in entities in which Lehman Brothers, the Investment Manager or other funds sponsored or managed by the Investment Manager have made or will make investments or capital commitments. Such investments or capital commitments may have been or may be made at different prices and on different terms. No assurance can be given that we will realize identical economic results from an investment in a portfolio company, and as a result thereof the interest of Lehman Brothers, the Investment Manager or other funds sponsored or managed by the Investment Manager and the interest of our company in restructuring or realizing an investment may differ.

***Our organizational, ownership and investment structure may create conflicts of interest that may be resolved in a manner which is not always in the best interests of our company or the best interests of our shareholders.***

Our organizational, ownership and investment structure involves a number of relationships that may give rise to conflicts of interest between our company and our shareholders, on the one hand, and the Investment Manager and its affiliates, on the other hand. In certain instances, the interests of the Investment Manager and the Investment Manager's affiliates who are involved in our business and investments may differ from the interests of our company and our shareholders, including with respect to the types of investments made, the timing and method in which investments are exited, the reinvestment of returns generated by investments, the use of leverage when making investments and the appointment of outside advisors and service providers, including as a result of the reasons described under "Risk Factors" and "Our Management and Corporate Governance—Board Structure, Practices and Committees—Conflicts of Interest and Fiduciary Duties."

***The Investment Manager may cause us to make parallel investments with other funds it manages and there can be no assurance that these investments will be made on a fully pro rata basis.***

The Investment Manager, in its sole discretion, may cause us to invest in private equity funds in parallel, directly or indirectly, with one or more other funds it manages. In order to ensure that our investments and those of the other funds it manages are ultimately made on a pro rata basis, the Investment Manager may, in its discretion, seek to effect the transfer of interests in the private equity funds between and among our company and the other funds it manages. These transfers may require the approval of the general partners of the relevant private equity funds. No assurance can be given that such approvals will be granted, and the Investment Manager cannot ensure that parallel interests in private equity funds held by our company and the other funds managed by the Investment Manager will ultimately be held on a fully pro rata basis.

***Investment banking relationships and other investment advisory relationships may influence the Investment Manager's decisions and may, at times, preclude us from making certain investments.***

In the course of its investment banking or advisory business, Lehman Brothers may represent potential purchasers, sellers and other involved parties with respect to businesses that may be suitable for investment by our company. In such a case, the client may require Lehman Brothers to act exclusively on its behalf, thereby precluding our company from acquiring or investing in such businesses. Lehman Brothers will be under no obligation to decline such engagements in order to make the investment opportunity available to our company. In connection with its advisory business, Lehman Brothers may come into possession of information that limits its ability to engage in potential transactions. Our activities may be constrained as a result of the Investment Manager's ability to use such information. In certain sale assignments, the seller may permit our company to act as a buyer, which would raise certain conflicts of interest inherent in such a situation. Lehman Brothers has long-term relationships with a significant number of corporations and their senior management. In addition, Lehman Brothers

has long-term relationships and provides investment banking and other services to a large number of institutional clients, including private equity firms and funds of funds. It is likely that we will invest in funds managed by private equity firms and funds of funds that are Lehman Brothers clients. It is also possible that other areas of Lehman Brothers may independently invest with these types of clients or make other investments that are within the scope of our investment parameters. In determining whether to pursue a particular transaction on behalf of our company, these relationships could influence the decisions made by the Investment Manager. Certain potential transactions also may not be pursued on behalf of our company in light of such relationships. In managing and administering our company, the Investment Manager will carefully consider these potential conflicts. There can be no assurance that all potentially suitable investment opportunities that come to the attention of Lehman Brothers will be made available to our company.

In addition, our company may make co-investments with clients of Lehman Brothers in particular investment opportunities and the relationship with such clients may influence the decisions made by the Investment Manager with respect to such investments.

***Lehman Brothers' lending and loan syndication business may create conflicts between its role as a lender and the interests of our company and there can be no assurance that such conflicts will be resolved in our favor.***

Lehman Brothers is engaged in the business of making, underwriting and syndicating senior and other loans to corporate and other borrowers, which may include borrowers which have issued or may issue mezzanine or other securities to a fund in which we will invest or a portfolio company in which our company invests directly. The senior lenders (which may include Lehman Brothers) may and, in the event of the issuer's financial distress or insolvency, will, have interests substantially divergent from those of our company. Thus, while Lehman Brothers will seek to address the conflicts between senior and mezzanine lenders at the time any such transactions are structured, there can be no assurance that the interests of our company will not be in conflict with and subordinated to those of Lehman Brothers and other senior lenders to our detriment.

***Fees payable to Lehman Brothers in connection with other securities transactions may give rise to certain conflicts of interest with respect to our company.***

Lehman Brothers may earn fees and other compensation from purchasers or sellers upon the sale or purchase of portfolio investments (including companies in which underlying funds invest) by our company as compensation for advice on valuing, structuring, negotiating and arranging financing for such transactions and may earn fees in connection with unconsummated transactions. The fee potential inherent in a particular investment or transaction could be viewed as an incentive for Lehman Brothers to seek to refer or recommend an investment or transaction to us through the Investment Manager. Other compensation may include warrants to purchase an equity interest or other securities in the company for which the transaction is being undertaken. Lehman Brothers also may provide a broad range of financial services to companies in which our company invests, including strategic and financial advisory services, interim acquisition financing and other lending, and underwriting or placement of securities, and Lehman Brothers generally will be paid fees (which may include warrants or other securities) for such services. In addition, Lehman Brothers may act as underwriter or placement agent in connection with an offering of securities by portfolio companies or private investment funds in which we have invested (directly or indirectly through one or more private equity funds or funds of funds) or as underwriter, placement agent or financial advisor in connection with the public or private sale of our investments and Lehman Brothers generally will be paid customary fees for such services. In addition, from time to time, companies in which Lehman Brothers owns an equity interest may be retained to provide services to our company or entities in which we invest (either directly or indirectly). In that event, we may indirectly receive financial benefits from such retention. None of Lehman Brothers' fees or benefits with respect to any of the foregoing will be shared with our company, including those earned with respect to the Initial Investments. In circumstances in which Lehman Brothers participates in the initial public offering in the United States of a portfolio company's securities, we may be restricted under the rules of the U.S. National Association of Securities Dealers, Inc. ("NASD") or other equivalent non-U.S. body with respect to sales of any securities of such issuer during such offering and for a period of time thereafter (180 days in the case of the U.S.), and as a result, may not be permitted to sell a portfolio investment at a time we otherwise might have sold it. In some instances, we may be required to agree to an extended period during which we may not sell any securities of an underlying portfolio company as a result of Lehman Brothers participating as an underwriter in an offering of securities by such portfolio company.

***Lehman Brothers and its affiliates will be able to pursue other business activities and provide services to third parties that compete directly with us, which could cause us to compete with others for access to the Investment Manager's investment professionals, information and deal flow.***

Lehman Brothers and its affiliates will be able to pursue other business activities and provide services to third parties that compete directly with us, including sponsoring or managing a private equity fund, such as a hedge fund or other fund of funds, that makes investments that are similar to the types of opportunistic investments that we intend to make. In addition to

our company and certain of the private equity funds in which we will make investments, Lehman Brothers and its affiliates have established or advise, and may continue to establish or advise, other investment entities that rely on the diligence, skill and business contacts of Lehman Brothers' investment professionals and the information and deal flow they generate during the normal course of their activities. The requirements of these entities may be substantial and may cause Lehman Brothers to divert some of the resources and professionals that would otherwise be made available under our investment management and services agreement with Lehman Brothers. Some of these entities may also have investment objectives that overlap with our investment objectives and Lehman Brothers and its affiliates may have greater financial incentives to assist those other entities over us. Under our investment management and services agreement, Lehman Brothers will be permitted to allocate resources and personnel to those entities in a manner that it deems appropriate, provided that the allocation of resources and personnel does not substantially and adversely affect the performance of its obligations under our investment management and services agreement. To the extent that Lehman Brothers and its affiliates engage in activities for themselves or others, those activities may be detrimental to our business and adverse to the interests of our shareholders and may, in some cases, lead to the allocation of investment opportunities to others. Due to the foregoing, we expect to compete from time to time with Lehman Brothers' affiliates for access to the benefits that we expect to realize from Lehman Brothers' involvement in our business.

***Investment activities with other funds may give rise to certain conflicts of interest.***

Lehman Brothers may offer, on an agency basis for third parties, interests in pooled investment vehicles that may have primary investment objectives that are substantially similar to ours and, in connection with any such offering, may receive customary compensation, including an interest in such other pooled investment vehicle.

***Other affiliate transactions may give rise to numerous conflicts of interest that may not necessarily be resolved in our favor.***

We may from time to time engage in transactions with our affiliates involving the purchase of portfolio investments from or through Lehman Brothers as principal, or co-investing either directly or indirectly with Lehman Brothers and affiliates of Lehman Brothers in portfolio companies, and may invest in entities in which Lehman Brothers or its affiliates hold material investments. Lehman Brothers and its affiliates also may provide services to, or engage in transactions with, our company or portfolio companies or other entities in which we have invested either directly or indirectly. Lehman Brothers may have an incentive to seek to refer or recommend such investments to us or to cause us to pay a higher price for such investments as a result of Lehman Brothers or its affiliates' financial interests in such investments.

Conflicts of interest may arise in connection with any co-investment or other affiliate transactions where our company invests in equity securities of a company while Lehman Brothers invests in debt securities of that company. There can be no assurance that the return on our investment will be equivalent to or better than the returns obtained by Lehman Brothers.

We may borrow money from Lehman Brothers from time to time. It is possible that Lehman Brothers' interests as a lender could be in conflict with those of our company and the interests of our shareholders. The Investment Manager, an affiliate of Lehman Brothers, may encounter conflicts where, for example, a decision regarding the acquisition, holding or disposition of a portfolio investment is considered attractive or advantageous for us yet poses a risk of loss of principal to Lehman Brothers as a lender.

Further conflicts could arise once we and other affiliates have made our and their respective investments. For example, if a portfolio company goes into bankruptcy or reorganization, becomes insolvent or otherwise experiences financial distress or is unable to meet its payment obligations or comply with covenants relating to securities held (directly or indirectly through a private equity fund) by our company or by the other affiliates, such other affiliates may have an interest that conflicts with the interests of our company. If additional financing is necessary as a result of financial or other difficulties, it may not be in the best interests of our company to provide such additional financing. If the other affiliates were to lose their respective investments as a result of such difficulties, the ability of the Investment Manager to recommend actions in our best interests might be impaired.

In connection with selling investments by way of a public offering, Lehman Brothers may act as the managing underwriter or a member of the underwriting syndicate on a firm commitment basis and purchase securities from our company, a fund or other portfolio company in which we will invest. Lehman Brothers also may, on behalf of our company, effect transactions where Lehman Brothers is also acting as a broker on the other side of the same transaction. Lehman Brothers may receive commissions from such agency cross transactions, and has a potential conflict of interest regarding our company and the other parties to those transactions. Moreover, we and portfolio companies in which we will invest may execute the purchase and sale of securities through Lehman Brothers as agent and may pay commissions to Lehman Brothers. Lehman Brothers may retain any commissions, remuneration, or other profits which may be made in such transactions.



Sales of securities for our account may be bunched or aggregated with orders for other accounts of Lehman Brothers. It is frequently not possible to receive the same price or execution on the entire volume of securities sold, and the various prices may be averaged, which may be disadvantageous to our company.

***Other trading activities of Lehman Brothers may preclude us from making certain investments; internal Lehman Brothers information management procedures may prevent us from accessing research information that would otherwise be beneficial to our company.***

Lehman Brothers and its affiliates invest for their own accounts and for the accounts of their customers in securities of publicly traded companies which are potential direct or indirect portfolio companies. An investment opportunity may not be pursued on behalf of our company in order to maintain flexibility for these trading activities.

In addition, since Lehman Brothers maintains a “Chinese Wall” between its private equity group and its sales, trading and research departments, the trading activities of Lehman Brothers, its affiliates and their customers in publicly traded securities and the research recommendations of Lehman Brothers with respect to publicly traded securities may differ from, or be inconsistent with, the interests of and activities which are undertaken for the account of our company in such securities or related securities. For example, we may (directly or indirectly) dispose of securities at a time when Lehman Brothers’ research is recommending a purchase of such securities. The Investment Manager will make its own independent determination with respect to the trading activities of our company.

***Other activities and relationships of members of the Investment Committee and the Investment Manager’s investment professionals might give rise to certain conflicts of interest with our company.***

The members of the Investment Committee and the Investment Manager’s investment professionals will serve as members of the boards of directors of various companies and may participate in other activities outside of Lehman Brothers. Conflicts of interest with respect to our company may arise as a result of such activities. The possibility exists that the companies with which one or more of those individuals is involved could engage in transactions which would be suitable for our company, but in which our company might be unable to invest. Members of the Investment Committee and the Investment Manager’s investment professionals responsible for our management and administration will also manage and perform services for other funds managed by the Investment Manager.

***Other activities of the Investment Manager may give rise to other conflicts with respect to the management time, services or other functions the Investment Manager performs for our company.***

The Investment Manager will devote such time as shall be necessary to conduct the affairs of our company. Such activities may include evaluating and making investments and dispositions, and monitoring investments. Other activities of the Investment Manager, its affiliates and its management personnel, including activities related to other private equity funds or accounts that they may manage, may require it to devote substantial amounts of their time to matters unrelated to the business of our company. Additionally, other persons involved with our company, including members of the Investment Committee and the Investment Manager’s investment professionals will have other responsibilities for Lehman Brothers. Conflicts of interest may arise in allocating management time, services or functions, and the Investment Manager’s investment professionals’ ability to access other professionals and resources within Lehman Brothers for our benefit as described in this offering memorandum may be limited. In addition, such access may be limited by the internal compliance policies of Lehman Brothers or other legal or business considerations, including those constraints generally discussed herein.

## **Risks Relating to Our Shares and RDSs**

***You will have limited control over our business.***

Holders of our Shares and/or RDSs will have the right or power to participate in the management or control of our business only in certain limited circumstances. In particular, you will not have the right to appoint new directors to our company’s board of directors or to remove existing directors from our company’s board of directors. See “Description of our Shares and our Memorandum and Articles of Association”. Holders of our Shares will also have no right or power to participate in the management or control of the underlying funds and underlying portfolio companies in which we invest.

***The price of our Shares and RDSs may fluctuate significantly and you could lose all or part of your investment.***

Prior to the global offering and related transactions, there has not been a market for our Shares and RDSs. The initial offering price of our Shares and RDSs was determined by negotiations between us and the managers and may not be indicative of the market price of our Shares and RDSs after the global offering and related transactions. The market price of our Shares and RDSs may fluctuate significantly and you may not be able to resell your Shares and RDSs at or above the price at which you purchased them. Factors that may cause the price of the Shares and RDSs to vary include:

- changes in our financial performance and prospects or in the financial performance and prospects of companies engaged in businesses that are similar to our business;
- changes in the underlying values and trading volumes of our investments, including investments that are made in or through private equity funds, particularly when we announce our quarterly results and update the aggregate unrealized values of our investments;
- the termination of our investment management and services agreement with the Investment Manager or the departure of some or all the Investment Manager's investment professionals;
- changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to our business or to the private equity funds or companies in which we make investments;
- sales of our Shares and RDSs by our shareholders;
- general economic trends and other external factors, including those resulting from war, natural disaster, incidents of terrorism or responses to such events;
- speculation in the press or investment community regarding our business or investments, or factors or events that may directly or indirectly affect our business or investments; and
- a loss of a major funding source.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies or partnerships. Any broad market fluctuations may adversely affect the trading price of our Shares and RDSs.

***Our Shares and RDSs could trade at a discount to net asset value.***

Our Shares and RDSs could trade at a discount to net asset value for a variety of reasons, including due to market conditions or to the extent investors undervalue the Investment Manager's investment management activities. Also, since there is generally a period of years before a new private equity fund has completed making its investments, return on our investments in such funds is not likely to be realized for a substantial time period, if at all, which could negatively impact the value of our Shares and RDSs. See "Risk Factors—Risks Relating to Our Investments." Additionally, unlike traditional private equity funds, we intend to continuously reinvest the cash we receive, except in limited circumstances. Therefore, the only way for investors to realize upon their investment is to sell their Shares and RDSs for cash. Accordingly, in the event that a holder of our Shares and RDSs requires immediate liquidity, or otherwise seeks to realize the value of its investment in our company, through a sale of Shares or RDSs, the amount received by the holder upon such sale may be less than the underlying net asset value of the Shares and RDSs sold.

***Our Shares and RDSs have never been publicly traded, an active and liquid trading market for our Shares may not develop and we do not expect an active and liquid trading market for RDSs to develop.***

Prior to the global offering and related transactions, there has not been a market for our Shares or RDSs. After the global offering, we expect that the principal trading market for our Shares and RDSs will be Euronext Amsterdam and that the RDSs will not trade in any exchange based market. We cannot predict the extent to which investor interest will lead to the development of an active and liquid trading market for our Shares or, if such a market develops, whether it will be maintained. While the managers have informed us that they intend to make a market in our Shares, they are under no obligation to do so and may discontinue their market making activities at any time. To the extent that investors are required to hold their investments in the form of RDSs rather than our Shares, the market for our Shares on Euronext Amsterdam may become less liquid. Because our Shares may not be sold within the United States or to U.S. persons, to the extent investors in the United States or U.S. persons want to invest in us, they must purchase RDSs. We cannot predict the extent of interest in us from these types of investors.

Moreover, the combined effect of the factors described above, the ownership and transfer restrictions that are applicable to the RDSs and the manager's plan for distributing the RDSs will likely prevent the development of an active or liquid trading market for the RDSs. In addition, the managers may sell a substantial amount of our Shares or RDSs to a

limited number of investors, which, together with the effect of certain of our Shares and the RDSs being subject to lock-up agreements and other restrictions on transfer, could impact the development of an active and liquid market for our Shares and RDSs.

We cannot predict the effects on the price of our Shares and RDSs if a liquid and active trading market for our common stock does not develop. In addition, if such a market does not develop, relatively small sales may have a significant negative impact on the price of our Shares and the RDSs. For example, sales of a significant number of Shares may be difficult to execute at a stable price.

***The rights of shareholders and the fiduciary duties owed to our company will be governed by Guernsey law and our memorandum and articles of association and may differ from the rights and duties owed to shareholders under the laws of other countries.***

We are an closed-end investment company that has been formed and registered under the laws of Guernsey. The rights of our shareholders and the fiduciary duties that our company's board of directors owes to our company and our shareholders are governed by Guernsey law and our memorandum and articles of association. Our articles of association contain various provisions that modify and restrict the fiduciary duties that might otherwise be owed to our shareholders. As a result, the rights of holders of our Shares and the fiduciary duties that are owed to them and our company may differ in material respects from the rights and duties that would be applicable if we were organized under the laws of a different jurisdiction or if we were not permitted to vary such rights and duties in our memorandum and articles of association. Moreover, holders of RDSs will not be considered record holders of our Shares and certain of their rights will be governed by terms of the restricted deposit agreement with The Bank of New York and not by the terms of our memorandum and articles of association or Guernsey law. See "Description of the Restricted Depositary Shares and our Restricted Deposit Agreement."

***The Euronext Amsterdam trading market is less liquid than other major exchanges, which could affect the price of our Shares.***

The principal trading market for our Shares is expected to be Euronext Amsterdam, which is less liquid than major markets in the United States and certain other parts of Europe. Because Euronext Amsterdam is less liquid than major markets in the United States and certain other parts of Europe, our shareholders may face difficulty when disposing of their Shares, especially in large blocks. In addition, a disproportionately large percentage of the market capitalization and trading volume of Euronext Amsterdam is represented by a small number of listed companies and conglomerates. Fluctuations in the prices of these companies' securities may have a significant effect on the market price for the securities of other listed companies, including the price of our Shares. See "Euronext Market Information."

***The market price of our Shares and the RDSs could be adversely affected by sales or the possibility of sales of substantial amounts of those securities.***

Upon completion of the global offering and related transactions, we expect to have 50,000,000 Shares outstanding, assuming that the stabilizing manager does not exercise its over-allotment option. Of the Shares outstanding following the global offering and related transactions, approximately 10,000,000 Shares (20% of our outstanding Shares) will be held by Lehman Brothers in the form of RDSs. The RDSs held by Lehman Brothers will be subject to resale restrictions imposed under the lock-up agreements with the managers. We cannot assure you that Lehman Brothers will not sell substantial amounts of their RDSs upon any waiver, expiration or termination of the restrictions. The occurrence of any such sales, or the perception that such sales might occur, could have a material adverse effect on the price of our Shares and the RDSs and could impair our ability to obtain capital through a future offering of equity securities.

***We may issue additional securities that dilute existing holders of Shares or RDSs that have rights and privileges that are more favorable than the rights and privileges of holders of our Shares or RDSs.***

Under our memorandum and articles of association, we may issue additional securities, including Shares, and options, rights, warrants and appreciation rights relating to securities for any purpose and for such consideration (including cash and non-cash consideration) and on such terms and conditions, including under certain circumstances at prices below our net asset value at the time of such issuance, as our company's board of directors may determine. Our company's board of directors will be able to determine the class, designations, preferences, rights, powers and duties of any additional securities, including any rights to share in our profits, losses and distributions, any rights to receive company assets upon a dissolution or liquidation of our company and any redemption, conversion and exchange rights. Our company's board of directors may use such authority to issue additional common stock, which could dilute existing holders of Shares and RDSs, or to issue securities with rights and privileges that are more favorable than those of our common stock. See "Description of Our Shares and Our Memorandum and Articles of Association."

***Investors who hold Shares in the form of RDSs or hold Shares in a nominee account may not be able to exercise consent rights in respect of such Shares.***

Holders of our Shares are entitled to vote to approve matters concerning our business and operations only in certain limited circumstances as set out in our memorandum and articles of association. See “Description of our Shares and our Memorandum and Articles of Association.” Only those persons who are holders of record of our Shares are entitled to exercise consent rights. Persons who hold Shares in the form of RDSs will not be considered to be record holders of Shares that are on deposit with the depositary or custodian under our restricted deposit agreement, and, accordingly, will not be able to exercise consent rights. However, under our restricted deposit agreement, the depositary has agreed, if requested in writing by us, to notify holders of RDSs of any consent solicitation initiated by our company and to request instructions regarding the delivery of consents in that consent solicitation by a specified date. In order to direct the delivery of consents, holders of RDSs must deliver instructions to the depositary by the specified date. Neither we nor the depositary can guarantee that you will receive the notice in time to instruct the depositary as to the delivery of consents in respect of Shares represented by RDSs and it is possible that you will not have the opportunity to direct the delivery of consents in respect of such Shares. In addition, persons who beneficially own Shares that are registered in the name of a nominee must instruct their nominee to deliver consents on their behalf. Neither we nor any nominee can guarantee that you will receive any notice of a consent solicitation in time to instruct your nominee to deliver consents on your behalf and it is possible that you and other persons who hold Shares through brokers, dealers or other third parties will not have the opportunity to exercise any consent rights.

***Your ability to invest in our Shares or the RDSs or to transfer any Shares or RDSs that you hold may be limited by certain ERISA, U.S. Internal Revenue Code and other considerations.***

We intend to restrict the ownership and holding of our Shares, both in the form of Shares and RDSs, so that none of our assets will constitute “plan assets” of any Plan (as defined in “Certain ERISA Considerations”). We intend to impose such restrictions based on deemed representations in the case of our Shares and written representations in the case of the RDSs. If our assets were deemed to be “plan assets” of any Plan subject to Title I of the U.S. Employee Retirement Security Act of 1974, as amended (“ERISA”) or Section 4975 of the U.S. Internal Revenue Code of 1986 as amended (the “U.S. Internal Revenue Code”), pursuant to U.S. Department of Labor regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA), which we refer to as the “Plan Asset Regulations”, this would result, among other things, in (i) the application of the prudence and other fiduciary responsibility standards of ERISA, to investments made by us, and (ii) the possibility that certain transactions that we, the Investment Partnership or any subsidiary of the Investment Partnership may enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code and might have to be rescinded. Governmental plans, certain church plans and non-U.S. plans, while not subject to Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code, may nevertheless be subject to other federal, state, local, non-U.S. or other laws or regulations that would cause the underlying assets of our company to be treated as assets of an investing entity by virtue of its investment (or any beneficial interest) in our company and thereby subject our company, our company’s board of directors or the Investment Manager (or other persons responsible for the investment and operation of our company’s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code. We refer to these laws as “Similar Laws.”

Each purchaser and subsequent transferee of our Shares will be deemed to represent and warrant, and each purchaser and subsequent transferee of Shares that are represented by RDSs will be required to represent and warrant in writing, that no portion of the assets used to acquire or hold its interest in our Shares or the RDSs constitutes or will constitute the assets of any Plan. Our memorandum and articles of association provide that any purported acquisition or holding of Shares or RDSs in contravention of the restriction described in such representation will be void and have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of Shares or RDSs is not treated as being void for any reason, the Shares or RDSs will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in such Shares or RDSs. See “Transfer Restrictions” and “Certain ERISA Considerations,” for a more detailed description of certain ERISA considerations relating to an investment in our Shares or the RDSs.

***Investing in our Shares or the RDSs may involve an above average degree of risk.***

Our investments may involve a higher amount of risk and volatility than alternative investment options and may be subject to a loss of principal. Those investments may also be highly speculative and aggressive. As a result, an investment in our Shares or the RDSs may not be suitable for someone with a low risk tolerance.

## **Risks Relating to Taxation**

***We expect to be treated as a “passive foreign investment company” for U.S. federal income tax purposes.***

Based on projected income, assets and activities, we expect that we will be treated as a “passive foreign investment company” (“PFIC”) for U.S. federal income tax purposes for the current taxable year and taxable years thereafter. In addition, we may invest, indirectly, in other non-U.S. entities that are treated as PFICs (“Subsidiary PFICs”). The U.S. federal income tax rules applicable to investments in PFICs are very complex and our U.S. taxable shareholders may suffer adverse U.S. federal income tax consequences as a result of these rules.

A U.S. taxable shareholder may be able to mitigate the adverse tax consequences of the PFIC rules by making “qualified electing fund” (“QEF”) elections to be taxed currently on the investor’s proportionate share of our ordinary earnings and net capital gain (and the ordinary earnings and net capital gain of any Subsidiary PFIC). However, even if a U.S. taxable shareholder makes QEF elections in respect of its investment in us, losses, if any, that we realize will not be available to offset the investor’s share of ordinary income and net capital gain attributable to any other such entity. We may not be able to provide information to enable U.S. taxable shareholders to make QEF elections in respect of each Subsidiary PFIC in which we invest.

A U.S. taxable shareholder may also be able to mitigate the adverse tax consequences of the PFIC rules by making a “mark-to-market election” in respect of its investment in us (provided such investment consists of “marketable stock” for U.S. federal income tax purposes). If a U.S. taxable shareholder does not make a QEF election or, alternatively, a “mark to market election,” in respect of its investment in us or any Subsidiary PFIC, such shareholder will be subject to certain adverse tax rules with respect to any “excess distribution” made by us or any Subsidiary PFIC (for these purposes, any gain realized by a U.S. taxable shareholder upon disposition of its investment in us will generally be characterized as an “excess distribution”). The tax payable by a U.S. taxable shareholder on an excess distribution will be determined by allocating such excess distribution ratably to each day of the U.S. taxable shareholder’s holding period for its Shares or RDSs. The amount of excess distribution allocated to the taxable year of such distribution will be included as ordinary income for the taxable year of such distribution. The amount of excess distribution allocated to any other period included in the shareholder’s holding period cannot be offset by any net operating losses of the shareholder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period. See “Certain Tax Considerations—United States Tax Considerations—Taxation of U.S. Holders—No Qualified Electing Fund Election and No Mark-to-Market Election.”

***U.S. shareholders may be required to request an extension to file U.S. federal income tax returns in order to validly make QEF elections in respect of their investment in us.***

We intend to provide each U.S. shareholder that makes QEF elections with respect to its investment in us with a PFIC Annual Information Statement prior to the due date for a calendar year U.S. shareholder’s U.S. federal income tax return, determined taking into account extensions. Since we do not expect to provide a PFIC Annual Information Statement on or before the due date for a calendar year U.S. shareholder’s federal income tax return, determined without taking into account extensions, U.S. shareholders generally will be required to request an extension of time to file such tax returns in order to make and maintain timely QEF elections with respect to their investments in us. See “Certain Tax Considerations—United States Tax Considerations—Taxation of U.S. Holders—Filing of QEF Election, Timing of QEF Election.”

***U.S. shareholders that make a QEF election may need to fund their tax liabilities arising from their investment in our Shares from sources other than cash distributions on our Shares or RDSs.***

If a U.S. shareholder validly makes a QEF election in respect of its investment in us or any Subsidiary PFIC, the U.S. shareholder will generally be required to include in gross income its proportionate share of our ordinary earnings and net capital gain, or the ordinary earnings and net capital gain of such subsidiary PFIC, as the case may be, regardless of whether or not such shareholder receives any distributions. We will not necessarily make cash distributions to our shareholders and, accordingly, U.S. shareholders that have made a QEF election may have to satisfy any tax obligation arising from their investments in our Shares or RDSs from sources other than distributions from us. See “Certain Tax Considerations—United States Tax Considerations.”

***We will generally be subject to U.S. withholding taxes at a rate of 30% on dividends and certain interest from U.S. portfolio companies and will also be subject non-U.S. withholding tax dividends and interest paid by non-U.S. portfolio companies.***

U.S. investors in private fund of funds vehicles and private equity funds generally receive dividends and interest from U.S. portfolio companies free and clear of U.S. withholding tax. Also, non-U.S. investors in private fund of funds

vehicles and private equity funds that are resident in countries with a tax treaty with the United States may be subject to U.S. withholding tax on U.S. source dividends and certain U.S. source interest at a reduced rate provided by the tax treaty rather than the 30% rate that is otherwise applicable. By contrast, our company will generally be subject to U.S. withholding tax at a rate of 30% on dividends and certain interest from U.S. portfolio companies and will also be subject to non-U.S. withholding tax on dividends and interest paid by non-U.S. portfolio companies. See “Certain Tax Considerations—United States Tax Considerations—Taxation of U.S. Holders.”

***We may be subject to U.S. taxation with respect to certain investments.***

In general, a non-U.S. person that is “engaged in trade or business within the United States”, directly or through one or more Pass-through Entities, is subject to U.S. federal income tax on income that is effectively connected, or treated as effectively connected, (as defined herein under “Certain Tax Considerations—United States Tax Considerations”) such U.S. trade or business (“ECI”). We may make investments, directly or through one or more Pass-through Entities, in partnerships, limited liability companies and other entities that are treated as partnerships for U.S. federal income tax purposes and are engaged in a U.S. trade or business (each, a “U.S. Operating Partnership”). In addition, it is possible that the Internal Revenue Service (“IRS”) may assert that reductions in management fee paid to the managers of a fund or any other entity in which we invest resulting from the receipt of fees received by such manager or its affiliates should be considered ECI.

If we are considered to be engaged in a U.S. trade or business, we will be required to file a U.S. federal income tax return reporting our income that is treated as ECI (including the portion of any gain from the disposition of an interest in a U.S. Operating Partnership that is treated as ECI) and we will be subject to regular U.S. federal income tax on such ECI. If we invest in a U.S. Operating Partnership, directly or through a U.S. Pass-through Entity, the U.S. Operating Partnership or U.S. Pass-through Entity, as the case may be, generally would be required to withhold U.S. federal income tax at the rate of 35% on any ECI allocable to us (estimated on a quarterly basis). Any amount so withheld will be available as a credit against our U.S. federal income tax liability. In addition, we may also be subject to a 30% “branch profits tax” on our ECI. The branch profits tax is a tax on the “dividend equivalent amount” of a non-U.S. corporation, which is approximately equal to the amount of the corporation’s earnings and profits attributable to ECI that is not treated as reinvested in the United States. The branch profits tax will not be available as a credit against our U.S. federal income tax liability. The effect of the branch profits tax is to increase the maximum effective U.S. federal income tax rate on ECI from 35% to 54.5%. We may also be subject to U.S. state and local tax and tax return filing requirements in respect of income that is treated as ECI.

If we invest in shares of a U.S. corporation that constitutes a “United States real property holding corporation” (a “USRPHC”), directly or through a Pass-through Entity, our share of any gain or loss from the disposition of such shares would generally be required to be taken into account as if it were ECI, except that the branch profits tax would not apply. Generally, a U.S. corporation will be treated as a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes).

We may hold certain of our investments that are likely to give rise to ECI through non-U.S. entities treated as corporations for U.S. federal income tax purposes (each such entity a “Corporate Subsidiary”). Each Corporate Subsidiary would be subject to the treatment described above in respect of U.S. source income and ECI.

Legislation proposed in the U.S. Senate in 2006 and reintroduced in January 2007 would, for tax years beginning at least two years after its enactment, tax a corporation as a U.S. corporation if the equity of that corporation is regularly traded on an established securities market and control of the corporation occurs primarily within the United States. If this legislation caused us or any of our subsidiaries to be taxed as a U.S. domestic corporation, we or they would be subject to U.S. federal income tax on our or their net income. However, it is unknown whether this proposal will be enacted in its currently proposed form and, whether if enacted, we or our subsidiaries would be subject to its provisions. If this or similar legislation were enacted, it could have an adverse effect on us.

## NOTICE TO INVESTORS

### About this Offering Memorandum

This offering memorandum has been produced for the purpose of the global offering and admission to trading of the Shares on Euronext Amsterdam. In making an investment decision regarding the securities offered hereby, investors must rely on their own examination of us, including the merits and risks involved in an investment in our company. The global offering is being made solely on the basis of this offering memorandum. The managers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information in this offering memorandum, and nothing in this offering memorandum is, or shall be relied upon as, a promise or representation by the managers.

This offering memorandum constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC and has been prepared in accordance with Article 5:2 of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder. This document has been approved by and filed with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*).

We accept responsibility for the information contained in this offering memorandum. To the best of our company's knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, has been obtained to the issue of this offering memorandum and associated raising of funds. Neither the Guernsey Financial Services Commission or the States of Guernsey Policy Council takes any responsibility for the financial soundness of the entity or for the correctness of any of the statements made or the opinions expressed with regard to it.

Information contained in this offering memorandum sourced from third parties, including information provided or derived from our advisors, consultants and other third-party sources included in the track record and quartiling presentations contained herein, have been accurately reproduced as far as we are aware and are able to ascertain from these sources and omit no facts which render such information inaccurate or misleading.

You should rely only on the information contained in this offering memorandum. Our company has not, and the managers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any offer or sale of our Shares or the RDSs. Our business, financial condition, results of operations and prospects could have changed since that date. We and the managers expressly disclaim any duty to update this offering memorandum except as required by applicable law.

Hoare Govett Limited, Lehman Brothers International (Europe) and UBS Limited are acting for Lehman Brothers Private Equity Partners Limited and no-one else in connection with the global offering and will not be responsible to anyone other than Lehman Brothers Private Equity Partners Limited for providing the protections afforded to their respective clients or for providing advice in relation to the global offering, this document or any other matter.

The contents of this document are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

### Market Stabilization

In connection with the global offering, the stabilizing manager may, to the extent permitted by applicable law, over-allot Shares up to a maximum of 10% of the total number of Shares comprised in the global offering. Lehman Brothers International (Europe), as the stabilizing manager, on behalf of the managers, may effect transactions that stabilize or maintain the market price of our Shares at levels above those which might otherwise prevail in the open market. Such transactions may commence on or after the date of the commencement of trading on Euronext Amsterdam and will end no later than 30 days thereafter. Such transactions may be effected on Euronext Amsterdam, in the over-the-counter market or otherwise. There is no assurance that such stabilization will be undertaken and, if it is undertaken, it may be discontinued at any time. See "Plan of Distribution—Stabilization."

### Restrictions on Distribution and Sale

The distribution of this offering memorandum and the offering and sale of the securities offered hereby in certain jurisdictions may be restricted by law. Persons in possession of this offering memorandum are required to inform themselves about and to observe any such restrictions. This offering memorandum may not be used for, or in connection with, and does

not constitute, any offer to sell, or a solicitation to purchase, any such securities in any jurisdiction in which such an offer or solicitation would be unlawful. See “Plan of Distribution.”

### **T+5 Settlement Cycle**

It is expected that delivery of the Shares and RDSs will be made against payment therefor on or about the settlement date specified on the cover of this offering memorandum, which is the fifth business day following the expected initial date of trading of the Shares (such settlement cycle being referred to as “T+5”). You should note that trading of the Shares on the initial date of trading of the Shares and the next business day may be affected by the T+5 settlement. See “The Global Offering.”

### **Forward-Looking Statements**

This offering memorandum contains certain forward-looking statements based on our beliefs, assumptions and expectations of our company’s future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, in which case our company’s business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. See “Special Note Regarding Forward-Looking Statements.”

### **Track Record Data**

The offering memorandum contains track record data of the Investment Manager related to the performance of its other funds of funds. References to the Investment Manager’s track record reflect the performance of the Investment Manager’s predecessors, as defined below under “Presentation of Certain Information.” Prior to its acquisition by Lehman Brothers, the predecessor entities were not affected by the potential conflicts of interest with respect to the allocation of investment opportunities described under “Risk Factors—Risks Relating to Conflicts of Interest”. When considering the track record data presented in this offering memorandum, you should bear in mind that the historical results may not be indicative of the future results that you should expect from our company’s, including as a result of the impact on our overall results of our temporary cash investments and opportunistic investments, which may be material and the other matters described below and elsewhere in this offering memorandum. See “Risk Factors.”

Your investment returns will depend on the increase or decrease in the trading price of the Shares and/or RDSs. The trading prices of the Shares and RDSs are affected by financial or economic forces, market dynamics, interest rate levels and other factors that may not correlate to the performance of our investments. The track record of the Investment Manager reflects the internal rate of return of individual investments held by other funds advised by the Investment Manager. The terms of these other funds, including management fees, expenses and carried interests, are different from those of our company. The returns indicated in the track record presented have not been calculated assuming that such other funds had the same terms as those of our company (which, for example, generally charges a lower effective management fee but a higher carried interest than certain of such other funds). For a description of our fees and expenses, see “The Investment Manager and the Investment Management and Services Agreement” and Part II of Form ADV maintained by the Investment Manager. For example, our company may make more co-investments, more secondary investments in private fund interests and may invest a material portion of our assets in opportunistic investments that are unlike any prior investments made by such other funds. Unlike such other funds, we may pursue more of a “buy-and-hold” strategy with respect to our investments since our shareholders may achieve liquidity through the sale of Shares or RDSs rather than through distributions of amounts realized by us from our investments.

Our company’s performance will be affected by our over-commitment strategy and the amount of uninvested cash we maintain (which initially will be significantly more than that maintained by the Investment Manager’s other funds, which generally draw capital down from investments on an as-needed basis). See “Risk Factors” and “Business.” Investments by our company may also differ from those of such other funds by private equity asset class, vintage year, geography, industry, sponsor and investment size, type and structure. Moreover, our company will make investments during different economic, market and business cycles than those during which the Investment Manager previously invested. However, the Investment Manager’s annual, compounded net internal rate of return since inception presented herein has also included some periods of negative returns. The prior periods during which the Investment Manager invested were marked generally by favorable interest rates and significant growth in private equity investing generally and such conditions may not be sustained or replicated in the future. The sourcing and execution of investments for our company will be carried out by personnel of the Investment Manager and Lehman Brothers who differ from those persons responsible for certain of the Investment Manager’s prior funds (some of whom are no longer employed by the Investment Manager). Although we believe that the track record presented may be considered as evidence of the Investment Manager’s overall investment experience, the track record should not be taken to represent the investment program to be pursued by our company and you should accordingly discount the extent to which such track record information is relevant to the consideration of an investment in our company.



## Presentation of Certain Information

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. Unless the context suggests otherwise, references to:

- “we,” “us,” “our,” “our company” and the “issuer” are to Lehman Brothers Private Equity Partners Limited, a Guernsey closed-end investment company and the issuer of the Shares. We use the term “our investments” to refer to investments that are made by our company directly or indirectly through the Investment Partnership and its subsidiaries, since our company will be the primary beneficiary of such investments and will bear the full risk of loss;
- the “Investment Partnership” are to Lehman Brothers PEP Investments L.P. (Incorporated), a Guernsey limited partnership, and, as applicable, its subsidiaries and other controlled entities, through which investments using the proceeds of the global offering will be made and of which Lehman Brothers Private Equity Partners Limited will be the general partner;
- the “Investment Manager” are, collectively, to Lehman Brothers Private Fund Advisers, LP, an entity controlled by Lehman Brothers, the Investment Committee and the investment team of PFIG;
- “Investment Committee” are to the Lehman Brothers Fund of Funds investment committee that makes investment decisions for the Investment Manager, as such committee shall be constituted from time to time;
- “Lehman Brothers Private Fund Investments Group” or “PFIG” are to the Lehman Brothers Private Fund Investments Group, a unit of Lehman Brothers;
- “Lehman Brothers Fund of Funds” or “LBFOF” are to the Lehman Brothers Fund of Funds unit of Lehman Brothers;
- “Lehman Brothers” are to Lehman Brothers Holdings Inc. and its subsidiaries;
- “affiliates of the Investment Manager” and similar formulations are to persons that, directly or indirectly through one or more intermediaries, control, are controlled by or are under common control with the Investment Manager;
- the Investment Manager’s “predecessors” or “predecessor entities” are to Lehman Crossroads Investment Advisors, LP (“LCIA”), its affiliated companies and certain predecessor entities unrelated to LCIA (collectively, the “Crossroads Group”) prior to the Crossroads Group’s acquisition by Lehman Brothers. The Crossroads Group was initially organized in 1981 and closed the formation of its first private equity fund of funds in 1987. In October 2003, Lehman Brothers acquired all of the operational assets and hired substantially all of the personnel of the Crossroads Group, and the Investment Manager became a sub-advisor to the fund accounts previously advised by the Crossroads Group;
- the “Trustee” are to Heritage Corporate Services Limited, a Guernsey authorized company holding a full fiduciary license under Guernsey law;
- “Special Limited Partner” are to LB PEP Associates L.P., a Guernsey limited partnership;
- the “global offering” are to the private placement of our Shares and the RDSs in the Netherlands and in other countries;
- the “managers” are to Hoare Govett Limited, Lehman Brothers International (Europe) and UBS Limited;
- the “global offering and related transactions” are to (i) the global offering, (ii) the purchase of \$100 million of our Shares (in the form of RDSs) by Lehman Brothers, (iii) an agreement by Lehman Brothers to sell to us the Initial Investments for an aggregate purchase price of approximately \$260.5 million on the terms and conditions described under “Relationships with the Investment Manager and Related Party Transactions—Sale of Initial Investments” and the Investment Partnership’s assumption of related unfunded commitments aggregating approximately \$354.1 million, and (iv) our use of the capital contributions that will be received in connection with the foregoing transactions as described under “Use of Proceeds;”
- “underlying funds” or “underlying private equity funds” are to private equity fund investments made through funds of funds and similar vehicles;
- “underlying portfolio companies” are to companies in which the investment is made through funds of funds or private equity funds;
- “private equity exposure” are to net asset value plus unfunded commitments as of the date of our company’s most recently published balance sheet;
- “total exposure” are to total assets plus unfunded commitments as of the date of our company’s most recently published balance sheet;

- “\$” or “dollars” are to the lawful currency of the United States; and
- “€” or “euro” are to the common currency of the member states of the European Monetary Union.

In addition, unless the context suggests otherwise, references to the issuance of Shares include the issuance of RDSs, representing ownership interests in Shares that are deposited with The Bank of New York, as depositary, and any other securities, cash or property that the depositary receives in respect of deposited Shares, and references to “Shareholders” include holders of our Shares and persons who hold RDSs representing our Shares.

Unless otherwise indicated, information in this offering memorandum assumes that the over-allotment option granted to the stabilizing manager has not been exercised.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This offering memorandum contains certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “will” and “would” or the negative of those terms or other comparable terminology.

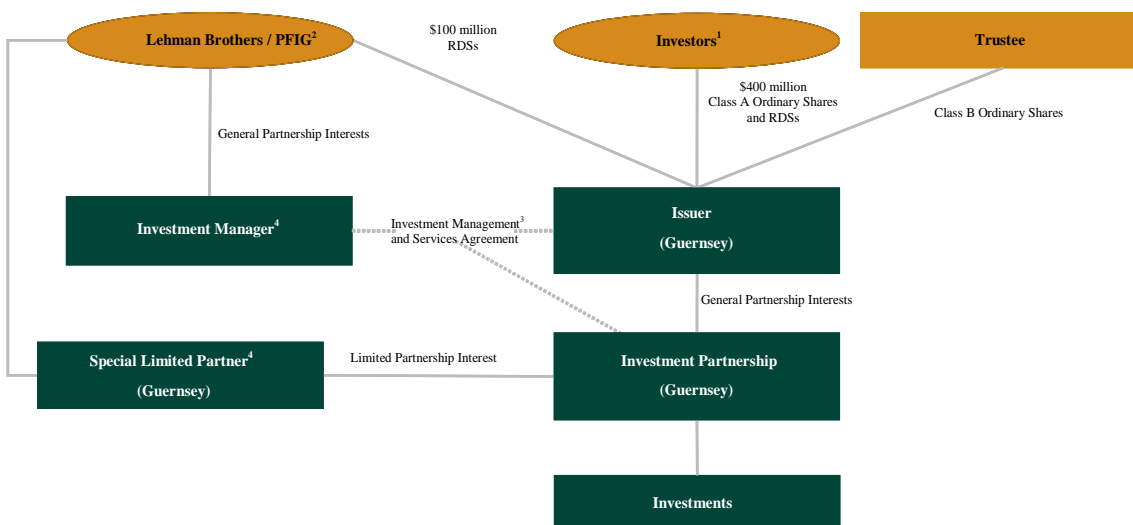
The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our Shares or the RDSs, along with the following factors, among others, that could cause actual results to vary from our forward-looking statements:

- the factors described in this offering memorandum, including those set forth under “Risk Factors,” “Operating and Financial Review” and “Business”;
- our lack of a separate operating history, differences between our investment objectives and the investment objectives of the private equity funds in which we will invest and the private equity track record of the Investment Manager not being indicative of its or our future performance;
- the rate at which we deploy our capital in private equity investments, co-investments and opportunistic investments;
- the Investment Manager’s ability to execute our investment strategy, including through the identification of a sufficient number of appropriate investments;
- unrealized values of investments presented in this offering memorandum being materially higher than the values ultimately realized upon a disposal of the investments;
- the continuation of the Investment Manager as our service provider and the continued affiliation with the Investment Manager of its key investment professionals;
- our financial condition and liquidity, including the possibility that we not be able to obtain our Credit Facility;
- changes in the values or returns of investments that we make;
- changes in financial markets, interest rates or industry, general economic or political conditions; and
- the general volatility of the capital markets and the market price of our Shares and RDSs.

Except as required by applicable law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Statements contained in this offering memorandum (including those relating to current and future market conditions and trends in respect thereof) that are not historical facts are based on our current expectations, estimates, projections, opinions and/or beliefs. In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements might not occur. We qualify any and all of our forward-looking statements by these cautionary factors. Please keep this cautionary note in mind as you read this offering memorandum.

## OWNERSHIP, ORGANIZATIONAL AND INVESTMENT STRUCTURE

The chart below presents the ownership, organizational and investment structure that we expect to have after we complete the global offering and related transactions. This chart should be read in conjunction with the accompanying explanation of our ownership, organizational and investment structure and the information included under “Business,” “Our Management and Corporate Governance” and “Relationships with the Investment Manager and Related Party Transactions.”



1. Class A ordinary shares (the “Shares”) will be offered for cash in the global offering. U.S. investors will hold their Shares in RDS form. The Shares have certain voting rights, but are not eligible to vote in the election of our company’s directors. See “Description of our Shares and our Memorandum and Articles of Association” and “Description of the Restricted Depositary Shares and Our Restricted Deposit Agreement.”
2. The Investment Manager is part of the Lehman Brothers Private Fund Investments Group (PFIG).
3. We and the Investment Partnership will jointly and severally enter into an investment management and services agreement with Lehman Brothers Private Fund Advisers, LP. See “The Investment Manager and the Investment Management and Services Agreement.”
4. A carried interest will be distributed to LB PEP Associates LP, as Special Limited Partner of the Investment Partnership in respect of its limited partnership interest in the Investment Partnership. See “The Investment Manager and the Investment Management and Services Agreement—Carried Interest” and “Relationships with the Investment Manager and Related Party Transactions.” Members of the Investment Manager’s investment team will share distributions through ownership interests in the Special Limited Partner.

### Our Company

Our company is a newly formed Guernsey closed-end investment company that was registered on June 22, 2007. Our investment objective is to produce attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification. The issuance and the offering of our Shares and the RDSs in the global offering and related transactions were authorized by a resolution of our company’s board of directors passed on July 3, 2007.

We intend to contribute all of the capital raised in the global offering to the Investment Partnership, which will use such capital to acquire the Initial Investments and to make future investments, and currently expect that our only substantial assets will be 100 percent of the general partner interest in the Investment Partnership. This general partner interest will entitle us to a percentage of the returns generated by investments after expenses have been paid (including management fees and administration fees that are payable to the Investment Manager under our investment management and services agreement). A portion of these returns will be allocated to the Investment Manager pursuant to a carried interest arrangements. See “The Investment Manager and the Investment Management and Services Agreement—Carried Interests” and “Relationships with the Investment Manager and Related Party Transactions.” Because we expect that the Investment Partnership will continuously reinvest its capital in accordance with our investment policies, we anticipate that the only

distributions that we will receive in respect of our general partner interest in the Investment Partnership will consist of amounts that are intended to allow us to pay our expenses as they become due.

Our shareholders will initially consist of investors who purchase Shares or RDSs in the global offering, including Lehman Brothers and the Trustee. See “Security Ownership.”

### **Investment Partnership**

We will contribute all of the capital received in the global offering to the Investment Partnership, which is a recently formed Guernsey limited partnership which was initially formed with Lehman Brothers as its general partner. The Investment Partnership will use the capital to acquire the Initial Investments and to make future investments. As the general partner of the Investment Partnership, we are responsible for the management and conduct of the business of the Investment Partnership, although we have delegated substantially all of our duties, rights and powers to the Investment Manager pursuant to our investment management and services agreement.

In connection with the global offering, Lehman Brothers has agreed to sell to us the Initial Investments for an aggregate purchase price of approximately \$260.5 million. We will also assume related unfunded commitments aggregating approximately \$354.1 million. The purchase price for the Initial Investments represents their aggregate net asset value as of December 31, 2006 plus the amount of drawdowns on the related unfunded commitments, minus distributions in respect of such assets, plus an interest factor. See “Business—Our Initial Investments.”

### **Special Limited Partner**

The Special Limited Partner is a newly formed Guernsey limited partnership that is owned by affiliates of the Investment Manager and Lehman Brothers, including certain members of the Investment Manager’s investment team. The Special Limited Partner is entitled to receive the carried interest distributions from the Investment Partnership. Interests in the Special Limited Partner will be held by certain members of the Investment Manager’s investment team and Lehman Brothers.

### **Investment Management and Services Agreement**

Our company and the Investment Partnership have entered into a services agreement with the Investment Manager pursuant to which the Investment Manager has agreed to carry out the day-to-day management and operations of our respective businesses. Under the investment management and services agreement, the Investment Manager will be responsible for selecting, evaluating, structuring, diligencing, negotiating, executing, monitoring and exiting our investments and for managing our uninvested capital in accordance with our cash management policy. For a summary of our investment management and services agreement, see “The Investment Manager and the Investment Management and Services Agreement—the Investment Management and Services Agreement with the Investment Manager.”

### **The Trustee**

Heritage Corporate Services Limited serves as our trustee (the “Trustee”). The Trustee is an authorized person holding a full fiduciary licence under The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, as amended. Upon completion of the global offering, the Trustee will hold 100% of our class B ordinary shares. The Trustee is an affiliate of our Company’s Guernsey administrator. See “Description of Our Shares and Our Memorandum and Articles of Association.”

## USE OF PROCEEDS

The following table presents the capital contributions that we expect to receive in connection with the global offering and related transactions and the uses of those capital contributions. We will contribute these capital contributions to the Investment Partnership, which will then use them to acquire the Initial Investments and to make future investments. The Investment Partnership will make its investments either directly or indirectly through one or more of its subsidiaries. It is not our intention to pay dividends in respect of our Shares. Accordingly, the proceeds of any disposition of an investment will be reinvested in future investments by the Investment Partnership or one or more of its subsidiaries or held as cash pending investment.

The following information is based on an initial offering price of \$10 per Share and assumes that we will issue 50,000,000 Shares in the global offering and related transactions.

Capital Contributions	(in millions of U.S. dollars)	Uses of Capital <sup>1,2</sup>
Cash contributed by investors in the global offering.....	\$ 400.0	Initial Investments <sup>3</sup> ..... \$ 260.5
Cash contributed by Lehman Brothers .....	100.0	Cash available to fund future investments and working capital..... 239.5
Total cash contributed.....	<u>\$ 500.0</u>	Total cash used or available for use..... <u>\$ 500.0</u>

1. The Investment Manager will bear the underwriting and placement fees and other expenses associated with the global offering.
2. Sales of private equity interests are time consuming, and it may take a significant period of time after closing of the global offering for the sales of the Initial Investments to us to be executed, and certain sales may not occur at all if the required third party consents are not obtained. See “Risk Factors—We may not be able to complete the acquisition of all of the Initial Investments.” As of June 30, 2007, the required consents for disclosure have been obtained for each fund and co-investment named in “Business—Our Initial Investments” and consents to transfer have been obtained for investments representing more than 50% of the estimated total exposure represented by the Initial Investments. See “Business—Our Initial Investments,” “Ownership, Organizational and Investment Structure” and “Dividend Policy.”
3. Estimated as of June 30, 2007. The purchase price for the Initial Investments will be their aggregate net asset value as of December 31, 2006 plus the amount of drawdowns on the related unfunded commitments, minus distributions in respect of such assets, plus an interest factor. Of the estimated purchase price, \$18.9 million represents the net amount of capital calls and distributions in respect of the Initial Investments which, based upon the information received as of June 30, 2007, will be made after such date. See “Business-Our Initial Investments.”

## **DIVIDEND POLICY**

We do not intend to pay dividends to our shareholders, although we may elect to do so in the future.

We and the Investment Partnership intend to reinvest the returns generated by investments, after expenses, in accordance with our company's investment policies. In the event we do elect to pay dividends in the future, such dividends will be paid only as determined by our company's board of directors in its sole discretion under our memorandum and articles of association. We will not be permitted to pay a dividend if we do not have profits available for the purpose of paying the dividend, the dividend would render us insolvent or if, in the opinion of our company's board of directors, the dividend would leave us with insufficient funds to meet any future contingent obligations.

The actual amount and timing of any future dividends will always be subject to the discretion of our company's board of directors. In particular, the amount and timing of dividends will depend upon a number of factors, including, among others, our actual results of operations and financial condition, restrictions imposed by the Credit Facility or the terms of other borrowings we may incur, restrictions imposed by our memorandum and articles of association or Guernsey law, the timing of the investment of our capital, the amount of returns that are generated by our investments, restrictions imposed by the terms of any indebtedness that is incurred to leverage our investments, levels of operating and other expenses, contingent liabilities, factors affecting the willingness or ability of the Investment Partnership to distribute cash to us and other factors that our company's board of directors deems relevant. Our ability to pay future dividends will be subject to additional risks and uncertainties, including those set forth in this offering memorandum under "Risk Factors" and "Operating and Financial Review."

## CAPITALIZATION

The following table sets forth our total assets and our total net assets as of June 30, 2007 on a pro forma basis giving effect to:

- our issuance of 40,000,000 Shares in the global offering in exchange for a \$400 million cash contribution from investors;
- our issuance of 10,000,000 Shares (in the form of RDSs) to Lehman Brothers in exchange for a \$100 million cash contribution from Lehman Brothers; and
- the application of the capital contributions that we receive in connection with the foregoing transactions as described under “Use of Proceeds.”

This information is based on an initial offering price of \$10 per Share. As a result of the Investment Manager’s agreement to bear the underwriting and placement fees and other expenses associated with the global offering, we expect to have a net asset value per share of \$10 per Share upon the closing of the global offering. This information should be read in conjunction with “Use of Proceeds” and “Operating and Financial Review.”

	As of June 30, 2007 (Pro forma) (in millions of U.S. dollars)	Adjustments <sup>1,4</sup>	As of June 30, 2007 (Pro forma as adjusted) (in millions of U.S. dollars)
<b>Assets</b>			
Cash and short-term investments .....	\$ 258.4	\$ (18.9)	\$ 239.5
Initial Investments <sup>1,2</sup> .....	241.6	18.9	260.5
Total assets .....	500.0		500.0
Liabilities <sup>3</sup> .....	—		—
<b>Net assets</b> .....	\$ 500.0		\$ 500.0

1. In connection with the global offering, Lehman Brothers has agreed to sell to us the Initial Investments for an aggregate purchase price of approximately \$260.5 million. We will also assume related unfunded commitments aggregating approximately \$354.1 million. The purchase price for the Initial Investments will be their aggregate net asset value as of December 31, 2006 plus the amount of drawdowns on the related unfunded commitments, minus distributions in respect of such assets, plus an interest factor. See “Business—Our Initial Investments.”
2. Sales of private equity interests are time consuming, and it may take a significant period of time after closing of the global offering for the sales to be executed, and certain sales may not occur at all if consents are not obtained. See “Risk Factors—We may not be able to complete the acquisition of all of the Initial Investments.” As of June 30, 2007, the required consents for disclosure have been obtained for each fund and co-investment named in “Business—Our Initial Investments” and documentation of the intended transfers is in process.
3. Our company, as guarantor, and the Investment Partnership, as borrower, have entered into a commitment letter with Bank of Scotland regarding a senior secured credit facility of up to \$250 million. We have no unguaranteed or unsecured debt. See “Operating and Financial Review—Liquidity and Capital Resources.”
4. The adjustments reflect the net amount of capital calls and distributions in respect of the Initial Investments which, based upon information received as of June 30, 2007, will be made after such date. See “Business—Our Initial Investments.”



## OPERATING AND FINANCIAL REVIEW

*The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements as a result of those risks and uncertainties, including those set forth in this offering memorandum under “Special Note Regarding Forward-Looking Statements” and “Risk Factors.” Further, the discussion included below under “Financial Reporting” relating to certain components of our financial statements and related measures of financial performance represents those accounting policies we propose to apply in future periods in accordance with U.S. GAAP. These policies have not been audited or discussed with our independent accountants and may change when subjected to audit.*

### Overview

Our company is a Guernsey closed-end investment company that was registered on June 22, 2007. Our company has not yet commenced operations and, as a result, has no financial statements available as of the date of this offering memorandum. Our investment objective is to produce attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification. We will make all of our investments through the Investment Partnership, a newly-formed Guernsey limited partnership, and its subsidiaries. As we will be the general partner of the Investment Partnership, we will control it, will be liable for all of its obligations and will consolidate it in the financial statements we produce. Accordingly, references to “we,” “us,” “our,” “our company” and the “issuer” are to our company, a Guernsey closed-end investment company, except where we refer to investment activities, in which case references to we, us and our are to Lehman Brothers Private Equity Partners Limited and the Investment Partnership, collectively.

The Investment Manager will implement our investment policies and carry out the day-to-day management and operations of our business pursuant to a services agreement. We believe that, by pursuing our investment objectives, we and the Investment Manager will be able to build a strong investment base and thereby create long-term value for our shareholders.

### Financial Reporting

We intend to prepare consolidated financial statements for our company, the Investment Partnership and its subsidiaries on an annual and quarterly basis in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). We expect that these financial statements, which will be the responsibility of the Investment Manager and our company’s board of directors, will consist of a statement of assets and liabilities, a statement of operations, a statement of cash flows, a statement of changes in net assets, related notes and any additional information that our company’s board of directors deems appropriate or that is required by applicable law. Our company’s annual financial statements will be audited by an independent accounting firm using auditing standards generally accepted in the United States of America. Our fiscal year will end on December 31<sup>st</sup>. We expect that our first published set of financial statements will cover the period from the closing of the global offering through September 30, 2007.

In addition, our annual financial statements and the semi-annual financial statements will contain the information, where applicable, required under Netherlands law as set forth in Sections 4:22, 4:46, 4:50 (1), 4:51, 4:52 and 4:53 of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*) and Sections 50(2), 119, 120 and 122 through 125 of the Decree on Supervision of Conduct by Financial Enterprises (*Besluit Gedragstoezicht financiële ondernemingen Wft*). We also expect to prepare consolidated financial statements for the other two quarters of each fiscal year. While we and the Investment Partnership have no intention to do so, the Investment Partnership may invest more than 20% of the gross assets of the Investment Partnership in a single underlying investment. If such an investment were to occur in the twelve month period from the date of this offering memorandum, we will inform our investors through our website and, if required by applicable law, by means of a press release and will publish on our website such additional information regarding such investments as is required by applicable requirements of the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) as if the underlying investment were an issuer for purposes of the Prospectus Directives (as defined under “Plan of Distribution”).

In preparing our financial statements, the Investment Manager will be required to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Predicting future events is inherently an imprecise activity and as such requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. The valuation of our investments involves estimates and will be subject to the Investment Manager’s judgment and the judgment of our company’s board of directors.

Our company will publish monthly statements, containing the total value of our investments, the key metrics on the composition of our investments, and the number of outstanding shares as referred to in article 50(2) of the Decree on Supervision of Conduct by Financial Enterprises (*Besluit Gedragstoezicht financiële ondernemingen Wft*) under Netherlands

law. Each of our monthly statements will also contain an updated statement of our net asset value since the end of last month. Our first set of monthly statements will cover the first full calendar month that commences after the closing of the global offering.

Investors will be able to obtain copies of our annual audited financial statements, semi-annual financial statements, quarterly financial statements and monthly statements on our website at [www.lbpe.com](http://www.lbpe.com). In addition, copies of our annual audited financial statements, semi-annual financial statements and quarterly financial statements will be made available to our shareholders free of charge. Copies of our monthly statements will be made available to our shareholders at not more than cost.

### ***Measure of Financial Performance***

We expect that the primary measure of our consolidated financial performance will be the change in net assets resulting from operating activities during an accounting period. Under U.S. GAAP, the change in net assets resulting from operating activities is primarily equal to the sum of (i) investment income after operating expenses, (ii) realized gains and losses on the sale of investments and (iii) the net change in the unrealized appreciation or depreciation of investments.

### ***Investment Income***

We expect that our investments will generate investment income in the form of realized gains, dividends and interest. Such amounts will be reflected in our consolidated financial statements. Investment income will be received by the Investment Partnership or one of its subsidiaries that owns the investment, and will be moved through our ownership structure to provide for payment of our operating expenses as they become due, of amounts due under our credit arrangements (including fees, interest and principal repayments), and of dividends (if any) to our shareholders in the event we elect to pay dividends under our dividend policy. We currently do not intend to pay dividends to our shareholders, although we may elect to do so in the future.

### ***Operating Expenses***

We believe that the operating expenses reflected in our consolidated financial statements will consist primarily of management and administration fees payable under our investment management and services agreement, our share of any expenses that are directly attributable to us and reimbursable under our investment management and services agreement, directors' fees, trustee fees, fees and expenses of our company's Guernsey administrator, any transaction and other costs that they incur when making investments that do not qualify for capitalization into the cost of the investment, the costs of preparing annual and quarterly financial statements and other reports, the fees and expenses of third parties that provide professional services, such as accounting, consulting, legal and valuation services, the costs of litigation relating to our business, insurance, taxes, interest expense on borrowings and organizational costs.

### ***Allocations of Gains and Losses***

As our investments will be through the Investment Partnership or its subsidiaries, we will be allocated our share of their net investment income or loss, realized gains or losses, and change in unrealized gains and losses, as specified in the Investment Partnership's partnership agreement. Accordingly, the amount of realized gains and losses and change in unrealized gains and losses that we will be allocated may be affected by amounts that will be due to the special limited partner under the carried interest provisions of the partnership agreement. The carried interest provisions are described under "The Investment Manager and the Investment Management and Services Agreement—Carried Interest."

### ***Realized Gains and Losses from the Sale or Repayment of Investments***

Realized gains and losses from the sale of investments represent the difference between the net proceeds received from the sale or repayment of an investment and the cost basis of the investment. For investments in underlying funds structured as limited partnerships, we record realized gains and losses based on information from the underlying funds' general partner or investment manager that reports a realization of a portfolio investment in their limited partnership. We estimate the amount of the realized gain or loss from information we maintain in our investment accounting system about our share of the cost and general partner's or manager's carried interests, and make an accounting entry to record the gain or loss and adjust our investment carrying amount. We also reverse any previously recorded unrealized appreciation or depreciation for the asset realized. We adjust our estimates for any additional information we receive.

We expect that the investment managers or general partners of our investments will have varying policies about distributing to us cash from the investments they have realized. When we receive those distributions, we make any final adjustments to the realized gains and losses and invest the cash in temporary investments until it is used to pay expenses, repay debt, reinvest, or distribute to shareholders in accordance with our policy.

### ***Net Changes in Unrealized Appreciation and Depreciation of Investments***

The investments that will be carried as assets in our consolidated financial statements will be valued on a quarterly basis. In accordance with U.S. GAAP, any new unrealized appreciation or depreciation in the value of those investments will be recorded as an increase or decrease in the unrealized appreciation or depreciation of investments, which will impact the change in net assets resulting from operating activities during the period.

When an investment that is carried as an asset is sold or repaid and a gain or loss on the investment is realized in connection with the sale or repayment as described above under “Operating and Financial Review—Realized Gains and Losses from the Sale or Repayment of Investments,” an accounting entry will be made to reverse any unrealized appreciation or depreciation that has previously been recorded in order to ensure that the gain or loss recognized in connection with the sale or repayment of the investment does not result in the double counting of the previously reported unrealized appreciation or depreciation.

Our company’s board of directors will be responsible for reviewing and approving valuations of investments that are carried as assets in our consolidated financial statements. Because valuing investments requires the application of valuation principles to the specific facts and circumstances of the investments, in satisfying its responsibilities, the board of directors will utilize the services of the Investment Manager, who will make calculations as to investment values. In accordance with U.S. GAAP, an investment for which a market quotation is readily available would be valued using a market price for the investment as of the end of the applicable accounting period and an investment for which a market quotation is not readily available would be valued at the investment’s fair value as of the end of the applicable accounting period as determined in good faith.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that we would actually be able to realize because of various factors, including the possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company’s securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market’s view of overall company and management performance. Our net asset value could be adversely affected if the values of investments that we record are materially higher than the values that are ultimately realized upon the disposal of the investments and changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations that we report from period to period. While there is no single standard for determining fair value in good faith, we believe that the methodologies described below generally will be followed when fair value pricing is applied.

### ***Values of Limited Partner Interests***

The investments that will be carried as assets in our consolidated financial statements will include interests in limited partnerships which do not have a readily available market which will be valued in good faith. We expect that each interest generally will be valued at an amount that is equal to the aggregate unrealized value of the fund’s investments that the holder of the interest would receive if such investments were sold in orderly dispositions over a reasonable period of time between willing parties other than in a forced or liquidation sale and the distribution and the net proceeds from such sales were distributed to holders in accordance with the documentation governing the fund. We believe that this amount generally will be equal to the net asset value as of the valuation date, as adjusted to reflect the allocation of net assets to the fund’s general partner, if applicable, pursuant to the carried interest that is applicable to the fund’s investments, although we may be required to value such investments at a premium or discount to net asset value if other factors lead us to conclude that net asset value does not represent fair value.

Each fund’s net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realized gains and losses on the sale or repayment of investments, if any, that the fund records and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements.

The Investment Manager has developed an investment accounting system and a related methodology to estimate the net asset value of an investment in a limited partnership interest in a private equity fund.

### ***Values of Co-investments in Portfolio Companies and Other Equity Investments***

Depending on the circumstances, our investments will either have a readily available market, in which case the investments will be valued using market prices, or will be illiquid, in which case the investments will be valued at their fair value as estimated in good faith. When market prices are used, they will not take into account various factors which may

affect the value that we would actually be able to realize in the future, such as the possible illiquidity associated with a large ownership position, subsequent illiquidity in a market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. When fair value pricing is used, we expect that the value attributed to an investment will be based on the enterprise value at which the company could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. We anticipate that either a market multiple approach that considers a specified financial measure (such as EBITDA, adjusted EBITDA, cash flow, net income, revenues or net asset value) or a discounted cash flow or liquidation analysis will be used. We expect that consideration will also be given to such factors as the company's historical and projected financial data, valuations given to comparable companies, the size and scope of the company's operations, the company's strengths and weaknesses, expectations relating to investors' receptivity to an offering of the company's securities, the size of our holding in the portfolio company and any control associated therewith, information with respect to transactions or offers for the portfolio company's securities (including the transaction pursuant to which the investment was made and the period of time that has elapsed from the date of the investment to the valuation date), applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant. A similar valuation analysis is expected to be used when valuing individual portfolio company investments for the purposes of calculating values attributable to limited partner interests in Lehman Brothers funds, as described above.

### ***Cash and Short-term Investments***

Our investments are expected to include investments that constitute cash and short-term investments. We expect these investments will be valued using market prices where readily available or at cost plus accrued interest, which generally approximates market price. Given the amount of capital contributions from the global offering and related transactions that will not be immediately invested, it may take a significant amount of time to fully invest our capital. We expect that our excess capital will temporarily be invested in cash, cash equivalents, money market instruments, government securities, asset-backed securities and other investment grade securities pending investment in private equity and opportunistic investments. We may utilize the services of a third-party or Lehman affiliate to manage our excess cash and construct a portfolio of a combination of the above. We may pay a market rate for those services. In addition, pursuant to the requirements of the U.S. Investment Advisers Act, we will utilize the services of a qualified custodian not affiliated with Lehman Brothers to hold our cash and short-term investments. We will pay a market rate for these services. Management fees under our investment management and services agreement will not be payable to the Investment Manager on our cash and short-term investments. These investments are expected to generate returns that are substantially lower than the returns that we anticipate receiving from private equity and opportunistic investments, which may lead to a dilution of the overall performance of the Company. See "The Investment Manager and the Investment Management and Services Agreement" and "Risk Factors."

### ***Opportunistic Investments***

Depending on the circumstances, our investments will either have a readily available market, in which case the investments will be valued using market prices, or will be illiquid, in which case the investments will be valued at their fair value as determined in good faith. When market prices are used, they will not take into account various factors which may affect the value that we would actually be able to realize in the future, such as the possible illiquidity associated with a large ownership position, subsequent illiquidity in a market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. When fair value pricing is used, we expect that the value attributed to an investment will be based on the enterprise value in relation to an investment in a company at which the company could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale.

### ***Management's Expectations Regarding Changes in Fair Values***

Our company's board of directors will be required to make determinations as to the fair value of investments on a quarterly basis. Because valuing investments requires the application of valuation principles to the specific facts and circumstances of the investments, the board of directors will be required to utilize the services of the Investment Manager, who will make calculations as to investment values.

When an investment is acquired in a transaction between willing parties other than in a forced sale or liquidation, we expect that the investment will initially be valued at its acquisition cost, which approximates fair value. While each subsequent valuation will depend on the facts and circumstances known as of the valuation date and the application of the valuation methodologies described above, we generally expect that the value of the investment will be increased or decreased only upon the occurrence of one or more events that would support the conclusion that the previous valuation was no longer

appropriate. However, the issuance of Statement 157, “Fair Value Measurements” by the Financial Accounting Standards Board could result in more frequent revaluations.

## **Liquidity and Capital Resources**

### ***Our Sources and Uses of Cash***

On a consolidated basis, we will use our cash to fund investments, to make distributions to our shareholders in accordance with our distribution policy, to make distributions to affiliates of the Investment Manager in accordance with their carried interest in our investments and to pay our operating expenses. In our opinion, our company has sufficient working capital for its present requirements and for a period of at least 12 months following the date of this offering memorandum. There has been no significant change in the financial and trading position of our company or the Investment Partnership since each of our company and the Investment Partnership was registered.

Our initial source of liquidity consists of the net proceeds of the global offering that we receive in connection with the global offering and related transactions and subsequent issuances of our shares and RDSs, comprising \$500 million in aggregate of available cash (assuming 50,000,000 Shares are issued in the global offering). We will use this money to fund our Initial Investments and for temporary investments and, as a result, our future liquidity will depend primarily on (i) the timing for new investments, (ii) our management of available cash, (iii) cash distributions from our existing investments, (iv) sales of investments, (v) capital contributions that we receive in connection with the issuance of additional equity and (vi) the issuance of indebtedness, if any.

Our company and the Investment Partnership have entered into a commitment letter with Bank of Scotland regarding a senior secured credit facility (the “Credit Facility”) for which Bank of Scotland will act as the lead arranger and administrative agent, for the purpose of providing us with an additional source of liquidity to fund our short-term liquidity needs and to leverage our investments. While we anticipate that the terms of the Credit Facility will be as described below under “Our Credit Facility”, the final terms of the Credit Facility have not been agreed upon and, as a result, the final terms of the Credit Facility may differ from those set forth herein and those differences may be significant. Furthermore, because the final terms of the Credit Facility are subject to the execution of definitive documentation, we cannot assure you that we will be able to reach a final agreement with Bank of Scotland, the failure of which could have an adverse impact on our liquidity and our over-commitment strategy. If we incur indebtedness, we will have additional costs, including debt issuance and servicing costs, and financial and operating covenants or other restrictions, including restrictions that limit our ability to make distributions to our shareholders and RDS holders.

Although we currently do not intend to pay dividends, our ability to make cash distributions to shareholders will depend on a number of factors, including, among others, our actual results of operations and financial condition, restrictions on cash distributions that are imposed by applicable law or the charter documents of the Company and its subsidiaries, financial and operating covenants of our indebtedness, the timing and amount of cash generated by investments, any contingent liabilities to which we may be subject, the amount of taxable income we generate, and other factors that our company’s board of directors deems relevant.

We expect to follow the over-commitment approach described below under “Operating and Financial Review—Contingencies and Contractual Obligations—Commitments to and alongside Private Equity Funds” when making investments in private equity funds. Therefore, the amount of capital we have committed to private equity and opportunistic investments may ultimately exceed our available cash at a given time. Any available cash we hold will be temporarily invested in accordance with our cash management policy, which we believe provides a portion of the liquidity for funding co-investments with, and capital calls by, the private equity funds in which commitments have been made.

Subject to the terms of the Credit Facility, we may from time to time use cash (including the proceeds of borrowings under the Credit Facility) to purchase our Shares or RDSs on the open market. Other than amounts that are used to pay expenses, reduce our debt or distribute to shareholders, any returns generated by our investments will be reinvested in accordance with our investment policies, which we believe will assist us in growing our investment base.

We may also grow our investment base with additional future issuances of Shares or RDSs. We may also grow our investment base by issuing Shares in exchange for additional private equity and opportunistic investments.

The Investment Manager believes that given our current deal flow and portfolio parameters, our initial equity capital will be substantially deployed into private equity fund and co-investments approximately 18 months after closing.

### *Our Credit Facility*

Our company, as guarantor, and the Investment Partnership, as borrower, have entered into a commitment letter with Bank of Scotland regarding a senior secured credit facility of up to \$250 million. Bank of Scotland will act as lead arranger, administrative agent and a lender under the Credit Facility. Bank of Scotland may syndicate the Credit Facility to a group of lenders reasonably satisfactory to our company and the Investment Partnership. The Investment Partnership will use the proceeds of any borrowings under the Credit Facility to make equity and equity-related investments, to pay expenses and for general corporate purposes.

Set forth below is a summary of the expected terms of the Credit Facility. As the final terms of the Credit Facility have not been agreed upon, the final terms the Credit Facility may differ from those set forth herein and those differences may be significant. Moreover, there can be no guarantee that an agreement on final terms will be reached with respect to the Credit Facility.

We expect that the Credit Facility will have a term of seven years. Under the facility, we expect that the Investment Partnership will be permitted to borrow in U.S. Dollars, Euros and Pounds Sterling. Prior to the maturity date, amounts borrowed under the Credit Facility may be repaid and re-borrowed under the Credit Facility subject to compliance with certain conditions precedent contained therein.

We expect that the Credit Facility will be secured by, among other things:

- a security interest in the Investment Partnership's interest in any fund or co-investment other than any fund or co-investment in respect of which a grant, pledge or other transfer would violate the terms of such fund or co-investment;
- an undertaking to dispose of assets of the Investment Partnership in the ordinary course of business, following an event of default that is continuing;
- a security interest in our company's, the Investment Partnership's and each subsidiary's bank accounts;
- a pledge over the share capital of any current or future subsidiary of the Investment Partnership, other than a subsidiary holding an interest in a fund or co-investment in respect of which a grant, pledge or other transfer would violate the terms of such fund or co-investment, as may be limited by applicable law and other customary exceptions;
- an assignment by the Investment Partnership or its subsidiaries over future cash flows of private equity investments in the event such assignment does not violate the terms of such investments;
- a negative pledge by our company in respect of the general partnership interest held by us in the Investment Partnership and a negative pledge by the Investment Partnership in respect of any fund or co-investment; and
- an assignment of the Investment Partnership's rights under any key transactional documents entered into by the Investment Partnership (such assignment to only be exercisable upon lender acceleration of the Credit Facility).

Borrowings under the Credit Facility will bear interest at a floating rate, which we anticipate to be LIBOR or Euribor, as appropriate, plus 1.35%. Interest periods may, at the election of the Investment Partnership, be 2, 3 or 6 months. Subject to covenant compliance, we expect that the interest will, at the Investment Partnership's option, be paid by drawing under the Credit Facility. Under the Credit Facility, the Investment Partnership will be required to pay a non-utilization fee in the amount of 0.40%.

We expect that voluntary prepayments of principal amounts outstanding will be permitted at any time. However, any permanent prepayment from the proceeds of a third party refinancing within the 24 months following the closing date will require a prepayment premium of 1.00% and any such permanent prepayment taking place during months 24 to 36 following the closing date will require a prepayment premium of 0.50%. In addition, if a prepayment of principal is made with respect to a loan on a date other than the last day of the applicable interest period, we expect that the Investment Partnership will be required to compensate the lenders for losses and expenses incurred as a result of the prepayment.

We expect that the Investment Partnership will be required to prepay amounts outstanding from the realization of investments if necessary to maintain covenant compliance.

We expect that the Credit Facility will require the Investment Partnership to meet certain portfolio diversification tests, a minimum fund/co-investment threshold, maximum exposure limitations, a maximum debt to value ratio, a maximum debt to secured assets ratio and a maximum over-commitment test. In addition, the Credit Facility will contain certain restrictive covenants which will, among other things, limit the incurrence of additional indebtedness, investments, dividends,

transactions with affiliates, asset sales, acquisitions, mergers and consolidations, repurchases by us of our Shares, liens and other matters customarily restricted in such agreements.

The Credit Facility will contain customary events of default, including without limitation payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to certain material indebtedness in excess of specified amounts, certain events of bankruptcy and insolvency, judgment defaults in excess of specified amounts, failure of guaranty or security documentation to be in full force and effect and change of control. In addition, upon the occurrence and during the continuance of an event of default, the administrative agent will have the power to exercise certain rights and remedies in respect of our assets, including directing, or causing us to direct, the sale of our assets. Our company will guarantee the Credit Facility.

The Credit Facility will be governed by English law.

We believe the Credit Facility will provide substantial benefits to our company including:

- Providing our company and the Investment Partnership with a ready source of long-term capital. Private equity and opportunistic investments (and investments in private equity funds, in particular) will result in capital calls and generate cash flows that are unpredictable with regard to size and timing. We also believe that the Credit Facility will help our company and the Investment Partnership to maintain a prudent over-commitment strategy and to maximize the investment level of our capital.
- Providing our company and the Investment Partnership with additional flexibility to make investments, even during periods when our company and the Investment Partnership are not receiving cash distributions or proceeds from the realization of private equity and opportunistic investments.
- Enhancing the investment returns of our company and the Investment Partnership by reducing the amount of capital that is invested in cash and short-term investments with lower expected returns than private equity and opportunistic investments.

In addition to the Credit Facility, our company and the Investment Partnership may enter into other financial instruments or arrangements from time to time with the objective of increasing the amount of cash available for working capital or for making additional investments or temporary investments. Apart from those imposed by the Credit Facility, we have no borrowing or leverage limits. If the Investment Partnership incurs debt, this would give rise to additional costs, including debt issuance and servicing costs, and may subject it to financial and operating covenants or other restrictions, including restrictions that limit its ability to make distributions in respect of its equity.

## **Contingencies and Contractual Obligations**

### ***Commitments to and alongside private equity funds***

We expect that we will generally follow an over-commitment approach when making investments in order to maximize the amount of our capital that is invested at any given time. When an over-commitment approach is followed, the aggregate amount of capital that we commit to, or to co-investment programs with, private equity funds at a given time may exceed the aggregate amount of cash that we have available for immediate investment. We intend to fund the over-commitment primarily through cash on hand, realizations of investments and the use of leverage (including the proceeds of borrowings available under our Credit Facility).

We cannot assure you that we will always have sufficient cash available to fund capital calls on an efficient basis. Because the general partners of the private equity funds in which we invest will be permitted to make calls for capital contributions, or we will be obliged to make cash payments on completion of co-investments, following the expiration of a relatively short notice period, when an over-commitment approach is used, we will be required to time investments and manage available cash in a manner that allows us to fund our capital commitments as and when capital calls are made. The Investment Manager is primarily responsible for carrying out these activities for us. We expect that they will take into account expected cash flows to and from investments, including cash flows to and from its private equity funds, when planning investment and cash management activities with the objective of seeking to ensure that we are able to honor our commitments to private equity funds and take advantage of all co-investment opportunities as and when they become available.

### ***Management and Administration Fees and Carried Interest***

Under our investment management and services agreement, we and the Investment Partnership have jointly and severally agreed to pay the Investment Manager an annual management fee, equal to the net asset value of our private equity and opportunistic investments multiplied by 1.5%. The management fee will be paid quarterly in arrears. We will also pay an

annual administration fee quarterly in arrears equal to the net asset value of our private equity and opportunistic investments multiplied by 0.1%. In addition, we expect to pay our Guernsey administrator annual fees and expenses in the amount of £50,000 subject to an increase based on the amount of time spent in its duties as Guernsey administrator. For a summary of our investment management and services agreement, see “The Investment Manager and the Investment Management and Services Agreement.”

The Special Limited Partner will be entitled to a carried interest in an amount equal to 7.5% of the increase in our net asset value in the event that our internal rate of return exceeds 7.5% as of the last business day of a performance period. For more information, see “The Investment Manager and the Investment Management and Services Agreement— the Investment Management and Services Agreement with the Investment Manager.”

## **Valuation and Related Data**

This offering memorandum contains valuation data relating to the Initial Investments as well as the valuation methodology the Investment Manager will employ with regard to our portfolio of investments. This offering memorandum also includes information regarding historical annual compounded net internal rates of return for certain funds managed by the Investment Manager. None of these data have been audited. Please note that the valuation methodology described herein is subject to change in the future without notice. Please keep the following discussion in mind as you read this offering memorandum.

### ***Investments in Private Equity Funds***

Investments in private equity funds (including funds of funds), including such investments that form part of the Initial Investments, represent limited partner interests (or equivalent) in such funds and will be carried on our books at fair value. The Investment Manager determines fair value by evaluating the most recent information available for each investment at the investment’s valuation date, including the most recent partnership (or similar) financial statements from the general partner (or equivalent entity). Additional information considered in the valuation includes contributions to, and distributions from, the private equity fund since the last financial statement date, any general partner (or equivalent) communications, including response to specific inquiries received by the Investment Manager, publicly quoted closing prices of public securities and adverse news concerning underlying portfolio companies.

These valuation procedures will be used to value all of our private equity investments, including the Initial Investments, as well as fund of funds investments. For additional information regarding the valuation of the Initial Investments, see “Valuation of Initial Investments” later in this section.

The Investment Manager maintains a staff of financial reporting analysts who read, distill, follow-up and record in the Investment Manager’s investment accounting system key information about each investment in a private equity fund. Information is recorded for each round of financing of each portfolio company in each private equity fund. Additionally, each cash transaction that affects a private equity fund investment is recorded in the Investment Manager’s investment accounting system and is periodically allocated to underlying portfolio companies. The capability to track portfolio activity at such a level of detail provides the Investment Manager with a key tool to conduct its valuation process.

The valuation process at each quarter-end results in an estimate of the ending fair values of each of the private equity limited partnership interests using the most recent financial statements received from the underlying fund and other known information to roll forward the partner’s capital balance, as follows:

- Beginning partner’s capital from the previous quarter reported by the underlying fund.
- Add contributions made to the underlying fund during the quarter.
- Subtract distributions received from the underlying fund during the quarter.
- Add/subtract realized gains/losses during the quarter based on known realizations.
- Add/subtract the unrealized gains/losses during the quarter based on known valuation changes.

The first three bullets above are available from the funds’ accounting records based on information received from the underlying fund during the period. In order to obtain the information in the last two bullets, the following steps are taken to ensure all available data was incorporated into the ending valuation:

- A preliminary information request is sent to the underlying funds asking for the identity and value of the publicly traded securities held at the reporting date, as well as any significant changes in the valuation of the portfolio of privately held companies, such as initial public offerings, valuation write-downs, dispositions, follow-on investments or increases in value related to an economic event during the period. This information is requested to



be reported to the Investment Manager within a few days after period end. All information received is incorporated into the ending valuation.

- Realizations of portfolio companies are recorded based on information received during the quarter from underlying partnerships about cash or stock distributions.
- Any known initial public offerings in the portfolio during the quarter are assessed to determine the effect on the valuation.
- Any information of which the Investment Manager becomes aware from news articles or any other sources that which indicate significant events such as bankruptcies, mergers, or other significant events that affect portfolio companies is assessed.
- Public portfolio companies held by the underlying funds for which the Investment Manager has reliable information are revalued at the period end quoted market prices less any discount previously taken by the underlying funds related to legal restrictions on marketability.

Other items that impact partners' capital, such as the net investment loss of the underlying fund, are generally deemed immaterial and are not considered.

For valuations made as of the dates other than a quarter-end, including in connection with monthly reports and covenant compliance, the process is the same except changes to portfolio company level information are generally not available and are therefore not considered. The Investment Manager makes a judgment as to the relevance and reliability of any such information that is available. Information deemed relevant and reliable is considered.

### ***Information Received from Investment Managers of Underlying Private Equity Funds***

As much of the information used to value the underlying investments in private equity funds is obtained from the general partner (or equivalent entity) of the underlying fund, the Investment Manager maintains certain procedures to ensure that the general partner is using appropriate procedures to value the investments in accordance with U.S. GAAP. The procedures currently followed by the Investment Manager are summarized below: These procedures can be modified or varied at any time in the sole discretion of the Investment Manager.

- Prior to committing to a private equity fund, the Investment Manager performs a due diligence process to evaluate the prior performance of the manager of the underlying fund, as well as such manager's ability to administer such underlying private equity fund. The process includes an analysis of such manager's prior investment performance through an analysis of prior funds from data in the Investment Manager's databases or otherwise obtained. The Investment Manager also reviews information about such manager's valuation methodologies and procedures. This information is compiled and presented to the Investment Committee to evaluate for decisions to commit or decline the investment.
- Partnership agreements are negotiated to provide quarterly financial reporting and an annual audit from a recognized accounting firm.
- The Investment Manager monitors the performance of each manager of underlying private equity funds via the review of periodic financial reports and portfolio analyses and attendance at annual meetings and conference call updates.
- Twice per year, the Investment Manager completes an update review of the valuation methodologies and practices used by each manager. The review may include a site visit and attendance at annual partners' meeting as well as telephonic meetings and document reviews. Each review is discussed with an assigned member of the Investment Committee, and concludes with acceptance of the results, further investigation or the designation of the manager of underlying private equity funds for ongoing monitoring. For such managers subject to ongoing monitoring, further analysis and adjustment to reported values are made each quarter as considered necessary.
- The financial statements, audited and unaudited, are reviewed by the Investment Manager to confirm that the disclosed valuation methodology is in accordance with U.S. GAAP. For audited statements, the Investment Manager determines whether the audit opinion is qualified or adverse and whether the opinion contains other pertinent explanatory information.
- At each period-end for which the Investment Manager prepares financial statements, the Investment Manager attempts to obtain updated information on the manager of underlying private equity funds and its private equity fund that might bear on the financial statement reporting process. Appropriate follow-up and adjustment to value is made as necessary.

- Each quarter the Investment Manager performs an analysis of portfolio company valuations that compares values for the prior five quarters. For any valuations that have not changed in five quarters, the Investment Manager reviews with the manager of underlying private equity funds to determine the specific rationale. The Investment Manager may make its own valuation and adjust amounts recorded accordingly.

If the financial statements are not in accordance with U.S. GAAP (such as income tax basis or cash basis), the Investment Manager financial reporting analysts contact the manager of underlying private equity funds to obtain additional information, such as a schedule of investments on a fair value basis, and adjustments are made to convert the data to a U.S. GAAP basis.

Important features of the Investment Manager's valuation process are as follows:

- **Valuation Approach**—The Investment Manager's valuation approach is built from the bottom considering the valuations of the underlying portfolio companies taken from the detailed schedule of investments in the private equity fund's financial statements. The Investment Manager looks through the underlying fund to track information to the portfolio company level, including the rounds of financing within a portfolio company.
- **General Partnership Contacts**—The Investment Manager has developed relationships with personnel at the underlying funds to assist in obtaining information.
- **Frequency**—The Investment Manager receives quarterly financial statements from the underlying private equity funds; those quarterly financial statements serve as the basis for updating the Investment Manager's system. Net asset value updates to prior reported amounts are reflected as they are received.
- **Diversification**—Because of our diversification strategy, we believe the likelihood is small that the value of any individual portfolio company would have a significant impact on our reported net asset value. Moreover, individually large positions are likely to be public positions, which are revalued individually to period-end quoted values adjusted for any discount the underlying fund takes.
- **Hindsight Analysis**—The Investment Manager makes a hindsight analysis each quarter to compare its valuation process estimates with those ultimately provided by the general partner (or equivalent entity) of the underlying private equity fund.

### ***Co-investments***

The Investment Manager values co-investments at fair value. To determine fair value, the Investment Manager relies significantly on the valuation guidance provided by the lead private equity investor in the transaction. The Investment Manager will review that valuation, its rationale and methods, and make its own conclusion, however. In considering the valuation, the Investment Manager will assess the data inputs against its own knowledge of results to date and the methods used. For investments valued based on valuations in the last round of financing, the Investment Manager will consider the length of time since that financing and any progress against plan since then. For investments valued based on market multiples, the Investment Manager will consider appropriateness of the specific financial measure (EBITDA, adjusted EBITDA, net income, book value or net asset value) that was believed to be customary in the relevant industry. Consideration is also given to such factors as historical and projected financial data, valuation given to comparable companies, the size and scope of the portfolio company's operations, and strengths and weaknesses of the portfolio company, expectations relating to investors' receptivity to an offering of the portfolio company's securities, the size of the Investment Manager's funds' holding in the portfolio company and any control associated therewith, information with respect to transactions or offers for the portfolio company's securities (including the transaction pursuant to which the investment was made and the period of time that has elapsed from the date of the investment to the valuation date), applicable restrictions on transfer, industry information and assumptions, general economic and market conditions, indicative guidance from potential managers of offerings of securities by the portfolio company and other factors deemed relevant.

### ***Opportunistic Investments***

Depending on the circumstances, our investments will either have a readily available market, in which case the investments will be valued using market prices, or will be illiquid, in which case the investments will be valued at their fair value as determined in good faith. When market prices are used, they will not take into account various factors which may affect the value that we would actually be able to realize in the future, such as the possible illiquidity associated with a large ownership position, subsequent illiquidity in a market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. When fair value pricing is used, we expect that the value attributed to an investment will be based on the enterprise value in relation to an investment in a company at which the company could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale.

### ***Valuation of Initial Investments***

While the Investment Manager and our board of directors have received advice from an independent valuation consultant with respect to the Initial Investments, we are not required, and we do not intend, to utilize the services of any independent valuation consultant or similar entity in the future. The aggregate purchase price for the Initial Investments has been reviewed by Houlihan Lokey. Houlihan Lokey was engaged to provide advice to the Investment Manager with respect to the aggregate purchase price for the Initial Investments but did not participate in the negotiation or determination thereof. Houlihan Lokey's advice (1) was provided solely for the use and benefit of the Investment Manager and our board of directors in connection with their evaluation of the purchase of the Initial Investments and may not be relied upon or used by any other person for any other purpose, (2) is subject to significant assumptions, qualifications and limitations on the review undertaken in connection with the performance of Houlihan Lokey's engagement, and does not constitute advice or a recommendation to any person or entity with respect to any investment decision regarding Shares, RDSs or other securities of our company or any other person or entity and (3) did not address the underlying business decision of our company to acquire the Initial Investments. We and the Investment Manager requested Houlihan Lokey's assistance in accordance with limited procedures that we identified and requested it to perform. Those procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards. Among other things, the terms of Houlihan Lokey's engagement provide that it is not responsible for determining the fair value of any of the Initial Investments and its role is solely to provide limited advice to the Investment Manager and our board of directors regarding the aggregate purchase price for the Initial Investments. In addition, Houlihan Lokey is not responsible for verifying any information provided to it by our company or the Investment Manager or available from public sources upon which Houlihan Lokey relied for purposes of its analyses and it assumed such information was complete and accurate in all respects. Based upon and subject to the foregoing, Houlihan Lokey advised the Investment Manager and our board of directors that, as of June 30, 2007, the aggregate purchase price for the Initial Investments was within the range of aggregate values for the Initial Investments which Houlihan Lokey's valuation analysis indicated would be reasonably likely to be agreed between a willing buyer and a willing seller, each having reasonable knowledge of the relevant facts and neither being under any compulsion to act.

## BUSINESS

### Summary

We are a closed-end investment company registered under the laws of Guernsey managed by Lehman Brothers Private Fund Advisers, LP, a unit of Lehman Brothers Private Fund Investments Group and its affiliates (our “Investment Manager”). We will invest in private equity funds managed by leading sponsors and make direct private equity investments alongside leading sponsors (“co-investments”). In addition, we may invest a portion of our portfolio in certain opportunistic investments. Our investment objective is to produce attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification. We intend to pursue diversification for our private equity investments across asset class, vintage year, geography, industry and sponsor.

The Investment Manager will make all of our investment decisions and we have delegated to the Investment Manager the day-to-day management and operations of our business. The Investment Manager, including its predecessors, has over twenty years of investing experience specializing in private equity funds, co-investments and secondary investments and has built relationships with leading private equity sponsors over that time. Since January 1, 2006, the Investment Manager has committed on behalf of funds managed by it more than \$1.2 billion to more than 63 private equity funds. During that period, the Investment Manager has also made co-investments alongside private equity sponsors aggregating more than \$600 million in 17 transactions and has purchased on behalf of funds managed by it \$475 million of private equity interests in the secondary market in 17 transactions. In addition, the Investment Manager has committed on behalf of funds managed by it, and currently has unfunded commitments from investors to funds managed by it, of \$6.5 billion in the aggregate.

The Investment Manager’s investment decisions will be made by its Fund of Funds Investment Committee (the “Investment Committee”), which currently consists of ten members with an aggregate of more than 170 years of experience with private equity investing. The sourcing and evaluation of our investments will be conducted by the Investment Manager’s team of over 40 investment professionals who specialize in private equity fund investments and co-investments. In addition, the Investment Manager’s 110-person administrative and finance staff will be responsible for our administrative, financial management and reporting needs. The Investment Manager currently maintains offices in New York, Dallas, London and Hong Kong.

The Investment Manager will also draw on the resources of Lehman Brothers, a leading global investment bank with over 50 offices around the world, in sourcing, evaluating and managing our investments. As of May 31, 2007, Lehman Brothers had over \$263 billion in client assets under management and over 28,000 employees. Lehman Brothers acquired the assets of our predecessor entity in October 2003.

### Our Competitive Strengths

Our competitive strengths will assist us in achieving our investment objective of producing attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification.

***Experienced Private Equity Manager.*** The Investment Manager is an experienced private equity fund manager with significant investment expertise. Key strengths of the Investment Manager include:

- **Broad Experience.** The Investment Manager has more than 20 years of experience in private equity investing, including with respect to private equity funds (primary and secondary investments) and co-investments. Decisions by the Investment Manager regarding our investment strategy will be made by the Investment Committee, whose members have over 170 years of combined private equity investment experience. The sourcing and evaluation of our investments will be conducted by the Investment Manager’s team of over 40 investment professionals who specialize in private equity fund investments and co-investments. In addition, the Investment Manager’s 110-person administrative and finance staff will be responsible for our administrative, financial management and reporting needs.
- **Access to Leading Private Equity Sponsors.** The Investment Manager has built strong industry relationships with leading private equity sponsors. For example, of the prior private equity funds managed by the sponsors of the direct fund investments in our Initial Investments, the Investment Manager estimates that 87% in number were in the first (64%) or second (23%) quartile as compared to Thomson Venture Economics for vintage year data. See “Summary—Our Initial Investments.” The broad network of Lehman Brothers’ private equity, investment banking and capital markets franchises enhances the Investment Manager’s range of private equity relationships.
- **Strong Track Record.** The Investment Manager, including its predecessor entities, has achieved an annual, compounded net internal rate of return of 18.1% since 1987 through December 31, 2006 on its fund accounts focused on primary private equity fund investments and co-investments. See “Summary—The Investment Manager’s Track Record.”

- **Lehman Brothers' Global Platform and Due Diligence Resources.** Lehman Brothers' global network of investment bankers, research analysts and private equity investment professionals provides the Investment Manager with valuable industry-specific knowledge, information and valuation expertise with which to supplement its team's sourcing, analysis and evaluation of investment opportunities.

**Diversified Portfolio.** We intend to maintain a diversified investment portfolio:

- **Substantial Portfolio of Initial Private Equity Investments.** We anticipate that our Initial Investments will consist of a portfolio of high quality private equity assets having an aggregate purchase price of approximately \$260.5 million. We will also assume related unfunded commitments aggregating approximately \$354.1 million. We believe our Initial Investments will provide us with immediate exposure to a diversified portfolio of private equity investments, and will place us at a full commitment level and a more than 50% investment level when acquired. We expect to be fully invested within 18 months of the closing of the global offering.
- **Diversification Strategy.** We intend to provide our shareholders with an investment in a well-diversified portfolio of private equity investments. We expect to make private equity fund investments and co-investments, which are diversified by private equity asset class, geography, industry, vintage year and sponsor. We believe that by investing in this manner, we will achieve higher risk-adjusted returns than we would achieve in a less diversified portfolio.

**Multiple Tools to Actively Manage the Portfolio and Maintain Full Investment.** We will employ multiple tools to actively manage our private equity portfolio. The Investment Manager intends to use its experience, including proprietary data and analytic capabilities, to apply these tools to prudently and significantly shorten the period of time required for us to reach and maintain a full investment level. These tools include:

- **Prudent Over-commitment Strategy.** In order to achieve a full investment level, we expect to pursue an "over-commitment" strategy, which involves making commitments to private equity funds in excess of our available funds as of the commitment date. Private equity fund investors pursue such over-commitment strategies because private equity funds typically draw down their committed capital over a three-to-six year period. A key component of our over-commitment strategy is our Credit Facility, which we believe will provide us with a ready source of long-term capital to meet future capital calls, provide us with additional flexibility to make investments, even during periods when we are not receiving cash distributions or proceeds from our investments, and enhance our investment returns by reducing the amount of our capital that is invested in cash and short-term investments with lower expected returns than private equity.
- **Co-investments.** We intend to use our co-investments to manage our investment pace, both initially and over time. Capital for co-investments, unlike private equity fund commitments, is typically deployed at the time the investment is made. Accordingly, through the Investment Manager's co-investment capability we expect to be able reach full investment more quickly than we could through a strategy of only fund commitments.

**Alignment of Interests.** Upon completion of the global offering, Lehman Brothers will own \$100 million of our outstanding Shares (in the form of RDSs). Moreover, the Investment Manager's management fee will be charged on the net asset value of our private equity and opportunistic investments. As a result, the total value of the Investment Manager's management fees will be directly correlated with the value of our private equity and opportunistic investments, incentivizing the Investment Manager to prudently and efficiently select quality investments that fit within our investment strategy. The carried interests we distribute will be based on the growth in the net asset value of our entire company, incentivizing the Investment Manager to maintain a full investment level and to avoid substantial low yielding cash balances. In addition, a portion of the carried interest we distribute will be shared with the Investment Manager's investment professionals. As a result, the interests of Lehman Brothers, the Investment Manager and the investment team will be aligned with those of our investors.

**Underwriting Fees Borne by the Investment Manager.** The Investment Manager will bear the underwriting and placement fees and other expenses associated with the global offering, which will eliminate dilution to our net asset value that would otherwise result from such fees and expenses.

## **Our Investment Strategy**

### ***Investment Objective***

Our investment objective is to produce attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification. We classify attractive investment returns as those that meet the Investment Manager's expectations in light of our investment strategy. We intend to maintain a private equity portfolio composed of primary investments in private equity fund investments, co-investments and secondary investments. Our private equity investments will consist principally of investments in buyouts, and will also include investments in special situations

(including distressed debt, credit strategies and turnaround strategies), venture capital (including growth capital). Our private equity investments may be made directly or through other vehicles. Our private equity investments may also include investments in securities commonly used in private equity transactions that the Investment Manager reasonably deems consistent with our investment objective and strategy. We will also make opportunistic investments from time to time in accordance with our investment policies as determined by the Investment Manager. We intend to pursue portfolio diversification across private equity asset class, vintage year, geography, industry and sponsor. Our portfolio mix and diversification criteria may change from time to time in accordance with the recommendations of the Investment Manager.

We may invest in private equity funds directly or indirectly by making commitments to funds of funds, co-investments and secondary funds. Any investment made in a primary fund of funds, co-investment fund or secondary fund managed by the Investment Manager will be excluded from the management fee calculation under our investment management and services agreement.

#### *Private Equity Investments*

We intend to make primary investments in the new private equity funds of high-quality private equity sponsors. We believe that the private equity sponsors who have been successful investors in the past frequently continue to outperform their peers. By investing in the private equity funds of such sponsors, we believe we will have access to such sponsors' expertise and investments. We will seek to diversify our investments over time by selecting private equity sponsors with different or complementary strategies across private equity asset class, geography and industry. In addition, we believe that by maintaining a portfolio of premier private equity funds, we will have the opportunity to invest in a diversified portfolio of underlying companies.

Co-investments include purchasing interests in private equity portfolio companies alongside financial sponsors. Co-investment opportunities are frequently offered with no management fees or carried interest at the level of the underlying investment, allowing our company to reduce its investment cost in such opportunities. We may make commitments to co-investments directly or indirectly by committing to Lehman Brothers Co-investment fund or other Lehman-sponsored funds.

Secondary investments have a number of benefits, including providing visibility into the underlying investments in a private equity portfolio, as opposed to a blind pool, which is typical of primary private equity fund investments. Secondary transactions may also involve the purchase of private equity fund interests several years after the private equity fund was raised, allowing the secondary buyer to benefit in other ways, including: avoiding management fees paid prior to the acquisition of the secondary fund interest; purchasing a mature portfolio that may distribute cash relatively faster or currently; and potentially purchasing fund interests at a discount to net asset value. The market for secondary investment opportunities is, however, limited; as a result, in the ordinary course of our business, we expect secondary investments to form a relatively smaller part of our portfolio of investments. However, on a selective basis we may purchase interests in private equity funds in the secondary market in exchange for our Shares and these purchases may be large in amount. Secondary investments may also yield lower absolute return multiples (though higher internal rates of return) than primary investments because holding periods tend to be shorter than primary investments where returns compound over longer periods.

We believe the Investment Manager's global private equity platform generates high quality secondary and co-investment opportunities, which are screened and reviewed by the Investment Manager's dedicated secondary and co-investment teams for potential placement in the Investment Manager's dedicated secondary and co-investment funds. Our ability to participate in any of these investment opportunities is subject to Lehman Brothers' internal allocation procedures. See "Risk Factors."

The Investment Manager also expects to invest in attractive private equity opportunities which may not be effectively accessed through traditional private equity partnership structures. These opportunities may include high expected return investments with durations that are either longer or shorter than traditional private equity investments.

#### *Opportunistic Investments*

In addition to the investments described above, we may selectively make opportunistic investments in other areas, from time to time, that offer an attractive risk / return profile in areas where Lehman Brothers has expertise. These investments will not exceed 10% of our total exposure without approval from a majority of our company's board of directors and our shareholders.

#### *Investment Opportunity, Sourcing and Selection*

The Investment Manager plans to achieve our investment objective by investing in high-quality, established and emerging private equity firms. The Investment Manager's strategy is to invest with private equity firms that have defensible

niches and quality deal flow, including firms with strong existing franchises as well as new or less established firms that are managed by experienced and successful private equity professionals and that have differentiated strategies and other competitive advantages likely to produce attractive returns.

The Investment Manager has built strong industry relationships with leading private equity sponsors. For example, of the prior private equity funds managed by the sponsors of the private equity fund investments in our Initial Investments, we believe 87% in number were in the first (64%) or second (23%) quartile as compared to Thomson Venture Economics for vintage year data. See “Business—Our Initial Investments.” The Investment Manager has more than 20 years of experience in private equity investing, including with respect to private equity funds, co-investments and secondary investments. In addition, Lehman Brothers’ global network of investment bankers, research analysts and private equity investment professionals provides the Investment Manager with valuable industry-specific knowledge, information and valuation expertise with which to supplement its team’s sourcing, analysis and evaluation of investment opportunities.

Our Investment Manager sources investment opportunities through a set of investment processes developed during its more than 20 years of experience in directing private equity fund investments. The Investment Manager accesses a wide range of potential private equity fund investments and co-investments through its leveraging of relationships built through its investing in private equity funds, the Lehman Brothers global network, proactive research on potential investment managers and strategies and placement agents and professional service firms with whom Lehman Brothers has a relationship. In addition, we believe Lehman Brothers’ investment banking division creates direct investment opportunities in situations where Lehman Brothers is involved in a financing or advisory relationship. Our Investment Manager believes it can continue to source a sufficient number of investment opportunities from which it can execute its investment strategy.

Our Investment Manager employs a multi-phase evaluation process to review private equity fund investment opportunities. The Investment Committee’s review of a potential investment is ultimately supported by the findings of the due diligence team. Included in the Investment Manager’s evaluation of a potential fund investment is an assessment of the investment team, including, its performance record, return dispersion, deal sourcing capabilities, consistency and evolution of strategy, competitive advantages, and impact as a control investor on its portfolio companies. The Investment Manager also evaluates the fit of the industry sector, geographic profile and target stage of investment by the fund within its portfolio. Additional factors are included in the assessment as deemed prudent by the Investment Manager.

When selecting co-investment opportunities, the Investment Manager takes into account the quality of the private equity sponsor leading the investment as well as how the opportunity fits with that firm. The Investment Manager intends to select co-investments which it believes have a relatively attractive risk / return profile. Co-Investments are reviewed based on, among other things, an investment’s valuation, capital structure, management team, market position and financial sponsor. The Investment Manager will draw on the sourcing and due diligence capabilities of the Investment Manager’s dedicated co-investment team whose principals have over 100 years of combined private equity experience.

With respect to our opportunistic investments, we expect that the Investment Manager’s selection process will involve significant input from across the Lehman Brothers global platform.

### ***Investment Allocations***

The Investment Manager currently manages and will continue to form and manage private equity funds that invest in primary private equity fund investments and co-investments and, to a certain extent, secondary investments in private equity funds often in a combination of two or three of these investment types. The Investment Manager will have discretion to allocate investments among our portfolio and the portfolios of other funds managed by the Investment Manager. As described in more detail below, although in some cases the existence of the private equity funds may limit the amount of an investment opportunity available to us, the Investment Manager believes that the existence of these additional private equity funds will generally not be disadvantageous to us and in fact provide us significant advantages.

#### ***Scale Leads to Opportunity***

Because we will most frequently invest alongside the Investment Manager’s private equity funds, we will be able to obtain investment opportunities and terms more beneficial than we could in the absence of the Investment Manager’s other investment activities. With respect to private equity fund investments, the Investment Manager’s collective investments will make it a much more significant and consistent partner to the private equity sponsor than it would otherwise be. With respect to co-investments in portfolio companies the size of investment that is appropriate for us would make us an insignificant and often overlooked investor, but, alongside the Investment Manager’s significant co-investment portfolios, we will be part of a significant market presence.

### *Allocation of Primary Investment Opportunities*

The Investment Manager will establish for us and each private equity fund investment objectives and targets for each calendar year or longer periods. These investment objectives will include parameters of private equity asset class, geography, industry, vintage year and sponsor diversification. These objectives are constantly evaluated and may be modified; because of our reinvestment of cash flows our portfolio will be monitored closely to adjust to results. In the event that the Investment Manager cannot obtain an allocation of sufficient size to meet the investment objective of our portfolio and the portfolios of the Investment Manager's private equity funds, the Investment Manager will use these investment parameters to allocate primary investment opportunities.

### *Allocation of Co-investment Opportunities*

To the extent consistent with our investment parameters, we will retain all co-investment opportunities to which we are legally entitled as a result of being an investor in an underlying private equity fund. Most co-investment opportunities will be sourced as a result of the Investment Manager's status as a major co-investor through its broader co-investment business. Our diversification needs would allow us to participate prudently in only a fraction of most co-investment opportunities. In practice to date, the Investment Manager's fund of funds vehicles most similar to us have had larger opportunities to make co-investments than have fit their investment parameters. The Investment Manager expects this to continue and will continue to use its discretion to allocate co-investment opportunities generated among its various managed portfolios.

### *Allocation of Secondary Investment Opportunities*

In the ordinary course of our business, our investment strategy will generally not include secondary investments as a primary focus. As a result, we anticipate that most secondary transactions generated by the Investment Manager will not be included in our portfolio, although we may invest in secondary transactions from time to time if the Investment Manager so decides in keeping with our investment strategy. For example, we may participate in a secondary transaction on a selective basis or where the seller is interested in receiving Shares in exchange for its secondary portfolio.

### *Allocation of Opportunistic Investment Opportunities*

The Investment Manager will have broad discretion to determine what constitutes an opportunistic investment and to allocate opportunistic investments to our portfolio from time to time in accordance with our investment objective and policies. These investments will not exceed 10% of our total exposure (total assets plus unfunded commitments) without approval from a majority of our company's board of directors and our shareholders.

### ***Investment Guidelines and Portfolio Management***

We believe that construction of a diversified portfolio with proper allocation weights has an important influence on the achievement of higher risk-adjusted returns. Diversification across private equity asset class, vintage year, geography, industry and sponsor plays a large role in our strategy by seeking to reduce the risk of the portfolio while enhancing the ability to profit from these opportunities. We believe our Initial Investments will provide us with immediate exposure to a diversified portfolio of private equity investments and significantly shorten the period of time required for us to fully invest the proceeds of the global offering.

The categories of the investments (including into which categories investments fit) and the target exposure levels presented herein, except with respect to opportunistic investments, are determined in the sole discretion of the Investment Manager and may be revised from time to time in the sole discretion of the Investment Manager in consultation with our company's board of directors. Our opportunistic investments will not exceed 10% of our total exposure without the approval of our company's board of directors and our shareholders. While we expect to fully invest the proceeds of the global offering in private equity and opportunistic investments within 18 months of the closing of the global offering, this time period could be longer or shorter and we cannot guarantee we will ever be fully invested. Although we set target exposures and seek to make commitments that will maintain the portfolio within these levels, a number of factors can cause the actual allocations to fall outside these levels at any time and such variances do not conflict with the provisions of our investment management and services agreement. These factors include the speed at which funds call and return capital, variations in investment performance and fund raising cycles. For the avoidance of doubt, we will not be required to sell or acquire investments to meet any target exposure guideline. Our investment allocation decisions will also be influenced by our debt covenant limits under the Credit Facility (once obtained). Moreover, the exposure levels presented above do not represent the composition of the Initial Investments.



### *Private Equity Investments*

The Investment Manager intends to pursue a long-term model portfolio construction for our investments targeting the following exposures, which are based on our total private equity exposure:

	<u>Target Exposures (% of Private Equity Exposure<sup>1</sup>)</u>
<i>Investment Type</i>	
Private Equity Fund Investments .....	60% – 90%
Co-investments .....	10% – 40%
<i>Private Equity Asset Class</i>	
Buyout .....	60% – 90%
Special Situations.....	10% – 40%
Venture Capital.....	0% – 20%
<i>Geography</i>	
North America .....	50% – 80%
Europe.....	20% – 50%
Asia.....	0% – 30%
<i>Maximum Exposures to a Single:</i>	
Vintage Year.....	45%
Fund.....	15%
Co-investment.....	5%
Sponsor .....	30%

1. Private equity exposure is defined as net asset value plus unfunded commitments determined as of our company's most recently published balance sheet.

The exposure levels presented above are long term target levels and not limits, except with respect to our opportunistic investments, which will not exceed 10% of our total exposure (total assets plus unfunded commitments) without the approval from a majority of our company's board of directors and our shareholders. Accordingly, with the exception of the target exposure for opportunistic investments, we may be outside these target exposures as we move towards a full investment level during our first 18 months. Moreover, we expect these exposure levels to vary depending on the availability of suitable investment opportunities. In targeting the exposures presented above in constructing our portfolio the Investment Manager will, in its discretion, "look through" fund of funds and underlying private equity funds in which we will invest to the underlying fund or portfolio company level, as applicable.

### *Opportunistic Investments*

Our opportunistic investments will not exceed 10% of our total exposure without the approval of our company's board of directors and our shareholders.

### *Cash and Short-term Investments*

From time to time, and in particular during the period following the closing of the global offering, we may have a substantial amount of cash and short-term investments. We expect that approximately 50% of the net proceeds of the global offering will fund our Initial Investments at or shortly after the closing with the excess proceeds being temporarily invested in cash, cash equivalents, money market instruments, transitory cash accounts, government and government-sponsored agency securities, asset-backed securities, investment grade securities of certain issuers, short-term investments in the securities of certain issuers, commercial paper and other investment grade securities pending investment in private equity and opportunistic investments. The Investment Manager will have the ability to vary the composition of any of the foregoing types of investment in accordance with our investment strategy.

The foregoing investments may generate returns that are substantially lower than the returns that we anticipate receiving from private equity and opportunistic investments, which may lead to a reduction in our overall performance. We will not pay management fees to the Investment Manager pursuant to our investment management and services agreement on uninvested cash balances. However, the Investment Manager will have the ability to engage a third-party (including an affiliate of the Investment Manager) to manage our cash and short-term investments and we will bear any fees and expenses applicable to such servicer.

### *Over-commitment Strategy*

We intend to pursue an actively managed “over-commitment” strategy when making investments in order to maximize the amount of our capital that is invested at any given time. In following an over-commitment approach, the aggregate amount of our private equity commitments at a given time may exceed the aggregate amount of cash that we have available for immediate investment. We intend to fund over-commitments primarily through cash on hand, realizations of investments and the use of the Credit Facility. Private equity fund investors pursue such over-commitment strategies because private equity fund commitment is typically drawn down over 3 to 6 years as and when attractive investment opportunities at the underlying fund level become available. It is difficult to anticipate when these drawdowns will occur. Realizations may begin before all the capital has been invested. As a result, investors’ commitments are typically never fully invested in private equity assets. Initially, our investment portfolio will include a substantial amount of cash and short-term investments.

A key component of our over-commitment strategy is our Credit Facility that we expect to enter into with Bank of Scotland, as lead arranger and administrative agent, after the closing of the global offering. We believe our Credit Facility will provide us with a ready source of long-term capital to meet future capital calls, provide us with additional flexibility to make investments, particularly during periods when we are not receiving cash distributions or proceeds from our investments, and enhance our investment returns by reducing the amount of our capital that is invested in cash and short-term investments with lower expected returns than private equity. We expect that the Credit Facility will be secured by a substantial portion of our assets and those of the Investment Partnership, will contain customary conditions precedent to borrowing, will require compliance with certain financial ratios and covenants (including a maximum debt to value ratio) and will contain customary events of default. For further information, see “Operating and Financial Review—Liquidity and Capital Resources—Our Credit Facility.” We may increase the size of our Credit Facility in the event the size of the global offering is increased, including in connection with an exercise of the stabilizing manager’s over-allotment option. While we anticipate that the terms of the Credit Facility will be as described above under “Our Credit Facility”, the final terms of the Credit Facility have not been agreed upon and, as a result, the final terms of the Credit Facility may differ from those set forth herein and those differences may be significant. Furthermore, because the final terms of the Credit Facility are subject to the execution of definitive documentation, we cannot assure you that we will be able to reach a final agreement with Bank of Scotland, the failure of which could have an adverse impact on our liquidity and our over-commitment strategy.

We intend to make co-investments to actively manage our investment pace. Capital for co-investments, unlike private equity fund commitments, is typically deployed at the time the investment is made. Accordingly, through the Investment Manager’s co-investment capability we expect to be able reach full investment more quickly than we could through a strategy of investing exclusively in private equity funds.

Our Initial Investments will place us at a full commitment level and a more than 50% investment level when acquired, and we expect to be fully invested within 18 months of the closing of the global offering, though this time period could be longer or shorter and we cannot guarantee we will ever be fully invested. See “Risk Factors.” We will not pay management fees to the Investment Manager on cash and short-term investments or unfunded commitments.

### *Active Portfolio Management*

The Investment Manager follows a disciplined portfolio management process developed over its 20 years of experience in private equity investing. Our portfolio will be constructed and managed to meet a defined set of objectives, including achieving and maintaining a full investment level, while adhering to prudent over-commitment, portfolio diversification and risk management principles.

We believe the Investment Manager’s capabilities allow it to model, plan and adjust for the ongoing impact on our portfolio of each investment decision in terms of composition, returns, and cash draw-downs and distributions. The Investment Manager will employ multiple resources, including proprietary databases covering 20 years of fund-level and asset-level performance data and its stochastic modeling capabilities. The Investment Manager uses these tools and resources to monitor the progress of our underlying private equity fund investments, as well as forecast the evolution and development of our portfolio. As a result, the Investment Manager’s analytical capabilities support its efforts to manage our portfolio, reach and maintain a full investment level, optimize our capital structure and reduce the overall fluctuations in the size and pace of our private equity investments.

### **Our Initial Investments**

In connection with the global offering, Lehman Brothers has agreed to sell to us the Initial Investments for an aggregate purchase price of approximately \$260.5 million. We will also assume related unfunded commitments aggregating approximately \$354.1 million. The purchase price for the Initial Investments represents their aggregate net asset value as of December 31, 2006 plus the amount of drawdowns on the related unfunded commitments, minus distributions in respect of

such assets, plus interest on net asset value as adjusted at 5.75% per annum compounded daily through the dates on which we acquire the various investments included in the Initial Investments. The purchase of the Initial Investments will be in local currency and will be based on a 10-day average of the applicable U.S. Dollar exchange rate 10 days prior to the sale. In the event the size of the global offering is reduced below 50,000,000 Shares, we will have the ability to purchase a reduced amount of the Initial Investments. We believe our Initial Investments will provide us with immediate exposure to a diversified portfolio of private equity investments and significantly shorten the period of time required for us to fully invest the proceeds of the global offering.

Our purchase of the Initial Investments will in many cases require the consent of the general partners or similar entities that are involved in such investments. We expect that, by the time of the closing of the global offering, we will complete the acquisition of Initial Investments representing a majority of the total exposure thereof. Moreover, we expect to complete the acquisition of substantially all of the Initial Investments by September 30, 2007. As of the date hereof, we have received consents to disclose the information presented in the table below with respect to all of the investments presented therein for which such consents are required. Sales of private equity interests are time consuming, and it may take a significant period of time after closing of the global offering for the sale to be executed, and certain sales may not occur at all if consents are not obtained. In the event consents on any Initial Investments have not been received by the closing of the global offering, we and Lehman Brothers have agreed to use commercially reasonable efforts to obtain such consents by January 31, 2008. If a required consent has not been received by that date, we will be under no obligation to acquire, and Lehman Brothers will be under no obligation to sell, the related investment. See "Risk Factors." We will bear all legal, accounting, and administrative costs relating to the sale of the Initial Investments.

While the Investment Manager and our board of directors have received advice from an independent valuation consultant with respect to the Initial Investments, we are not required, and we do not intend, to utilize the services of any independent valuation consultant or similar entity in the future. The aggregate purchase price for the Initial Investments has been reviewed by Houlihan Lokey. Houlihan Lokey was engaged to provide advice to the Investment Manager and our board of directors with respect to the aggregate purchase price for the Initial Investments but did not participate in the negotiation or determination thereof. Houlihan Lokey's advice (1) was provided solely for the use and benefit of the Investment Manager and our board of directors in connection with their evaluation of the purchase of the Initial Investments and may not be relied upon or used by any other person for any other purpose, (2) is subject to significant assumptions, qualifications and limitations on the review undertaken in connection with the performance of Houlihan Lokey's engagement, and does not constitute advice or a recommendation to any person or entity with respect to any investment decision regarding Shares, RDSs or other securities of our company or any other person or entity and (3) did not address the underlying business decision of our company to acquire the Initial Investments. We and the Investment Manager requested Houlihan Lokey's assistance in accordance with limited procedures that we identified and requested it to perform. Those procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards. Among other things, the terms of Houlihan Lokey's engagement provide that it is not responsible for determining the fair value of any of the Initial Investments and its role is solely to provide limited advice to the Investment Manager and our board of directors regarding the aggregate purchase price for the Initial Investments. In addition, Houlihan Lokey is not responsible for verifying any information provided to it by our company or the Investment Manager or available from public sources upon which Houlihan Lokey relied for purposes of its analyses and it assumed such information was complete and accurate in all respects. Based upon and subject to the foregoing, Houlihan Lokey advised the Investment Manager and our board of directors that, as of June 30, 2007, the aggregate purchase price for the Initial Investments was within the range of aggregate values for the Initial Investments which Houlihan Lokey's valuation analysis indicated would be reasonably likely to be agreed between a willing buyer and a willing seller, each having reasonable knowledge of the relevant facts and neither being under any compulsion to act.

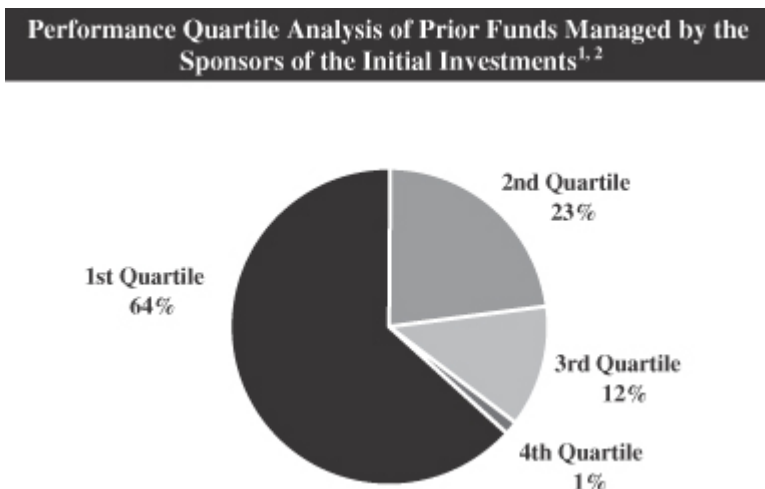
The following table presents certain information concerning the Initial Investments.

(\$'s in millions)	Asset Class	Geography	Vintage Year	Available Assets						
				Estimated Purchase Price <sup>1,2</sup>	Estimated Unfunded Commitments	Estimated Total Exposure				
Direct Fund Investments										
AIG Highstar Capital II	Buyout	U.S.	2004	4.6	0.3	4.9				
Apollo Investment Fund V	Buyout	U.S.	2001	9.7	3.7	13.4				
Aquiline Capital	Buyout	U.S.	2005	1.5	3.5	5.0				
ArcLight Energy Partners Fund IV <sup>3</sup>	Buyout	U.S.	2007	-	20.0	20.0				
Avista Capital Partners	Buyout	U.S.	2006	6.3	8.7	15.0				
Bertram Growth Capital I <sup>3</sup>	Buyout	U.S.	2007	3.0	12.0	15.0				
Carlyle Europe Partners II	Buyout	Europe	2003	6.7	2.2	8.9				
Clayton, Dubilier & Rice Fund VII	Buyout	U.S.	2005	15.7	10.9	26.6				
Clessidra Capital Partners	Buyout	Europe	2004	2.1	3.7	5.8				
Corsair III Financial Services Capital Partners <sup>3</sup>	Buyout	Global	2007	3.0	7.0	10.0				
CVI Global Value Fund	Special Situations	Global	2006	6.1	9.0	15.1				
Doughty Hanson & Co IV		Europe	2003	5.8	0.5	6.4				
First Reserve Fund XI	Buyout	U.S.	2006	2.1	22.9	25.0				
Investitori Associati III	Buyout	Europe	2000	2.9	0.9	3.9				
J.C. Flowers II	Buyout	Global	2006	2.4	7.6	10.0				
KKR 2006 Fund	Buyout	Global	2006	12.9	17.2	30.1				
KKR Millenium Fund	Buyout	Global	2002	15.9	0.3	16.2				
Lightyear Capital Fund II	Buyout	U.S.	2006	3.1	6.8	9.8				
Madison Dearborn Capital Partners V	Buyout	U.S.	2006	5.4	4.6	10.0				
OCM Principal Opportunities Fund IV	Buyout	U.S.	2007	4.9	15.0	19.9				
Platinum Equity Capital Partners II <sup>3</sup>	Special Situations	U.S.	2007	-	20.0	20.0				
Sankaty Credit Opportunities III		U.S.	2007	6.1	24.0	30.1				
Sun Capital Partners V	Special Situations	U.S.	2007	0.2	9.8	10.0				
Terra Firma Capital Partners III	Buyout	Europe	2007	0.5	32.6	33.1				
Thomas H. Lee Equity Fund VI	Buyout	U.S.	2006	7.8	18.0	25.8				
Trident Capital IV <sup>3</sup>	Buyout	U.S.	2007	0.5	4.5	5.0				
Warburg Pincus Private Equity VIII	Buyout	Global	2001	9.7	-	9.7				
Welsh, Carson, Anderson & Stowe X	Buyout	U.S.	2005	11.0	9.2	20.2				
Total Direct Fund Investments				\$	149.9	\$	275.0	\$	424.9	
Direct Co-investments <sup>4</sup>										
Dresser Holdings, Inc.	Buyout	U.S.	2007							
Edgen Murray Corporation	Buyout	U.S.	2007							
Freescale Semiconductor, Inc.	Buyout	U.S.	2006							
Group Ark Insurance Holdings Limited	Buyout	Global	2007							
MaRI Holdings Limited	Buyout	Global	2007							
Mont Fort Re Ltd.	Buyout	Global	2007							
Sabre Holdings Corporation	Buyout	U.S.	2007							
TPF Genco Holdings, LLC	Buyout	U.S.	2006							
Total Direct Co-investments				\$	63.3	\$	4.7	\$	68.0	
Primary Fund of Funds <sup>5</sup>										
Lehman Crossroads Fund XVII	Diversified	Global	2002 - 2006	24.8	21.6	46.4				
Lehman Crossroads Fund XVIII Large-cap Buyout	Buyout	Global	2005 - 2007	4.5	10.0	14.6				
Lehman Crossroads Fund XVIII Mid-cap Buyout	Buyout	Global	2005 - 2007	11.6	28.0	39.7				
Lehman Crossroads Fund XVIII Special Situations	Special Situations	Global	2005 - 2007	4.3	6.2	10.5				
Lehman Crossroads Fund XVIII Venture		Venture Capital	U.S.	2006 - 2007	1.9	8.6	10.5			
Total Primary Funds				\$	47.3	\$	74.5	\$	121.7	
Total				\$	260.5	\$	354.1	\$	614.6	

1. Sales of private equity interests are time consuming, and it may take a significant period of time after closing of the global offering for the sales to be executed, and certain sales may not occur at all if consents are not obtained. See “Risk Factors—We may not be able to complete the acquisition of all of the Initial Investments.” As of June 30, 2007, a consent for disclosure has been obtained for each fund and co-investment named at “Business—Our Initial Investments,” and documentation of the intended transfer is in process.
2. The purchase price for the Initial Investments will be their aggregate net asset value as of December 31, 2006 plus the amount of drawdowns on the related unfunded commitments, minus distributions in respect of such assets, plus an interest factor. Of the total estimated purchase prices, \$18.9 million represents the net amount of capital calls and distributions in respect of the Initial Investments which, based upon information received as of June 30, 2007, will be made after such date.
3. The underlying private equity fund has not yet closed, but may have already made certain investments, and there can be no guarantee that the allocations shown above will ultimately be made available to us. Consequently, the purchase price and unfunded commitments shown have been estimated by the Investment Manager.
4. Co-investment values are given on an aggregate-only basis. No co-investment composes more than 5.0% of total NAV.
5. With respect to the primary fund of funds, vintage year refers to the vintage year of the underlying private equity funds in which such fund of funds has invested.

### ***Prior Private Equity Fund Performance***

The following chart presents approximate quartile information relating to the prior private equity funds managed by the private equity fund sponsors as presented in the Initial Investments. While past performance is not necessarily indicative of future results, we believe that the private equity sponsors who have been successful investors in the past frequently continue to outperform their peers. The following chart includes information covering 74 private equity funds and 27 sponsors. Of the prior funds managed by these sponsors of the private equity fund investments in our Initial Investments, the Investment Manager estimates that 87% in number were in the first (64%) or second (23%) quartile as compared to Thomson Venture Economics vintage year performance data. As a result, we believe the Initial Investments are composed of high quality private equity assets. We refer to private equity assets as being of high quality when they present an attractive return profile such as, with respect to private equity funds, a ranking in the first or second quartile as compared to Thomson Venture Economics data. However, a comparison of the performance of these private equity funds to Thomson Venture Economics performance data is not necessarily indicative of the future results of the private equity funds comprising the Initial Investments.



1. The above performance quartile information was prepared by the Investment Manager based on publicly available information and on information received from the general partners of the underlying private equity funds, which the Investment Manager has compared to information compiled by Thomson Venture Economics. The above percentages are based on the net internal rate of return of the prior private equity funds with investment strategies similar to those of the sponsors of the Initial Investments. The prior funds of one sponsor were not included in the information presented above because prior fund performance information was not available. In addition, two prior private equity funds managed by two sponsors were not included in the information presented above because insufficient benchmark data was available.
2. Thomson Venture Economics reports on a sample of private equity funds investing in various asset classes (such as buyouts and mezzanine debt, special situations and others) that commenced operations in a given year to serve as the investment benchmark sample for that vintage year. Thomson Venture Economics ranks vintage year funds by four quartiles or tiers. The Investment Manager derived the percentages shown in the chart by comparing the most recent available net realized and unrealized internal rates of return of the prior private equity funds managed by the sponsors of the direct fund investments contained in the Initial Investments against what the Investment Manager believed were the most applicable cumulative vintage year performance benchmarks provided by Thomson Venture Economics. In the Investment Manager's analysis, special situation funds were compared against all private equity funds. The Investment Manager invested in some, but not all, of such prior funds. Only one of such prior funds is included in the Initial Investments and the performance of such prior funds has not been independently verified.

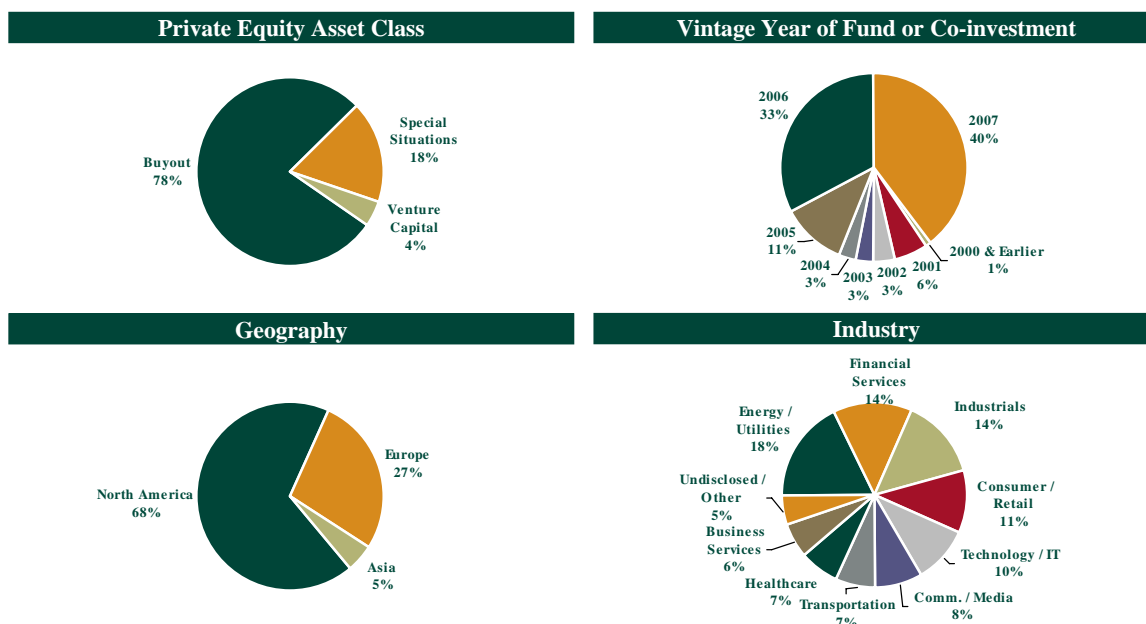
The internal rate of return for a vintage year reflects the aggregate cash inflows and outflows to investors in the funds comprising the sample of funds used for that year, with consideration of the residual value of such funds' investments. The return is calculated net of each private fund's management fees, partnership expenses and carried interest, the parameters of which vary among the funds included in the sample. Thomson Venture Economics uses information, including valuations, provided by the sponsors of, and investors in, the private funds comprising the investment benchmarks sample without independent verification. The compilation of these statistics requires a number of assumptions and judgments, and in its analysis the Investment Manager has relied on the information provided by Thomson Venture Economics without

independent verification. Certain of the funds comprising the investment benchmarks pursued different investment strategies than those pursued by the prior funds of the sponsors of the Initial Investments.

### ***Allocation of Initial Investments***

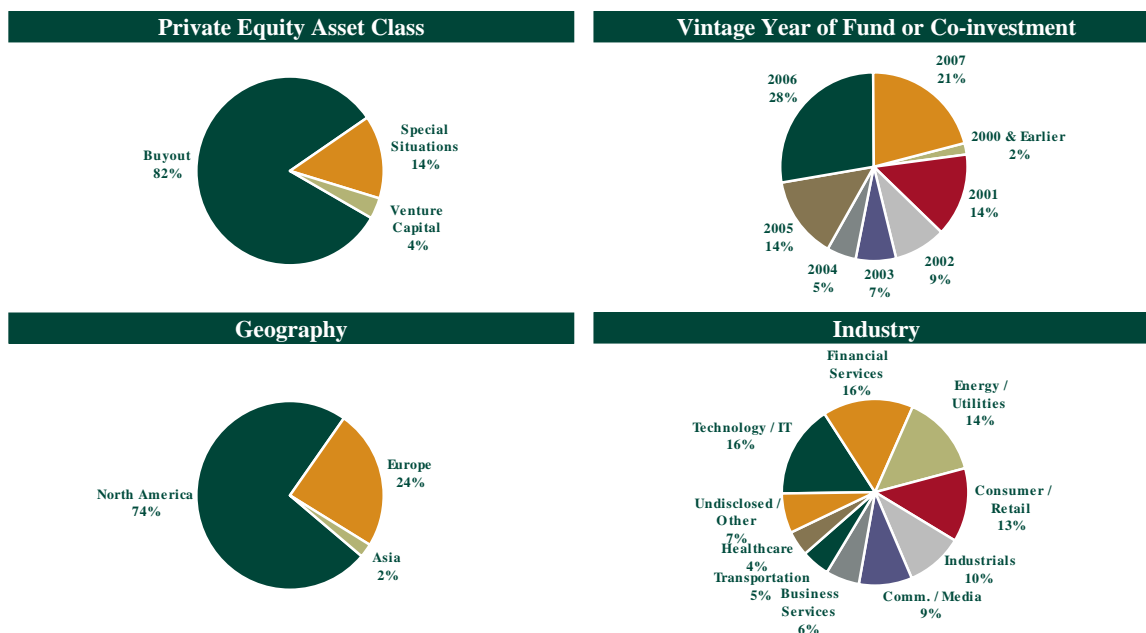
We believe the Initial Investments will be highly diversified. The following charts present the approximate breakdown of the Initial Investments by private equity asset class, vintage year, geography and industry as determined by the Investment Manager.

#### **Estimated Allocation of Expected Initial Investments<sup>1</sup> (Estimated Purchase Price Plus Unfunded Commitments)**



1. The above analysis is based on the diversification of underlying portfolio investments at fair value plus unfunded commitments as estimated by the Investment Manager. Estimates regarding the allocation of unfunded commitments are based on the Investment Manager's proprietary analyses. Determinations regarding private equity asset class, geography and industry diversification also represent the Investment Manager's estimates. Accordingly, actual diversification of the Initial Investments and the diversification of our company's investment portfolio on an ongoing basis will vary from the foregoing information.

## Allocation of Initial Investments (Estimated Purchase Price Alone)<sup>1</sup>



- The above analysis is based on the diversification of underlying portfolio investments at fair value as estimated by Investment Manager. Determinations regarding private equity asset class, geography and industry diversification represent the Investment Manager's estimates. Actual diversification of the Initial Investments and our company's investment portfolio on an ongoing basis will vary from the information presented below.

### Competition

We believe that a number of other entities will compete with us to make the types of investments that we plan to make. With respect to our private equity investments, depending on the investment, we expect to face competition primarily from other private equity fund of funds, strategic buyers and hedge funds. With respect to our opportunistic investments, depending on the investment, we expect to face competition primarily from business development companies, hedge funds, public funds and commercial finance companies.

Many of these competitors may be substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Several of these competitors have recently raised, or are expected to raise, significant amounts of capital, and may have similar investment objectives, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish a broader network of business relationships. For additional information concerning the competitive risks that we face, see "Risks Factors—Risks Relating to Our Company and Our Investment Strategy—We will operate in a highly competitive market for investment opportunities."

### Regulatory Matters

#### *Authorization from the Guernsey Financial Services Commission*

Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989 has been obtained to the issue of this offering memorandum and the associated raising of funds. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for our financial soundness or for the correctness of any of the statements made or the opinions expressed with regard to our company. We will be subject to the ongoing supervision of the Guernsey Financial Services Commission.

We have entered into an administration agreement with Heritage International Fund Managers Limited, which we refer to as our “Guernsey administrator,” to perform certain administrative functions in relation to certain Guernsey matters affecting us. The annual fees and expenses of our Guernsey administrator are expected to £50,000 subject to an increase based on the amount of time spent in its duties as Guernsey administrator. Our Guernsey administrator is required to give written notice forthwith to the Guernsey Financial Services Commission in respect of a proposed material change to our articles and memorandum of association or this offering memorandum, a proposed change of our company’s directors, our Guernsey administrator, our service provider or our independent accountants, a proposed material delegation of any of the duties of our Guernsey administrator or our services provider, any change in the name or the ultimate beneficial ownership of our General Partner, our Guernsey administrator or the Investment Manager, any alteration to our administration agreement, any proposed alteration to us, including our company’s name and our company’s investment, borrowing and hedging powers, and any proposal to reconstruct, amalgamate or prematurely terminate our company’s life.

We are required to send copies of our annual report and accounts to the Guernsey Financial Services Commission as soon as reasonably practicable after their publication. We are also required to provide certain statistical information to the Guernsey Financial Services Commission on a quarterly basis within 15 days of the end of the applicable quarter.

### **Netherlands Financial Supervision Act**

We are subject to the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*). Under the Netherlands Financial Supervision Act, we will be exempt from the requirement to obtain a license from the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) to act as the management company of a collective investment scheme for so long as Guernsey is deemed to have “adequate supervision” of closed-end funds. By Ministerial Regulation, Guernsey was accredited by the Dutch Ministry of Finance (*Ministerie van Financiën*) to have such adequate supervision. Irrespective of the exemption set forth above, we will remain subject to certain ongoing requirements under the Netherlands Financial Supervision Act and the Decree on Supervision of Conduct by Financial Enterprises (*Besluit Gedragstoezicht financiële ondernemingen Wft*) relating to the disclosure of certain information to investors, including the publication of our financial statements.

### **Employees**

We currently have no employees. Under our investment management and services agreement, the Investment Manager carries out the day-to-day management and operations of our company. For further information regarding the Investment Committee and the Investment Manager’s investment professionals, see “The Investment Manager and the Investment Management and Services Agreement.”

In the future, we may hire a limited number of finance, accounting, administrative and support personnel who will be dedicated full-time to our business and operations. We will be required to pay the salaries, benefits and other remuneration of such personnel.

### **Intellectual Property**

We, the Investment Partnership and the subsidiaries of the Investment Partnership, as licensees, will enter into a licensing agreement with Lehman Brothers prior to the completion of the global offering pursuant to which Lehman Brothers will grant each of us a non-exclusive, royalty-free license to use the name “Lehman Brothers.” Under this agreement, each licensee will have the right to use the “Lehman Brothers” name. Other than with respect to this limited license, none of the licensees will have a legal right to the “Lehman Brothers” name. This license agreement may be terminated in the circumstances described under “Relationships with the Investment Manager and Related Party Transactions—Licensing Agreement with Lehman Brothers,” including in the event that the Investment Manager’s services are terminated under our investment management and services agreement.

### **Properties**

Our company’s and the Investment Partnership’s registered address is Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey. The telephone number at that location is +44 (0) 1481 716000. Pursuant to our investment management and services agreement with the Investment Manager, the Investment Manager is responsible for providing us with certain investment management, operational and financial services. The Investment Manager currently maintains offices in New York, Dallas, London and Hong Kong. The address and telephone number of the Investment Manager’s office in Dallas, Texas is 325 N. St. Paul Street, Suite 4900, Dallas, TX 75201. We believe that these facilities are suitable and adequate for the management and operation of our business.



**Legal Proceedings**

There has not been any governmental, legal or arbitration proceeding (including any such proceeding which is pending or threatened of which our company or the Investment Partnership is aware) during the twelve month period prior to the date of this offering memorandum, which is expected to have, or has had in the recent past, significant effects on the financial position or profitability of our company or the Investment Partnership.

## OUR MANAGEMENT AND CORPORATE GOVERNANCE

### Our Board of Directors

#### *Members of our Board of Directors*

The following table presents certain information concerning our company's board of directors.

Name <sup>1</sup>	Age	Position
Talmai Morgan .....	54	Chairman
John P. Buser .....	49	Director
Peter J. Von Lehe .....	39	Director
John E. Hallam .....	58	Director
Christopher Sherwell .....	59	Director

1. The address of each person named above is c/o our company, Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey.

Biographical information for Messrs. Buser and Von Lehe is set forth under "Our Investment Manager and Investment Management and Services Agreement—Investment Committee Members."

**Talmai Morgan** qualified as a Barrister in the United Kingdom in 1976. He moved to Guernsey in 1988 where he worked for Barings as general counsel and then for the Bank of Bermuda as Managing Director of Bermuda Trust (Guernsey) Limited. From January 1999 to June 2004, Mr. Morgan was Director of Fiduciary Services and Enforcement at the Guernsey Financial Services Commission (Guernsey's financial regulatory agency) where he was responsible for the design and subsequent implementation of Guernsey's law relating to the regulation of fiduciaries, administration businesses and company directors. Mr. Morgan was also involved in Working Groups of the Financial Action Task Force and the Offshore Group of Banking Supervisors. From July 2004 to May 2005, Mr. Morgan served as Chief Executive of Guernsey Finance, which is the official body for the promotion of the Guernsey finance industry. Mr. Morgan is now a non-executive director of a number of investment related companies. He holds a MA in Economics and Law from Cambridge University. Mr. Morgan is a resident of Guernsey.

**John E. Hallam**, resident in Guernsey, is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. Mr. Hallam is a former partner of PricewaterhouseCoopers having retired in 1999 after 27 years with the firm both in Guernsey and in other countries. Mr. Hallam is currently chairman of Cazenove Absolute Equity Ltd, EFG Private Bank (Channel Islands) Ltd, M&G Recovery Investment Co Ltd, Partners Group Global Opportunities Ltd and Prodesse Investment Ltd as well as being a director of a number of other financial services companies, some of which are listed on the London Stock Exchange. Mr. Hallam served for many years as a member of the Guernsey Financial Services Commission from which he retired in 2006 having been its Chairman for the previous three years.

**Christopher Sherwell** is a non-executive director of a number of investment related companies. Mr. Sherwell was Managing Director of Schroders (CI) Limited from April 2000 until January 2004 and served as a director of various Schroder group companies and investment funds. Mr. Sherwell remains a non-executive director of Schroders (CI) Limited. His other directorships include chairmanship of Hermes Absolute Return Fund (Guernsey) Limited and of Goldman Sachs Dynamic Opportunities Limited, both funds of hedge funds. Before joining Schroders in 1993 he worked as Far East regional strategist with Smith New Court Securities in London and then Hong Kong. Mr. Sherwell was previously a journalist, working for the Financial Times. He is a resident of Guernsey. Mr. Sherwell received a B Sc (Gen) degree from the University of London (1968), an MA from the University of Oxford (1971) and an MPhil degree from the University of Oxford (1973).

During the preceding five years, none of our company's directors has been convicted of any fraudulent offences, served as an officer or director of any company subject to a bankruptcy proceeding, receivership or liquidation, been the subject of sanctions by a regulatory authority or been disqualified by any court of competent jurisdiction from acting as a member of the administration, management or supervisory body of any issuer or from participating in the management or conduct of the affairs of any issuer.

### Board Structure, Practices and Committees

The structure, practices and committees of our company's board of directors, including matters relating to the size, independence and composition of the board of directors, the election and removal of directors, requirements relating to board action, the powers delegated to board committees and the appointment of executive officers, are governed by our

memorandum and articles of association. The following is a summary of certain provisions of our memorandum and articles of association that affect our corporate governance. This summary is qualified in its entirety by reference to all of the provisions of the memorandum and articles of association. Because this description is only a summary of the memorandum and articles of association, it does not necessarily contain all of the information that you may find useful. We therefore urge you to review the memorandum and articles of association in their entirety. Copies of the memorandum and articles of association will be made available to our shareholders as described under “Documents Available for Inspection.”

### ***Size, Independence and Composition of the Board of Directors***

Our company’s board of directors, which upon completion of the global offering will have five members, may consist of between five and nine directors or such other number of directors as may be determined from time to time by a resolution of the holders of our class B shares. At least a majority of the directors holding office must be independent of Lehman Brothers and its affiliates using the standards for independence determined by our company’s board of directors from time to time. Lehman Brothers will have the right to designate initially two of our company’s directors and, in the event the size of our board is greater than five, will always have the right to designate a number of our company’s directors equal to one less than what would constitute a majority of the board. If the death, resignation or removal of an independent director results in the independent directors constituting less than a majority of all directors, the vacancy must be filled promptly. Pending the filling of such vacancy, the independent board of directors may temporarily consist of less than a majority of independent directors and those directors not independent of Lehman Brothers may continue to hold office. In addition, our memorandum and articles of association prohibit the board of directors from consisting of a majority of directors who are United Kingdom residents or a majority of directors who are citizens or residents of the United States.

In addition to the committees of our company’s board of directors described below, our company’s board of directors will have the power to establish new committees of the board from time to time.

### ***Election and Removal of Directors***

At each annual general meeting, one-third of our company’s directors will stand for re-election. The holders of the Shares are not entitled to vote for the election or removal of the directors or with respect to certain other matters affecting corporate governance of our company. Vacancies on the board of directors may be filled and additional directors may be added by a resolution of the holders of our class B shares, provided that the appointment of any new director satisfies certain eligibility requirements. Those eligibility requirements generally provide, among other things, that holders of the class B shares may not nominate a person for election to the board of directors unless they comply with certain advance notice requirements.

A director may be removed from office for any reason by a written resolution of our company’s board of directors requesting resignation signed by all other directors then holding office or by a resolution duly passed by the holders of our class B shares. A director will be automatically removed from the board of directors if he or she becomes bankrupt, insolvent or suspends payments to his or her creditors, if he or she becomes a resident of the United Kingdom or a citizen or resident of the United States and such residency or citizenship results in majority of the board of directors being citizens or residents of the United States or if he or she becomes prohibited by law from acting as a director.

### ***Action by the Board of Directors***

Our company’s board of directors may take action in a duly convened meeting in which a quorum is present or by a written resolution signed by all directors then holding office. When action is to be taken at a meeting of the board of directors, subject to any requirements relating to the special approval by independent directors, the affirmative vote of a majority of the directors then holding office is required for any action to be taken (including with respect to the termination of our investment management and services agreement). Certain matters, such as changes to the board composition, require the approval of a majority of our company’s directors and also all directors who are affiliates of or employees of the Investment Manager. See “Risk Factors—Because of our investment management and services agreement, the Investment Manager will exercise substantial influence over our business.” Mr. Morgan will serve as Chairman of the board of directors.

### ***Actions Requiring Special Approval by Independent Directors; Committee of Independent Directors***

In addition to requiring regular approval by our company’s board of directors, the following matters require the additional special approval of a majority of our independent directors in order for any action to be taken with respect thereto:

- any materially adverse amendment, restatement, supplementation or other modification of our investment management and services agreement with the Investment Manager;
- any transaction involving the Investment Manager or an affiliate of the Investment Manager (other than a subscription of a limited partner interest in a newly organized Investment Manager-managed fund, the making of a

co-investment alongside the Investment Manager or an Investment Manager-managed fund or a funding or a contribution of capital pursuant to a transaction that has previously received special approval, and as contemplated by our investment management and services agreement), including giving any consents required under the U.S. Investment Advisers Act of 1940, as amended (including revoking consents to any “agency cross transactions” thereunder); and

- changes to our standards for director independence.

Under our memorandum and articles of association, independent directors may grant approvals on behalf of the company and its shareholders for any of the matters described above, including in the form of general guidelines, policies or procedures, in which case no further special approval will be required in connection with a particular transaction or matter permitted thereby. Such guidelines, policies or procedures will be required to be established at all times for acquisitions of limited partner interests in the Investment Manager’s private equity funds. We expect that, at the time of the completion of the global offering and the related transactions, our independent directors will approve supplemental investment policies that will permit acquisitions of outstanding limited partner interests in the Investment Manager’s private equity funds in the circumstances described under “Business”.

Our company’s board of directors will be required to establish and maintain at all times after the closing of the global offering a committee of independent directors that will operate pursuant to a resolution of the board of directors determining the constitution and organization of the committee. The committee of independent directors will meet from time to time as necessary to consider any of the matters set forth above or any other matters that it considers necessary.

#### ***Audit Committee***

Our company’s board of directors will be required to establish and maintain at all times after the closing of the global offering an audit committee that will operate pursuant to a resolution of the board determining the constitution and organization of the committee. The audit committee will consist of not less than three members, at least one of which will have recent and relevant financial experience, and the quorum for meetings of the audit committee will be two members. Each of the members of the audit committee will be independent directors and Mr. Hallam will serve as chairman of the audit committee.

While the audit committee has authority to investigate any areas of concern as to financial impropriety that arise and to obtain outside legal or other independent professional advice in connection therewith, when formed, the audit committee will be responsible for assisting and advising our company’s board of directors with matters relating to:

- our accounting and financial reporting processes;
- the integrity and audits of our financial statements;
- our compliance with legal and regulatory requirements;
- the Investment Manager’s performance under our investment management and services agreement;
- the compliance of the investments selected by the Investment Manager with our investment policies; and
- the qualifications, performance and independence of our independent accountants.

The audit committee will also be responsible for engaging our independent accountants, reviewing the plans and results of each audit engagement with our independent accountants, approving professional services provided by our independent accountants, considering the range of audit and non-audit fees charged by our independent accountants and reviewing the adequacy of our internal accounting controls.

#### ***Transactions in which a Director has an Interest***

A director who directly or indirectly has an interest in a contract, transaction or arrangement with our company or certain of our affiliates is required to disclose the nature of his or her interest to the full board of directors. Such disclosure may generally take the form of a general notice given to our company’s board of directors to the effect that the director has an interest in a specified company or firm and is to be regarded as interested in any contract, transaction or arrangement which may after the date of the notice be made with that company or firm or its affiliates. A director may participate and count in the quorum in any meeting called to discuss or any vote called to approve the board of directors will not be void or voidable solely because the director was present at or participated in the meeting in which the approval was given, provided that the board of directors or a board committee authorizes the transaction in good faith after the director’s interest has been disclosed or the transaction is fair to our company at the time it is approved.

### ***Appointment of Executive Officers***

While the board of directors does not intend to appoint executive officers (other than a secretary) from the outset, since these functions will be carried out by the Investment Manager, our board is authorized to appoint a chief financial officer, a secretary and such other officers from time to time as it deems appropriate. If and when appointed, officers serve at the discretion of the board of directors.

### ***Conflicts of Interest and Fiduciary Duties***

Our organizational, ownership and investment structure involves a number of relationships that may give rise to conflicts of interest between our company and our shareholders, on the one hand, and the Investment Manager and its affiliates, on the other hand. In particular, in addition to the conflicts described above under “Risk Factors” and “Related Party Transactions,” conflicts of interest could arise, among other reasons, because:

- our arrangements with the Investment Manager were negotiated in the context of an affiliated relationship, which may have resulted in those arrangements containing terms that are less favorable than those which otherwise might have been obtained from unrelated parties;
- the Investment Manager will have significant discretion with respect to allocation of future opportunities in the Investment Manager’s private equity funds and co-investments, which could enable the Investment Manager to commit us to making such investments (or exclude us from participating in such investments) under circumstances where such action (or exclusion) is not in our best interest;
- the Investment Manager and its affiliates will be permitted to pursue other business activities and provide services to third parties that compete directly with the business and activities of our company without providing us with an opportunity to participate, which could result in the allocation of the Investment Manager’s resources, personnel and investment opportunities to others who compete with us;
- Lehman Brothers may become aware of inside information concerning investments or potential investment targets, which could limit our ability to make potentially profitable investments or liquidate investments; and
- the liability of the Investment Manager and its affiliates is limited under our arrangements with them, and we have agreed to indemnify the Investment Manager and its affiliates against claims, liabilities, losses, damages, costs or expenses which they may incur in connection with those arrangements, which may lead them to assume greater risks when making investment-related decisions than they otherwise would if investments were being made solely for their own account, or may give rise to legal claims for indemnification that are adverse to the interest of our shareholders.

Except as described above, and under “Risk Factors” and “Related Party Transactions,” there are no potential conflicts of interest between any duties owed by our company’s directors to our company and any other private interests or other duties that they may have.

### ***Compensation***

Because we are a newly-registered company, we have not previously provided any compensation to our company’s directors. Commencing on the completion of the global offering, we expect to pay our independent directors an annual fee for serving on our company’s board of directors and various board committees as follows: \$75,000 to the chairman of our company’s board of directors; \$60,000 to the chairman of our audit committee; and \$60,000 to our remaining independent director. Our other directors are not expected to be compensated in connection with their board service.

### ***Insurance***

We have obtained an insurance policy under which our company’s directors and officers are insured, subject to the limits of the policy, against certain losses arising from claims made against such directors and officers by reason of any acts or omission covered under the policy in their respective capacities as our company’s directors or officers, including certain liabilities under securities laws.

### ***Employment Agreements***

Our company’s directors have not entered into any employment agreements with our company and are not entitled to any benefits upon the termination of their respective offices.

**Compliance with Guernsey Corporate Governance Requirements**

Our company complies, and intends to continue to comply, in all material respects with the corporate governance requirements that are applicable to our company under Guernsey law.

**Management of the Investment Partnership**

Our company serves as the general partner of the Investment Partnership and are responsible for managing its business and affairs. Pursuant to the investment management and services agreement by and among our company, the Investment Manager, and the Investment Partnership, we have delegated substantially all of our, duties, rights and powers as general partner with respect to the Investment Partnership to the Investment Manager. As a result, the business and affairs of the Investment Partnership are carried out by the Investment Committee. See “The Investment Manager and the Investment Management and Services Agreement.”

## THE INVESTMENT MANAGER AND THE INVESTMENT MANAGEMENT AND SERVICES AGREEMENT

We and the Investment Partnership and the subsidiaries of the Investment Partnership have entered into a services agreement with the Investment Manager pursuant to which the Investment Manager will carry out the day-to-day management and operations of our respective businesses. The services that the Investment Manager will render will be provided primarily by members of the Investment Committee and other members of the Investment Manager's team of investment professionals.

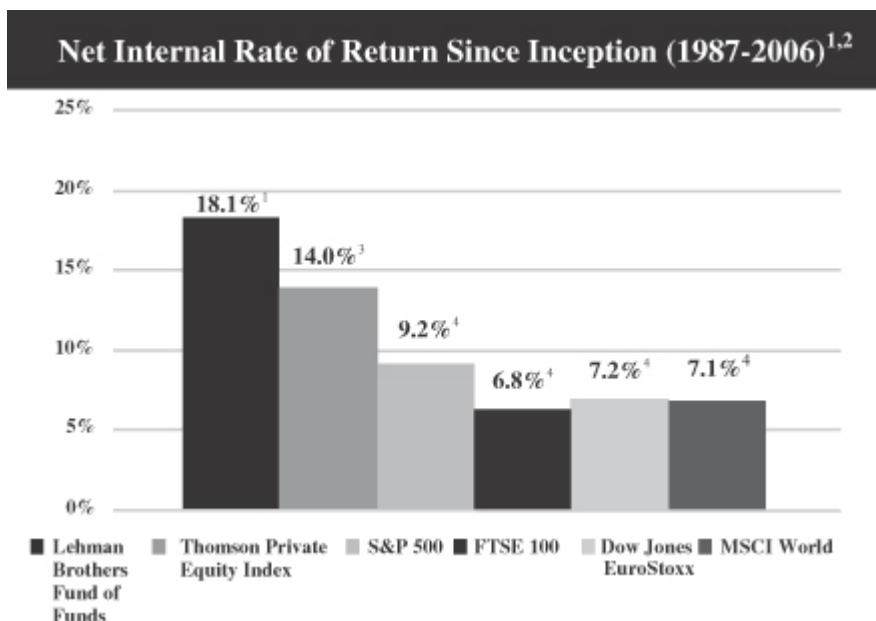
Pursuant to the investment management and services agreement by and among our company, the Investment Manager, and the Investment Partnership, we have delegated substantially all of our, duties, rights and powers as general partner with respect to the Investment Partnership to the Investment Manager.

### The Investment Manager's Track Record

The Investment Manager, including its predecessor entities, has achieved an annual, compounded net internal rate of return of 18.1% on its fund accounts focused on primary private equity fund investments and co-investments made by funds managed by it during the period since its inception in 1987 through December 31, 2006.

When considering the track record data presented in this offering memorandum, you should bear in mind that past performance is not necessarily indicative of future results and, as a result, our actual returns may be greater or less than the amounts shown below. Your investment returns will depend on the increase or decrease in the trading price of our Shares and/or RDSs. The trading prices of our Shares and RDSs are affected by financial or economic forces, market dynamics, interest rate levels and other factors that may not correlate to the performance of our investments. In addition, we are a closed-end investment company and the performance data presented in this offering memorandum for the Investment Manager, as well as the private equity index performance data, relate principally to funds structured as self-liquidating partnerships and in which investor contributions were made only when the underlying fund made an actual investment.

The following chart presents comparative information relating to the Investment Manager's track record and certain other public and private equity investment indices. The performance information for the Investment Manager is net of the Investment Manager's management fees, expenses and carried interests, as well as all management fees, expenses and carried interests at the level of the underlying funds.



*Note: Indices not adjusted for currency exchange rates*

You should also review the information set forth under "Risk Factors" and "Notice to Investors—Track Record Data" elsewhere in this offering memorandum for other important information about foregoing presentation. Although we believe that the track record presented may be considered as evidence of the Investment Manager's overall investment experience, the track record should not be taken to represent the same investment program to be pursued by our company.

Set forth below are the returns, net of the underlying funds' management fees, expenses and carried interests, as of March 31, 2007, for the Investment Manager's primary private equity fund investments and co-investments made for underlying funds and co-investments having vintage years from 2001 through 2005. Management fees, expenses and carried interests at the fund of funds or co-investment fund level have been allocated on a pro rata basis across the various vintage years shown based upon the dollar amount of capital commitments to funds or co-investments made in the specified vintage year by the relevant fund of funds or co-investment fund as a percentage of the total capital commitments to funds or co-investments by such funds. As used herein, the vintage year of a fund is the year in which the fund made its first investment and the vintage year of a co-investment is the year in which the co-investment was made.

The internal rate of return for a vintage year reflects the aggregate cash inflows and outflows to investors in the funds comprising the sample of funds used for that year, with consideration of the residual value of such funds' investments. The return is calculated net of each private fund's management fees, partnership expenses and carried interest, the parameters of which vary among the funds included in the sample. Thomson Venture Economics uses information, including valuations, provided by the sponsors of, and investors in, the private funds comprising the investment benchmarks sample without independent verification. The compilation of these statistics requires a number of assumptions and judgments, and in its analysis the Investment Manager has relied on the information provided by Thomson Venture Economics without independent verification. Certain of the funds comprising the investment benchmarks pursued different investment strategies than those pursued by the prior funds of the sponsors of the Initial Investments.

Vintage Year <sup>5</sup>	Internal Rate of Return <sup>6</sup>
2001 <sup>7</sup>	6.9%
2002	26.7%
2003	36.3%
2004	6.1%
2005 <sup>8</sup>	23.5%

1. This performance information has been derived from the financial statements of the Investment Manager's funds, managed accounts and underlying funds in which they have invested, is a composite of returns from multiple funds and managed accounts, reflects cash flows of the underlying funds calculated on an aggregate basis, does not represent the performance of any single fund account and does not equate with the returns experienced by an investor in any particular fund account. During the years included in this period, funds and fund accounts managed by the Investment Manager reflected in this information experienced returns that were lower or higher than the composite return shown and in some years experienced losses. In addition, the net internal rate of return realized throughout the life of the prior private equity fund investments made by the Investment Manager may be lower than those presented above depending on the performance of the unrealized portion of the investments made by such underlying private equity funds.

The Investment Manager's performance information presented above does not include a fund account managed by a predecessor of the Investment Manager that focused exclusively on a single 1999 investment in a secondary portfolio and a secondary fund account closed in the fourth quarter of 2005 managed by the Investment Manager, because those investments reflected a different investment strategy than was followed by the fund accounts whose performance data is reflected above.

The Investment Manager's performance information includes a fund of funds whose sole investors are Lehman Brothers and its employees and for which no fees, expenses or carried interests are charged. The fund's investments were selected by employees of Lehman Brothers who are now active in the Investment Manager's business, but who made their investment decisions prior to Lehman Brothers' acquisition of the Investment Manager's predecessor. The aggregate commitments by such fund are less than 5% of all commitments to underlying funds whose performance data is reflected above.

2. The track record of the Investment Manager reflects the internal rate of return of individual investments held by other funds advised by the Investment Manager. The terms of these other funds, including management fees, expenses and carried interests, are different from those of our company. The returns indicated in the track record presented have not been calculated assuming that such other funds had the same terms as those of our company which, for example, generally has a lower effective management fee but a higher carried interest than certain of such other funds.

Our company's performance will be affected by its over-commitment strategy and the amount of uninvested cash we maintain, which, initially, will be significantly more than that maintained by the Investment Manager's other funds.



3. Thomson Venture Economics' U.S. Private Equity Performance Index is based on statistics as of December 31, 2006 published by Thomson Venture Economics' Private Equity Performance Database analyzing the cash flows and returns for over 1,860 U.S. venture capital and private equity funds having an aggregate capital commitment of over \$678 billion to such funds. The Thomson Venture Economics data are compiled from information provided by Thomson by limited partner investors and general partners of such partnerships and are not independently verified by Thomson Venture Economics or the Investment Manager. Returns are net to investors after management fees, expenses and carried interests at the underlying fund level, but, since the data are collected in respect of underlying funds, the index does not reflect the impact on returns of fund of funds level management fees, expenses and carried interests. The Thomson Venture Economics data presented measure performance of the applicable index since January 1, 1987. The investment strategies of the funds included in the Thomson Venture Economics index are in some cases not the same as those in which the Investment Manager's funds and accounts directly or indirectly invested. This information is presented in order to allow you to compare the performance of the Investment Manager to what is believed to be a widely-used benchmark for assessing the relative performance of private equity funds.
4. Source: Bloomberg L.P. The Standard & Poor's 500 ("S&P 500") is a basket of 500 widely-held stocks that is weighted by market value. The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The Dow Jones Stoxx (Price) Index is a broad-based capitalization-weighted index of European stocks. The MSCI AC World Index is a free-float float-adjusted market capitalization index that is designed to measure global developed market equity performance in the global developed and emerging markets. Performance for the MSCI AC World index is the annualized performance for the 19 year period from 12/31/1987 to 12/31/2006 as the index began on 12/31/1987. All other indices are for the 20 year period beginning 12/31/1986 to 12/31/2006. Returns for the public stock indices are based upon simple market price appreciation of an investment in the index beginning on December 31, 1986 and are not adjusted for currency fluctuations. The return is a 20-year annualized performance number. Public market returns exclude all dividends including both payment of dividends to an investor in the index and reinvestment of dividends in the index. These indices are not an indication of expected returns. This information is presented in order to allow you to compare the performance of the Investment Manager to what are believed to be certain widely recognized measures of performance in various sectors of global equities markets.
5. Vintage year is the date of the first company investment made by a private equity fund or the date of the co-investment.
6. The vintage year performance information presented in this document does not include the secondary fund accounts managed by the Investment Manager that closed in 2005. Vintage year performance numbers are presented net of management fees, expenses and carried interests at the underlying private equity fund level. Certain funds of funds managed by the Investment Manager consist of capital contributed by employees and affiliates of Lehman Brothers and do not have fees, expenses, or carried interests. The allocation of management fees, expenses and carried interests of the Investment Manager in respect of funds of funds managed by it does not take into account differences in timing of capital flows between a fund of funds and its limited partners and the capital flows between Lehman Brothers fund of funds and the underlying partnership investments, and does not equate with the net performance of any specific fund of funds limited partner.
7. Returns for the 2001 vintage year are as of December 31, 2006. All other vintage year performance information is as of March 31, 2007. Sufficient data was not available on the date of this document for the 2001 vintage year to produce a March 31, 2007 internal rate of return.
8. The 2005 vintage year is the most recent vintage year for which we believe information is meaningful.

### **Global Head of Lehman Brothers Private Equity**

The Investment Manager is part of the Private Equity Group, a unit of Lehman Brothers of which PFIG is a part. The Private Equity Group is exclusively responsible for the private equity investment activities of Lehman Brothers and has dedicated funds and/or is pursuing principal investment strategies investing in merchant banking, real estate, venture capital, private equity investments and credit-related investments.

**Michael J. Odrich** (New York) is a Managing Director and Head of Lehman Brothers' Private Equity business, which includes 17 different investment strategies across the following six asset classes: Merchant Banking, Venture Capital, Real Estate, Credit-Related Investments (Mezzanine and CDOs), Private Fund Investments (Fund-of-Funds, Secondary Funds, Co-Investment Funds) and Infrastructure (Global Opportunities and MLPs). In aggregate, Lehman Brothers Private Equity currently oversees approximately \$20 billion of committed and invested capital. Mr. Odrich joined Lehman Brothers in 1986 in the M&A Department. Beginning in 1992, he spent three years working directly for Lehman Brothers' Chairman and Chief Executive Officer, involved in strategic and financial planning, board of directors matters and merchant banking and investment banking transactions. During this time, Mr. Odrich worked on the spin-off transaction of Lehman Brothers from American Express in 1994. In 1995, he joined the Firm's Private Equity business, responsible for identifying, executing

and managing investments for the Merchant Banking Group. Also in 1995, he established the Firm's venture capital investment program. Mr. Odrich became Head of Private Equity in 2000. In 2001, Real Estate investing was added to the Private Equity platform, and in 2002, the Credit-Related and Fund-of-Funds asset classes were added. Infrastructure investing was added as the sixth asset class in 2006. Mr. Odrich is a member of the Lehman Brothers Management Committee. He also is a member of the Firm's Investment Committee, Valuation Committee and the screening committees for the six asset classes of private equity. Mr. Odrich is currently a director of Firth Rixson Limited and Regeneration Technologies, Inc. (Nasdaq: RTIX). Mr. Odrich holds an M.B.A. from Columbia University and a B.A. from Stanford University.

#### **Global Head of the Corporate Advisory Division, Chairman of Lehman Brothers' Transaction Approval Committees and Member of our Investment Committee**

**Steven Berkenfeld** (New York) is a Managing Director of Lehman Brothers, Chairman of Lehman Brothers' Transaction Approval Committees, and Global Head of the Corporate Advisory Division, which includes Legal, Compliance, Transaction Management and Internal Audit. Mr. Berkenfeld also serves as Chief Investment Officer for the Private Equity division and Chairman of Lehman Brothers' Investment Committee. Previously, as an attorney at Lehman Brothers since 1987, Mr. Berkenfeld has had responsibility for all legal matters relating to Lehman Brothers' Investment Banking and Private Equity activities, as well as many of its Fixed Income and Equities businesses. Mr. Berkenfeld acts in a senior supervisory and oversight capacity with respect to the Investment Manager. Prior to joining Lehman Brothers in 1987, Mr. Berkenfeld was an Associate at the law firm of Fried, Frank, Harris, Shriver & Jacobson and was engaged primarily in advising clients on mergers & acquisitions and leveraged buy-outs. He currently is a director of RSI Holding Corporation and Verified Identity Pass, Inc. and was a member of the Corporate Financing Committee of the NASD from 2000 to 2005. He holds a J.D. from Columbia Law School and a B.S. from Cornell University. Mr. Berkenfeld has 20 years of service to Lehman Brothers.

#### **The Investment Committee**

The management of the Investment Manager's business and affairs is carried out by the Investment Committee. The Investment Committee will approve all of our investment decisions. The Investment Committee is responsible for the development, selection, and ongoing monitoring and realization of investments. The ten member Investment Committee has over 170 years of combined private equity experience. The Investment Committee is composed of individuals with diverse backgrounds in not only portfolio and fund of funds management, but also as general partners of large-cap buyout funds, mid-cap buyout funds, and venture capital funds and as chief executive officers of private equity backed portfolio companies. The insights of such a diverse group add substantial value to our diligence process. The Investment Committee operates on a unanimous approval basis, assuring that every investment gets a full and impartial analysis by the Investment Committee. The Investment Committee is supported by an investment team of senior vice presidents, vice presidents, associates, and analysts who execute our rigorous due diligence process.

#### **Investment Committee Members**

**Anthony D. Tutrone** (New York) is Global Head of Lehman Brothers Private Fund Investments Group and a Managing Director. The Private Fund Investments Group, which has over \$6.5 billion of capital commitments, includes Lehman Brothers' private equity fund of funds, secondary and co-investment businesses. Prior to this, Mr. Tutrone was a Managing Director and founding member of The Cypress Group, a private equity firm with \$3.5 billion under management. Prior to The Cypress Group, Mr. Tutrone began his career at Lehman Brothers in 1986, starting in Investment Banking and later becoming one of the original members of Lehman Brothers' Merchant Banking Group. Mr. Tutrone is a member of the Lehman Brothers Private Equity Management Committee, Valuation Committee, Investment Committee and the Fund of Funds Investment Committee. He sits on several private equity fund advisory boards and has also been a member of the board of directors of several public and private companies. Mr. Tutrone earned an M.B.A. from Harvard Business School and a B.A. in Economics from Columbia University. Mr. Tutrone has 11 years of service to Lehman Brothers.

**Steven Berkenfeld** —See "The Investment Manager and the Investment Management and Services Agreement—Global Head of the Corporate Advisory Division."

**John P. Buser** (Dallas) is Global Head of Lehman Brothers Fund of Funds and a Managing Director and a member of the Investment Committee and the Private Equity Group Executive Committee. Mr. Buser was previously a partner at the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P., where he had extensive experience in the practice of domestic and international income taxation within the investment management industry. Mr. Buser was admitted to the State Bar of Texas in 1982 after receiving his J.D. from Harvard Law School. Prior to attending law school, Mr. Buser graduated *summa cum*

*laude* with a B.S. in accounting from Kansas State University in 1978 and became certified by the Missouri State Board of Accountancy in 1979. Mr. Buser's professional memberships include the American Bar Association, the State Bar of Texas and the Dallas Bar Association. Mr. Buser has 11 years of service to Lehman Brothers, including his years at outside counsel.

**Joseph A. Malick** (London) is a Managing Director and a member of the Investment Committee. Previously, Mr. Malick was a senior associate at the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P., where he was engaged in a broad-based corporate and securities law practice. Mr. Malick has extensive experience in the structuring and regulation of domestic and offshore private equity funds and their related investment advisers, along with substantial experience in the negotiation and preparation of public and private securities offerings, private equity investments, and mergers and acquisitions. Mr. Malick received both his J.D., *cum laude*, and M.B.A. in 1995 from Southern Methodist University, where he was a citation editor of *The International Lawyer*. Mr. Malick received his B.S.E. in electrical engineering in 1988 from Duke University, where he was a National Merit Scholar. Mr. Malick's professional memberships include the State Bar of Texas. Mr. Malick has 11 years of service to Lehman Brothers including his years at outside counsel.

**Brien P. Smith** (Dallas) is a Managing Director of Lehman Brothers and a member of the Fund of Funds Investment Committee. Prior to joining Lehman Brothers, Mr. Smith worked in the private equity sector serving in a number of roles for Mason Best Company, L.P., including investments, financial planning, reporting, and investor communications for the firm and its affiliates. Mr. Smith also led or participated in a number of transactions, including public debt and equity offerings and the sale of portfolio investments. Mr. Smith began his career at Arthur Andersen & Co. Working in the tax group, he focused on the financial services sector in the southwest. Mr. Smith sits on the Limited Partner Advisory Boards of a number of investment relationships. He is also a director of National Autotech Inc. and has also served on the boards of Perry Homes, Safeguard Business Systems, Inc. and Mainstream Data, Inc. Mr. Smith received a masters degree in professional accounting in 1981 and a B.B.A. in 1979 from the University of Texas at Austin. Mr. Smith is a certified public accountant, receiving certification by the Texas State Board of Public Accountancy in 1983. Mr. Smith has 7 years of service to Lehman Brothers.

**Peter J. Von Lehe** (New York) is a Managing Director and a member of the Investment Committee. Previously, Mr. Von Lehe was a Managing Director and Deputy Head of the Private Equity Fund of Funds unit of Swiss Reinsurance Company. At Swiss Re, Mr. Von Lehe was responsible for investment analysis and product structuring and worked in both New York and Zurich. Before that, he was an attorney with the law firm of Willkie Farr & Gallagher LLP in New York focusing on corporate finance and private equity transactions. He began his career as a financial analyst for a utility company, where he was responsible for econometric modeling. Mr. Von Lehe has served on the advisory committees of a number of private equity funds in the United States and Europe. Mr. Von Lehe received a B.S. with Honors in Economics from the University of Iowa and a Juris Doctor, with High Distinction, from the University of Iowa College of Law. He is a member of the New York Bar. Mr. Von Lehe has 1 year of service to Lehman Brothers.

**Ruth E. Horowitz** (New York) is a Managing Director and a member of the Investment Committee. Ms. Horowitz is responsible for managing an approximately \$230 million portfolio of third party private equity investments in more than 23 funds and is also the Chief Administrative Officer of Private Equity. Prior to Private Equity, Ms. Horowitz held management positions in Investment Banking, where she worked with the head of Investment Banking, and in Equities, where she was Chief Administrative Officer of the Equity Research Department. Ms. Horowitz started her career as an investment banker. She has an M.B.A. from Harvard Business School and a B.A. from Barnard College. Ms. Horowitz has 22 years of service to Lehman Brothers.

**David S. Stonberg** (New York), a managing director of Lehman Brothers, is a member of the Private Fund Investments Group. He is a principal in Lehman Brothers Co-Investment Partners Fund and a member of the Fund's Screening Committee. Mr. Stonberg is a member of the Investment Committee, the Secondary Fund Screening Committee, and the Mezzanine Fund Screening Committee. Additionally, he is on the board of Firth Rixson, Ltd. Before joining Lehman Brothers' Private Equity in 2002, Mr. Stonberg held several positions within the Firm's Investment Banking Division including providing traditional corporate and advisory services to clients as well as leading internal strategic and organizational initiatives for Lehman Brothers. Mr. Stonberg began his career in the Mergers and Acquisitions Group at Lazard Frères. Mr. Stonberg holds an M.B.A. from the Stern School of New York University and a B.S.E. from the Wharton School of the University of Pennsylvania. Mr. Stonberg has 11 years of service to Lehman Brothers.

**John H. Massey** (Dallas) is a Senior Consultant to Lehman Brothers and the Chairman of the Investment Committee. In 1996, Mr. Massey was elected as one of the original members of the board of directors of the Brazos Mutual Funds. In addition to his involvement with the Brazos Mutual Funds, Mr. Massey is active as a private investor and corporate director. Previously, he was Chairman and CEO of Life Partners Group, Inc., a NYSE listed company. Over the last 35 years, Mr. Massey has also served in numerous executive leadership positions with other publicly held companies including Gulf-

California Broadcast Corporation, Anderson Clayton & Co., and Gulf United Corporation. He began his career in 1966 with Republic National Bank of Dallas as an investment analyst. Mr. Massey currently serves on the boards of several financial institutions, including Occidental Life Insurance Co. of North Carolina, Central Texas Bankshare Holdings, Hill Bancshares Holdings, Inc., Inc., and First Southwest Company among others. He is also the principal shareholder of Columbus State Bank in Columbus, Texas and Hill Bank and Trust Company in Weimar, Texas. Mr. Massey received the Most Distinguished Alumnus award from SMU's Cox School of Business in 1993. He currently serves on the advisory board of the University of Texas School of Law. He is also active in agricultural and wildlife conservation activities in Colorado County and Matagorda County, Texas. Mr. Massey received a B.B.A. from Southern Methodist University in 1961 and an M.B.A. from Cornell University in 1963. He also earned an L.L.B. from The University of Texas at Austin in 1966. He received his Chartered Financial Analyst designation in 1971 and has been a member of the State Bar of Texas since 1966. Mr. Massey has 12 years of service to the Investment Committee.

**Hobby A. Abshier** (Dallas) is a Senior Consultant to Lehman Brothers and a member of the Investment Committee. After serving as both an enlisted man and a commissioned officer in the U.S. Air Force, Mr. Abshier joined Rotan-Mosle, Inc., starting their U.S. institutional investment department. After leaving Rotan-Mosle, Mr. Abshier formed an SBIC and initiated the Triad Venture Group with \$60 million under management in three regional venture capital funds. He is a director of Adobe Wine, and Globalogix, Inc., and has also been on the boards of Rio Grande, Inc., South Texas Drilling and Exploration Co.; Silverman Factory Jewelers; Technology Works, Inc.; Btrieve Technologies, Inc.; Dawson Well Services; Sovereign Management; DTM Corporation; Garden Ridge Pottery; Inhibitex Corp.; Copeland Flame Spraying Co. and Ti-In Network. He is presently on the board of Patton Surgical Corporation. Mr. Abshier is a graduate of Culver Military Academy. He received a B.A. from Rice University and an M.B.A. from Harvard Business School. Mr. Abshier has 12 years of service to the Investment Committee.

#### **Other Investment Professionals**

The individuals listed below assist the Investment Manager with the sourcing and evaluation of investments pursuant to a services agreement between the Investment Manager and Lehman Brothers. Our company will not be required to make any direct payments to these individuals. A portion of the carried interest payable to the Special Limited Partner will be shared by these individuals, although the final determination regarding specific allocations of those amounts among the individuals listed below have not yet been made.

**Patricia L. Miller** (New York) is a Managing Director for Lehman Brothers Fund of Funds. Before joining the private equity team, Ms. Miller co-headed and co-founded the Partnership Solutions Group ("PSG"), a Wall Street business focused on developing business opportunities with women- and minority-owned firms that operate as broker dealers, hedge funds, private equity firms, commercial banks, real estate firms and asset management firms. Ms. Miller also serves as Co-Chair of Lehman's firm-wide womens affinity group known as WILL (Women's Initiatives Leading Lehman). Before rejoining Lehman Brothers in 2004, Ms. Miller spent 8 years in asset management. Most of that time was with Goldman Sachs, where she was a vice president of institutional marketing. Ms. Miller received her MBA from Harvard Business School and her B.S., with highest distinction, from North Carolina A&T State University, where she majored in accounting. She is also a Certified Public Accountant. Ms. Miller serves on the Board of Trustees at North Carolina A & T State University and is a member of the Executive Leadership Council.

**Jonathan D. Shofet** (New York) is a Senior Vice President. Mr. Shofet joined Lehman Brothers in 1997 and has been with the Private Fund Investments Group since 2005. Prior to joining the Private Fund Investments Group, Mr. Shofet was a member of the Lehman Brothers Venture Capital Group for five years, focusing on mid-through late-stage equity investments primarily in the technology, communications and media sectors. Prior to joining Lehman Brothers Private Equity, Mr. Shofet was a member of the Lehman Brothers Investment Banking Division, where he focused on public and private financings, as well as strategic advisory. Mr. Shofet is currently an Advisory Committee member of Edison Venture Fund and was formerly a board observer of Empirix. Mr. Shofet holds a B.A. from Binghamton University, where he graduated *summa cum laude*, Phi Beta Kappa.

**Scott Christiansen** (Dallas) is a Vice President and acts as legal counsel with responsibility for Lehman Brothers Fund of Funds. Prior to joining Lehman Brothers in 2005, he was a senior associate with Winstead Sechrest & Minick P.C. in the Corporate and Securities Practice Group where his practice focused on public and private securities offerings, mergers and acquisitions, and corporate compliance. Mr. Christiansen graduated *cum laude* from Pepperdine University School of Law and holds a B.S. in Mechanical Engineering from Montana State University.

**Amy Cohen** (New York) is a Vice President and Chief Operating Officer for Private Fund Investments. Before joining Private Equity in 2006, Ms. Cohen held several positions within Lehman Brothers Investment Banking Division including working with the head of Investment Banking to focus on strategic business and planning for Investment Banking.

Ms. Cohen was also a member of the Leveraged Finance Group and initially joined Lehman Brothers in 1989 as a member of the Merchant Banking Group. She holds an M.B.A., beta gamma sigma, from Columbia Business School and a B.S.E., cum laude, from the Wharton School of the University of Pennsylvania.

**Bert Kwan** (Hong Kong) is a Vice President in the Private Equity Division of Lehman Brothers. Mr. Kwan joined Lehman Brothers in 1997 and is currently responsible for sourcing and executing control and growth equity investments for the Private Equity Division in Asia. He previously was an investment professional in Lehman Brothers U.S. leveraged buyout and venture capital businesses. Mr. Kwan holds an A.B. from Princeton University and a J.D. from Yale Law School.

**Samuel N. Porat** (New York) is a Vice President. Prior to joining the Private Fund Investments Group in 2004, Mr. Porat was Director of Strategic Planning at Alfy.com, a media startup. Prior to that, Mr. Porat worked at Lehman Brothers in both investment banking and leveraged finance. Mr. Porat holds an M.B.A. (with Honors) from The Wharton School of the University of Pennsylvania and a B.A. (with Distinction) from Yale University.

**Ashvin B. Rao** (New York) is a Vice President and acts as Private Equity Counsel with responsibility for Lehman Brothers' private equity and principal investing activities. Prior to joining Lehman Brothers in 2005, Mr. Rao was an associate at Fried Frank Harris Shriver & Jacobson LLP, where his practice focused on private equity, mergers & acquisitions and general corporate and securities matters. Mr. Rao holds a J.D. from Duke University School of Law and a B.S. in Mathematics from Trinity College.

**D. Brock Williams** (New York) is a Vice President. Prior to joining the Private Fund Investments Group in 2004, Mr. Williams worked in Lehman Brothers investment banking division in New York and Chicago, where he covered companies in a diverse set of industries, including consumer, retail, industrial and technology. Mr. Williams currently sits on the limited partner advisory committees of Gryphon Investors and Avista Capital Partners. Mr. Williams is a CFA charterholder and earned an M.B.A. (with honors) from the University of Chicago Graduate School of Business and a B.A. from Northwestern University.

#### **Other Professionals**

The individuals listed below provide certain administrative, financial management and report services pursuant to a services agreement between the Investment Manager and Lehman Brothers. Our company will not be required to make any direct payments to these individuals. A portion of the carried interest payable to the Special Limited Partner will be shared by these individuals, although the final determination regarding specific allocations of those amounts among the individuals listed below have not yet been made.

**Scott Elphingstone** (Dallas) is a Senior Vice President. He has primary responsibility for the accounting, financial and management reporting, and treasury operations services that will be provided by the Investment Manager to the Company. Mr. Elphingstone joined Lehman Brothers in 2006 from PricewaterhouseCoopers LLP where he was a partner in the financial services assurance practice focusing on insurance and private equity. Mr. Elphingstone previously was Chief of Operations and Chief Financial Officer for the Western Fidelity Insurance Group through its successful turnaround and subsequent sale. Mr. Elphingstone began his career with KPMG, where he completed two assignments to groups in their National office. Mr. Elphingstone received his B.A. from Hendrix College and completed a masters degree in liberal arts from Southern Methodist University. He is a certified public accountant.

**Jeffrey S. Hinkle** (Dallas) is a Senior Vice President. He has primary responsibility for managing the administrative, financial operations and network infrastructure as well as overseeing the financial reporting and budgeting duties for Lehman Brothers Fund of Funds. Prior to joining Lehman Brothers, Mr. Hinkle was controller of Murchison Capital Partners, L.P., a privately held investment partnership. He was responsible for monitoring, reporting and analyzing all investment segments of the firm, including real estate, short-line railroads, public equity, fixed income and private equity investments. In addition, his duties included managing the financial reporting and the tax preparation requirements of the firm. Mr. Hinkle received an M.B.A. in finance from Pepperdine University and a B.B.A. in accounting from Southern Methodist University.

**Christopher R. Frattaroli** (Dallas) is a Vice President for Lehman Brothers Fund of Funds. Mr. Frattaroli develops and executes strategic marketing initiatives and manages all new and existing investor relations. Previously, Mr. Frattaroli was a Certified Financial Manager and Financial Advisor in the Private Client Group at Merrill Lynch, Inc. in Dallas, Texas. Mr. Frattaroli was also a director and vice president of Sovereign Holdings, Inc. in Dallas, Texas, where he was responsible for raising Sovereign Holdings' ongoing capital requirements from a national network of broker dealers. In addition, Mr. Frattaroli was a co-founder and the CEO of Global Forex LLC, an internet-based spot market currency exchange. Global Forex achieved over \$1 billion in currency transactions before it was sold. Before moving to Dallas, Mr. Frattaroli was a

currency dealer for AIG International, Inc. in Greenwich, Connecticut. Specializing in the Japanese Yen and Swiss Franc, Mr. Frattaroli managed spot positions of up to \$25 million and was a market maker on the Chicago Mercantile Exchange. Mr. Frattaroli received his B.A. from Duke University in 1988.

**Beverly Lemond** (Dallas) is a Vice President for Lehman Brothers Fund of Funds. She is responsible for client relations, fund financial reporting and analysis and SEC compliance coordination. Ms. Lemond held various financial management positions prior to joining Lehman Brothers Fund of Funds in 1999. As an Assistant Vice President of finance for Bank One, Texas (now, JPMorgan Chase), her responsibilities included oversight of the operational strategic planning and budget processes, compliance and reporting. Ms. Lemond also spent four years as Director of Accounting for InterTAN, Inc., an international consumer electronics company operating under the trade name RadioShack. In that capacity, she managed the reporting function of the firm, including consolidation of financial results, the preparation of annual reports, and SEC and tax compliance. Ms. Lemond received a B.B.A. in accounting from The University of Texas at Arlington. She is licensed by the Texas State Board of Public Accountancy as a Certified Public Accountant.

**Hanif Z. Tayebjee** (Dallas) is a Vice President. Mr. Tayebjee is responsible for all aspects of financial reporting and analysis, and operations. Prior to joining Lehman Brothers in 2006, Mr. Tayebjee managed a team of private equity fund accountants at Goldman Sachs. In this capacity, he was charged with managing client relationships, coordinating audit engagements and overseeing the financials statement reporting process for several funds with commitments over \$12 billion. Early in his career, he worked in the audit and advisory group at PricewaterhouseCoopers in Kenya, London and New York. Mr. Tayebjee is a Certified Chartered Accountant (ACCA) and a Fellow of the Association of Certified Chartered Accountants of the United Kingdom. In addition, he holds an MBA in Finance from Stern Business School (New York University).

### Co-investment Activities

In our co-investment activities, we will be able to draw on the experience of the investment professionals listed below. The individuals listed below assist the Investment Manager with the sourcing and evaluation of investments pursuant to a services agreement between the Investment Manager and Lehman Brothers. Our company will not be required to make any direct payments to these individuals. A portion of the carried interest payable to the Special Limited Partner will be shared by these individuals, although the final determination regarding specific allocations of those amounts among the individuals listed below have not yet been made.

**Robert Redmond** (New York) is a Vice Chairman at Lehman Brothers, Chairman of the Financial Sponsors coverage group, and runs the Principal Opportunities Group within the Investment Banking Division. He is also a member of the Business Development Committee. In addition, Mr. Redmond serves on the High Yield Bond and Loan New Business Committee. Prior to joining Lehman Brothers in 1994, Mr. Redmond was a managing director with Kidder, Peabody & Co. where he was head of Leveraged Finance and High Yield Capital Markets, as well as a member of that firm's Underwriting and Commitment Committees. Mr. Redmond joined Kidder, Peabody as a vice president in their Capital Markets Division in 1987. He began his career in 1980 as an officer of the Chase Manhattan Bank managing the bank's relationships with diversified companies. Mr. Redmond received his M.B.A. degree from Cornell University's Johnson Graduate School of Management and holds a B.A. degree in economics from Lafayette College. He currently serves as a member of the Cornell University Council and as a member of the Johnson Graduate School of Management Advisory Council.

**David S. Stonberg**—See “The Investment Manager and the Investment Management and Services Agreement—Investment Committee Members.”

**David H. Morse** (New York) is a Managing Director and has been a principal of Lehman Brothers Co-Investment Partners since December of 2006. Mr. Morse joined Lehman Brothers in 2003 as a principal in the Merchant Banking Group where he helped raise and invest Lehman Brothers Merchant Banking Partners III L.P. Prior to joining Lehman Brothers, Mr. Morse was a founding Partner of Hampshire Equity Partners (and its predecessor entities). Founded in 1993, Hampshire is a middle-market private equity and corporate restructuring firm with \$825 million of committed capital over three private equity funds. Prior to Hampshire, Mr. Morse worked in GE Capital's Corporate Finance Group providing one-stop financings to middle-market buyouts. Mr. Morse began his career in 1984 in Chemical Bank's middle-market lending group. Mr. Morse is currently a Director of Modern Luxury LLC—a Lehman Brothers Co-Investment Partners LP portfolio investment. Mr. Morse holds an M.B.A. from the Amos Tuck School of Dartmouth College and a B.A. in Economics from Hamilton College.

**Stefano Bontempelli** (London) is a Senior Vice President and a principal in Lehman Brothers Co-Investment Partners. Before joining the Private Equity business in 2006, Mr. Bontempelli was a member of Lehman Brothers European

Investment Banking Division where he was head of Italian Mergers & Acquisitions and had coverage responsibility for Financial Sponsors in Italy. Prior to joining Lehman Brothers in 1999, Mr. Bontempelli was in the Mergers & Acquisitions Group at Credit Suisse First Boston in London. Mr. Bontempelli holds a *cum laude* degree in Business Administration from the University of Venice.

**Michael S. Kramer** (New York) is a Senior Vice President and a principal in Lehman Brothers Co-Investment Partners. Before joining Lehman Brothers in 2006, Mr. Kramer was a vice president at The Cypress Group, a private equity firm with \$3.5 billion under management. Prior thereto, he worked as an analyst at PaineWebber Incorporated. Mr. Kramer holds a B.A., *cum laude*, from Harvard College and an M.B.A. from Harvard Business School.

## **Secondary Activities**

In our secondary investment activities, we will be able to draw on the experience of the investment professionals listed below. The individuals listed below assist the Investment Manager with the sourcing and evaluation of investments pursuant to a services agreement between the Investment Manager and Lehman Brothers. Our company will not be required to make any direct payments to these individuals. A portion of the carried interest payable to the Special Limited Partner will be shared by these individuals, although the final determination regarding specific allocations of those amounts among the individuals listed below have not yet been made.

**Brian G. Talbot** (New York) is a Managing Director and Global Head of Lehman Brothers Secondary Fund Investments, and a member of the Secondary Investment Committee and Private Equity Management Committee. Mr. Talbot manages Lehman Brothers Secondary Opportunities Fund, an \$800 million private equity fund raised in 2005. Mr. Talbot is responsible for overseeing the origination and valuation of secondary investments and manages the investment team. Mr. Talbot joined Lehman Brothers in 2004 from Deutsche Bank AG, where he was global head of secondary investing and president of DB Capital Partners, the fund investing arm of Deutsche Bank. Mr. Talbot was instrumental in starting the secondary business at Deutsche Bank in 1991 and, since then, has originated approximately \$900 million of secondary market purchases. In addition, he was responsible for the divestiture of Deutsche Bank's \$2.5 billion fund portfolio. Prior to joining Deutsche Bank in 1989, Mr. Talbot was a manager in the Financial Services Group at Ernst & Young. Mr. Talbot holds a B.S. in accounting from Fordham University and is a certified public accountant.

**Tristram C. Perkins** (New York) is a Senior Vice President and a principal in Lehman Brothers Secondary Opportunities Fund and is primarily responsible for sourcing, evaluating, structuring and purchasing secondary investment opportunities. Mr. Perkins joined Lehman Brothers from Deutsche Bank AG where he worked for seven years in the private equity division on both direct and secondary private equity investments. In addition, he was responsible for the divestiture of Deutsche Bank's \$2.5 billion fund portfolio. Prior to joining Deutsche Bank, Mr. Perkins worked for four years as an analyst with Alex Brown & Sons in New York in both the Restructuring Group and the Industrial Technologies Group. Mr. Perkins received his M.B.A. from Columbia University and his B.A. from Middlebury College.

**Ethan A. Falkove** (New York) is a Senior Vice President and a principal in Lehman Brothers Secondary Opportunities Fund and is primarily responsible for sourcing, evaluating, structuring and purchasing secondary investment opportunities. Mr. Falkove joined Lehman Brothers from Deutsche Bank AG, where he worked for ten years in the private equity division investing in secondary private equity and directly in operating companies. In addition, together with the other Principals, he managed the divestiture of Deutsche Bank AG's \$2.5 billion private equity fund portfolio. Mr. Falkove received his M.B.A. from Columbia Business School and his B.S. from the Wharton School of the University of Pennsylvania.

## **The Investment Management and Services Agreement with the Investment Manager**

The following is a summary of certain provisions of our investment management and services agreement with the Investment Manager and is qualified in its entirety by reference to all of the provisions of the investment management and services agreement, which may be amended at any time by us and the Investment Manager. Because this description is only a summary of the investment management and services agreement, it does not necessarily contain all of the information that you may find useful. We therefore urge you to review the investment management and services agreement in its entirety. Copies of the service agreement will be made available to our shareholders as described under "Documents Available for Inspection."

### ***Appointment of the Investment Manager***

Under our investment management and services agreement with the Investment Manager, our company and the Investment Partnership have appointed the Investment Manager, as the service provider, to assist our company and the

Investment Partnership in managing our respective assets and day-to-day operations and the Investment Manager has agreed to use its commercially reasonable efforts to perform the services provided for under the agreement. In its capacity as the service provider, the Investment Manager will perform those functions and have such authority as may be delegated to it by us and the Investment Partnership and its activities will be subject to the supervision of each such body.

### ***Services Rendered***

The Investment Manager's responsibilities under the investment management and services agreement include, among other things, the following:

- serving as a consultant with respect to the periodic review of our investment policies and monitoring the compliance of our investments, borrowings and other activities with our investment policies;
- investigating, analyzing and selecting investment opportunities, acquiring and disposing of our investments and monitoring the performance of our investments;
- advising as to capital structures and capital raising;
- conducting negotiations with sellers and purchasers and their agents, representatives and advisors;
- negotiating on our behalf in connection with the acquisition and disposal of investments;
- administering the day-to-day operations of our company and the Investment Partnership and performing and supervising the performance of such other administrative functions as may be further agreed upon in the management of our company and of the Investment Partnership, including the collection of amounts due to our company and the Investment Partnership, the payment of debts and obligations and maintenance of appropriate systems to perform such administrative functions;
- communicating on behalf of our company and the Investment Partnership with the holders of securities issued by them as may be necessary to satisfy the requirements of any regulatory body and to maintain effective relations with any such security holders;
- counseling our company and the Investment Partnership regarding the maintenance of an exemption from the registration requirements of the U.S. Investment Company Act and related rules and monitoring compliance with the requirements for maintaining such an exemption;
- counseling the Investment Partnership with respect to maintaining its treatment as a partnership and any subsidiary as a disregarded entity for U.S. federal tax purposes and monitoring compliance with the requirements for maintaining such tax treatments;
- investing and reinvesting any moneys and securities held by our company and the Investment Partnership in accordance with our investment policies;
- assisting our company and the Investment Partnership in the retention of qualified accountants and legal counsel, as applicable, and in developing appropriate accounting procedures, compliance procedures and testing systems with respect to financial reporting;
- assisting our company and the Investment Partnership in obtaining and maintaining any appropriate qualifications to do business in applicable jurisdictions and any appropriate licenses;
- assisting our company and the Investment Partnership in complying with applicable regulatory requirements;
- taking all actions that are necessary to enable our company and the Investment Partnership to make required tax filings and reports;
- handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) arising out of our day-to-day operations;
- using commercially reasonable efforts to cause any fees, costs or expenses incurred by or on behalf of our company and the Investment Partnership to be commercially reasonable or commercially customary;
- performing such other services as may be required from time to time for management and other activities relating to the assets and operations of our company and the Investment Partnership as our company's board of directors and the governing bodies of the Investment Partnership may reasonably request under the particular circumstances; and
- using commercially reasonable efforts to cause our company and the Investment Partnership to comply with applicable laws.



The Investment Manager will utilize the services of the Investment Committee and such other persons as it deems necessary or appropriate to carry out the services to be provided under the agreement. All personnel and support staff that are utilized by the Investment Manager under the investment management and services agreement will devote such of their time to the management and operations of our company and the other service recipients as the Investment Manager reasonably deems necessary and appropriate in light of the level of our activity from time to time. Personnel and staff utilized by the Investment Manager are not required, however, to have as their primary responsibility the management and operations of our company or the Investment Partnership and have other significant obligations.

### ***Consents to Certain Actions***

Changes to our investment objective are also subject to the approval of our shareholders and our company's board of directors. See "Description of Our Shares and Our Memorandum and Articles of Association" and "Our Management and Corporate Governance."

### ***Management and Administration Fees***

In exchange for the services rendered under our investment management and services agreement, our company and the Investment Partnership have jointly and severally agreed to pay the Investment Manager an annual management fee equal to the net asset value of our private equity and opportunistic investments multiplied by 1.5%. The management fee will be paid quarterly in arrears based on the net asset value of our private equity and opportunistic investments at the end of the quarter. Assuming a total global offering size of 50,000,000 Shares and that the proceeds are fully invested in private equity investments, the management fee payable would be approximately \$7.5 million per annum assuming no increase or decrease in our net asset value. Any investment made as a limited partner of a primary fund of funds, secondary fund or co-investment fund managed by the Investment Manager will be excluded from the net asset value of private equity calculation as it relates to the management fee. We will not pay management fees to the Investment Manager on cash and short-term investments under our investment management and services agreement. The Investment Manager will have discretion under our investment management and services agreement to determine in good faith what constitutes cash or short-term investment for the purposes of management fee calculations. The management fee that is payable under our investment management and services agreement will not be subject to reduction based on any other fees that the Investment Manager or its affiliates receive in connection with our investments.

In addition to the management fee, the Investment Manager will receive an administration fee in an annualized amount equal to the net asset value of our private equity and opportunistic investments multiplied by 0.1%. The administration fee will be paid quarterly in arrears. Assuming a total global offering size of 50,000,000 Shares and that the proceeds are fully invested in private equity investments, the administration fee payable would be approximately \$500,000 per annum assuming no increase or decrease to our net asset value. The administration fee does not include any audit-related expenses or the fees of our Guernsey administrator. See "Business—Regulatory Matters."

While our company and the Investment Partnership are jointly and severally responsible for the payment of the management and administration fees described above, these fees will ordinarily be paid by the Investment Partnership.

### ***Term and Termination***

Our company's board of directors may terminate the investment management and services agreement upon 30 days prior written notice of termination to the Investment Manager by an affirmative vote of our company's board of directors of the company and holders of a majority of the outstanding Shares in accordance with our memorandum and articles of association and payment of a termination fee, except in the event of a default under the investment management and services agreement by the Investment Manager, in which case no termination fee will be payable thereunder. The termination fee will be in an amount equal to management fees, administration fees, incentive allocations and carried interest payments that otherwise would have been payable for a period of 7 years from the time of a decision to terminate our investment management and services agreement plus all underwriting fees and expenses paid by the Investment Manager in connection with the global offering. In addition, our company's board of directors may initiate a default termination of our investment management and services agreement for cause. In such cases, the Investment Manager will not recoup fees.

A decision by our company's board of directors to terminate the investment management and services agreement would require the approval of a majority of our company's directors. Such approval may be difficult to obtain.

The Investment Manager may terminate the investment management and services agreement upon 30 days' prior written notice of termination to our company if we default in the performance or observance of any material term, condition or covenant contained in the agreement and the default continues unremedied for a period of 30 days after written notice of the breach is given to the us. The Investment Manager may also terminate the investment management and services

agreement at any time if we become regulated as an investment company under the U.S. Investment Company Act and related rules, in which case the termination will be deemed to have occurred immediately prior to the event giving rise to the regulation of our company or such other service recipient as an investment company, or upon the occurrence of certain events relating to a bankruptcy or insolvency of our company or the Investment Partnership. See “Risk Factors—Risks Relating to Our Company and Our Investment Strategy—It may be difficult for us to terminate our investment management and services agreement with the Investment Manager”

Otherwise, the investment management and services agreement shall continue in effect through the period ending on the seven-year anniversary of the date of the agreement (together with any additional periods, a “Term”), and will be automatically renewed at the end of each year for an additional one-year period on the other terms and conditions in effect as of the end of such term.

### ***Indemnification and Limitations on Liability***

Under the investment management and services agreement, the Investment Manager has not assumed and will not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action that our company’s board of directors or the Investment Partnership take in following or declining to follow its advice or recommendations. Our company and the Investment Partnership agree to indemnify the Investment Manager and its affiliates, or any of their respective directors, officers, agents, representatives, any person who controls the Investment Manager or any of its affiliates, members, partners, principals, managers, independent contractors, shareholders and employees to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses (including legal fees) incurred by an indemnified person or threatened in connection with our respective businesses, investments and activities or in respect of or arising from the investment management and services agreement or the services provided by the Investment Manager, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person’s fraud, willful misconduct or gross negligence. In addition, under the investment management and services agreement, the indemnified persons will not be liable to us or the Investment Partnership to the fullest extent permitted by law, except for conduct that involved fraud, willful misconduct or gross negligence.

### **Carried Interest**

Under the terms of the Investment Partnership’s limited partnership agreement, the Special Limited Partner is entitled to a carried interest. In the event that our internal rate of return for any performance period as described below, determined on a mark-to-market basis, exceeds 7.5% as of the last business day of that performance period, the Special Limited Partner will generally be entitled to a carried interest in an amount equal to 7.5% of the increase in our net asset value (after deduction of the applicable management and administration fees and other expenses) for that performance period. The performance benchmark for the first performance period, which will begin on the closing date of the global offering and end on December 31, 2007, will be prorated for the portion of a year reflected by that performance period based on the number of days elapsed and a 365 day year. Carried interests are subject to the “net loss carry-forward” provisions described below. Interests in the Special Limited Partner will be held by certain members of the Investment Manager’s investment team and Lehman Brothers.

The carried interest that is payable in respect of any performance period will be reduced by an amount equal to the sum of any cash that we or the Investment Partnership, as a limited partner of a primary fund of funds, co-investment fund or secondary fund managed by the Investment Manager, pay the Investment Manager during such period in respect of carried interests of any such fund (or capital that we contribute to any such fund for such purpose). To the extent that the amount of reductions to the carried interest in a particular performance period exceed the amount of the carried interest that would otherwise be payable, the Investment Manager will be required to credit the difference against any future carried interest that may become payable in future periods. Under no circumstances, however, will credited amounts be reimbursed or reduce the carried interest payable in respect of any performance period to below zero.

A “performance period” means the period beginning on either the date of the closing of this offering or the first business day following the last business day of the immediately preceding performance period, as the case may be, and ending on the next succeeding December 31<sup>st</sup> (or, if such date is not a business day, the last preceding business day) or such other days as may be set forth in the Investment Partnership’s limited partnership agreement.

The carried interest is subject to a “net loss carry-forward” or “high water mark” provision under which net losses and management fees as of the end of each performance period are carried forward to subsequent performance periods. No carried interests will be made in any performance period until, and carried interests will be made for any performance period only to the extent that, subsequent net profits exceed such cumulative net losses and management fees.

The Special Limited Partner may waive or defer all or a part of any carried interest otherwise due.

The Special Limited Partner may receive a cash advance from the Investment Partnership against distributions of carried interest to the Special Limited Partner to the extent that distributions of carried interest actually received by the Special Limited Partner are not sufficient for the Special Limited Partner or any of its beneficial owners to pay when due any income tax imposed on it or them that is attributable to income allocated to the Special Limited Partner under the Investment Partnership's limited partnership agreement. Amounts of carried interest otherwise to be distributed to the Special Limited Partner will be reduced by the amount of any such advances until all such advances are restored to the Investment Partnership in full.

### **Other Fees and Expenses**

We will pay other fees and expenses from time to time for services not the subject of the investment management and services agreement, including, among others, fees and expenses relating to accounting, legal, certain administrative and other matters, as well as other out-of-pocket fees and expenses. In addition, the Investment Manager may engage a third-party (including, potentially, an affiliate of the Investment Manager) to provide cash management services to our company. Such expenses will not be offset against other amounts payable to the Investment Manager.

### **Payment of Management Fees, Carried Interest and Other Expenses**

Management fees, carried interest (and any taxes owed with respect thereto by direct and indirect owners of the Special Limited Partner) and other expenses and liabilities (contingent and otherwise) payable by either our company or the Investment Partnership may be paid by, among other things, withholding distributions otherwise payable by the Investment Partnership to our company, using available cash at our company or the Investment Partnership, borrowings (including under our Credit Facility) by our company or the Investment Partnership, making allocations or distributions in kind of any securities of the Investment Partnership to the Special Limited Partner or the Investment Manager, as the case may be, or, with respect to carried interest, deferring such carried interest and causing such carried interest to be payable in the future as a priority distribution to the Special Limited Partner. Moreover, our memorandum and articles of association and the limited partnership agreement of the Investment Partnership will contain such provisions as are necessary to permit the foregoing to occur.

### **Lehman Brothers Privacy Statement for Individual Private Investors**

The following privacy statement relates to internal policies of Lehman Brothers. Consequently, first person references in this section refer to Lehman Brothers and not to our company.

As a Lehman Brothers client, your privacy is important to us. Reflecting Lehman Brothers' commitment to protecting the privacy of your personal information, we have implemented privacy policies consistent with the rules mandated by federal and state guidelines for financial institutions. We have also adopted policies and procedures designed to help ensure the security and confidentiality of our customers' records and information. You may receive additional "Privacy Statements" from Lehman Brothers affiliates in connection with products and services that they may provide to you.

#### ***The collection of personal information by Lehman Brothers***

In order to help us provide the best level of service, better meet your financial needs, and provide the many products and financial services Lehman Brothers offers, we may collect information from the following sources:

- (1) Applications and other forms you have filled out for us (including information such as your name, address, social security number and income);
- (2) Your transactions with us, our affiliates, or others (including information such as account balances and transaction history);
- (3) Credit reporting agencies (who provide us with your credit history, and information to protect both you and Lehman Brothers against fraud); and
- (4) Visits to Lehman Brothers' websites such as site visitor and online information collection.

#### ***Disclosure of personal information to Lehman Brothers affiliates***

In the course of business, we may disclose the information described above to affiliates of Lehman Brothers which may provide products or services of interest to you, such as our bank's mortgage lending business. We may share information to provide customer service, to inform you of financial services you might want to take advantage of, and to prevent fraud

against you and Lehman Brothers. You should know that we are committed to making certain that information shared with our affiliates is monitored in accordance with our strict security and confidentiality policies.

***Disclosure of personal information to nonaffiliated third parties for business purposes***

We may disclose the information described above to companies that are not affiliated with Lehman Brothers for business purposes in the following circumstances:

- (1) Financial institutions (such as mutual fund companies, security brokers and investment advisers) with which we have joint marketing agreements; or
- (2) Companies that perform administrative services on our behalf (such as vendors that provide data processing, transaction processing and printing services).

When we disclose information in this manner, Lehman Brothers contractually requires all third parties to maintain the confidentiality of any personal information.

***Disclosure of personal information to nonaffiliated third parties in other instances***

Lehman Brothers currently does not share information with third parties not affiliated with Lehman Brothers, such as mortgage bankers, securities broker-dealers and insurance agents.

We may disclose the information described above to nonaffiliated third parties as permitted by law, for example, to comply with a subpoena, respond to a regulatory authority or to protect against fraud. We may also disclose such information in response to a specific authorization from you.

***Information confidentiality and security***

At Lehman Brothers, we restrict access to client information to those employees who need to know such information in order to perform their job responsibilities. Employees who have access to client information must adhere to our strict security and confidentiality policies. To guard client information, we maintain physical, electronic and procedural safeguards that comply with federal and state standards.

***Former customers***

Information of former clients will be treated as described in this policy.

**Notice of Proxy Voting Policies and Procedures**

The Securities and Exchange Commission (the “SEC”) has adopted Rule 206(4)-6 (the “Rule”), which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Lehman Brothers Private Fund Advisers, LP (the “Advisor”) provides investment advisory services to private investment funds (each, a “Fund” and collectively, the “Funds”), certain of which you may be an investor in (including our company), whose investment program involves investing Fund assets in securities generally through privately negotiated transactions. Because the Advisor may be deemed to have authority to vote proxies related to the portfolio companies in which the Funds invest on behalf of its clients (i.e., the Funds) the Advisor has adopted a set of policies and procedures (together, the “Policy”) in compliance with the Rule. To the extent the Advisor exercises or is deemed to be exercising voting authority over Fund securities, the Advisor’s general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “proxies”) in a manner that serves the best interest of the Fund, as determined by the Advisor in its discretion, taking into account factors described in the Policy. The Policy also contains other more specific policies that the Advisor intends to follow with respect to various routine and non-routine related matters. Investors may request a copy of the Policy and the voting records relating to proxies as provided by the Rule by contacting the Advisor.

## SECURITY OWNERSHIP

The following table presents certain information with respect to the ownership of our Shares by the Trustee, Lehman Brothers, directors, director nominees and officers, both individually and as a group, after the completion of the global offering and related transactions, assuming that we issue 50,000,000 Shares in the global offering and related transactions. None of our directors is expected to own any of our Shares upon the completion of the global offering. In addition, as of the date of this offering memorandum, there is no person who, directly or indirectly, has an interest in our company's capital or voting rights which is notifiable under Guernsey law.

Name and Address <sup>1</sup>	Immediately After the Global Offering and Related Transactions		
	Shares Owned	B Shares Owned	Percentage of Shares/Percentage of B Shares
Trustee .....	0	10,000	0% / 100%
Lehman Brothers .....	10,000,000	0	20 / 0
Directors .....	0	0	0 / 0

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1. The address of the Trustee is Polygon Hall, PO Box 225, Le Marchant Street, St. Peter Port, Guernsey. The address of each other shareholder is c/o our company, Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey.

## **RELATIONSHIPS WITH THE INVESTMENT MANAGER AND RELATED PARTY TRANSACTIONS**

### **Capital Contribution by Lehman Brothers to Our Company**

Simultaneously with the closing of the global offering and related transactions, Lehman Brothers will make an investment of \$100 million in us.

### **Sale of Initial Investments**

In connection with the global offering, Lehman Brothers has agreed to sell to us the Initial Investments for an aggregate purchase price of approximately \$260.5 million. We will also assume related unfunded commitments aggregating approximately \$354.1 million. The purchase price for the Initial Investments represents their aggregate net asset value as of December 31, 2006 plus the amount of drawdowns on the related unfunded commitments, minus distributions in respect of such assets, plus an interest factor. See “Business—Our Initial Investments” and “Ownership, Organizational and Investment Structure.”

### **Services Provided under the Investment Management and Services Agreement with the Investment Manager**

We and the Investment Partnership have entered into a services agreement with the Investment Manager pursuant to which it will carry out the day-to-day management and operations of our respective businesses. Under the investment management and services agreement, the Investment Manager will be responsible for, among other things, selecting, acquiring and disposing of investments, carrying out financing, cash management and risk management activities, providing investment advisory services, including with respect to our investment policies, and arranging personnel and support staff to be provided to carry out the management and operation of our respective businesses. In exchange for its services, the Investment Manager will be entitled to a management fee and administration fee. For a description of our investment management and services agreement, see “The Investment Manager and the Investment Management and Services Agreement—the Investment Management and Services Agreement with the Investment Manager.”

### **Management and Administration Fees and Carried Interest**

Under our investment management and services agreement, we and the Investment Partnership have jointly and severally agreed to pay the Investment Manager an annual management fee, equal to the net asset value of our private equity investments multiplied by 1.5%. The management fee will be paid quarterly in arrears based upon the net asset value of our private equity and opportunistic investments at the end of the quarter. We will also pay an annual administration fee in an amount equal to the net asset value of our private equity and opportunistic investments multiplied by 0.1%. The administration fee will be paid quarterly in arrears. For a summary of our investment management and services agreement, see “The Investment Manager and the Investment Management and Services Agreement—the Investment Management and Services Agreement with the Investment Manager—Management and Administration Fees.”

The Special Limited Partner will be entitled to a carried interest in an amount equal to 7.5% of the increase in our net asset value in the event that our internal rate of return exceeds 7.5% as of the last business day of a performance period. For more information, see “The Investment Manager and the Investment Management and Services Agreement—the Investment Management and Services Agreement with the Investment Manager.”

### **Investments in Lehman Brothers’ Private Equity Funds**

We expect that our investments will include limited partner interests in private equity funds managed by the Investment Manager, including Lehman Crossroads Fund XVII and Lehman Crossroads Fund XVIII. The special limited partner of each of such funds is an affiliate of the Investment Manager and is entitled to a carried interest which generally will allocate to it a portion of the net realized returns generated by the fund’s investments after capital contributions have been returned to limited partners and realized losses have been recovered. The management fee that is payable under our investment management and services agreement in respect of any quarterly period will be reduced by an amount equal to any payment that we or the Investment Partnership, directly or indirectly, as a limited partner of a fund of funds, secondary fund or co-investment fund managed by the Investment Manager, pay the Investment Manager during such period in respect of management fees of any such fund (or capital that we contribute to any such fund for such purpose).

### **Licensing Agreement with Lehman Brothers**

We, the Investment Partnership and the subsidiaries of the Investment Partnership, as licensees, will enter into a licensing agreement with Lehman Brothers prior to the completion of the global offering and related transactions pursuant to which Lehman Brothers will grant to each of us a non-exclusive, royalty-free license to use the name “Lehman Brothers.”

Under this agreement, each licensee will have the right to use the “Lehman Brothers” name. Other than with respect to this limited license, none of the licensees will have a legal right to the “Lehman Brothers” name.

We and the other licensees will be permitted to terminate the licensing agreement immediately upon written notice if Lehman Brothers defaults in the performance of any material term, condition or agreement contained in the agreement and the default continues for a period of 30 days after written notice of termination of the breach is given to Lehman Brothers.

Lehman Brothers may terminate the licensing agreement effective immediately upon termination of our investment management and services agreement or with respect to any licensee immediately upon prior written notice of termination if any of the following occurs:

- the licensee defaults in the performance of any material term, condition or agreement contained in the agreement and the default continues for a period of 30 days after written notice of termination of the breach is given to the licensee;
- the licensee assigns, sublicenses, pledges, mortgages or otherwise encumbers the intellectual property rights granted to it pursuant to the licensing agreement;
- certain events relating to a bankruptcy or insolvency of the licensee; or
- the licensee ceases to be an affiliate of Lehman Brothers.

This Agreement shall automatically terminate with respect to each Licensee immediately upon termination of the Investment Management and Services Agreement.

A termination of the licensing agreement with respect to one or more licensee will not affect the validity or enforceability of the agreement with respect to any other licensees.

#### **Conflicts of Interest**

Lehman Brothers and its affiliates may engage in certain other transactions that involve conflicts of interest. For more information, see “Risk Factors—Risks Relating to Conflicts of Interest.”

## DESCRIPTION OF OUR SHARES AND OUR MEMORANDUM AND ARTICLES OF ASSOCIATION

*The following is a description of the material terms of our Shares and our memorandum and articles of association and is qualified in its entirety by reference to all of the provisions of our memorandum and articles of association. Because this description is only a summary of the terms of our Shares and our memorandum and articles of association, it does not contain all of the information that you may find useful. For more complete information, you should request a copy of our memorandum and articles of association as explained in “Documents Available for Inspection.”*

### Formation and Duration

We are a closed-end investment company and were incorporated and registered with Her Majesty’s Greffier in Guernsey under the Companies (Guernsey) Law, 1994 (as amended), or the “Companies Laws,” with registration number 47214 on June 22, 2007. Our company has a perpetual existence and will continue as a company unless our company is wound up in accordance with our memorandum and articles of association and the Companies Laws.

Our share capital will consist of two classes of ordinary shares: our Shares and our class B shares. In this description, references to “holders of our securities” and our “shareholders” are to holders of our Shares and class B shares; references to “our shares” are to our Shares and our class B shares.

The RDSs will be issued pursuant to our restricted deposit agreement with The Bank of New York, as depositary, and will represent ownership interests in our Shares and any other securities, cash or property deposited under the agreement. The depositary under our restricted deposit agreement will be considered to be the sole record holder of any Shares that are deposited under the restricted deposit agreement and will be the only person that will be permitted to exercise any rights with respect to such Shares or to receive reports on behalf of our shareholders. Accordingly, for the purposes of this description, references to holders of our securities and references to our shareholders generally do not include holders of RDSs, although such references do refer to the depositary as the record holder of our Shares deposited under the restricted deposit agreement. For a description of the rights of holders of RDSs under the restricted deposit agreement, including procedures that RDS holders will be required to follow to cause the depositary to take actions with respect to Shares deposited thereunder, see “Description of the Restricted Depositary Shares and Our Restricted Deposit Agreement.”

### Our Share Capital

The authorized and issued share capital of our company immediately following the global offering and related transactions will be as follows, assuming no exercise of the stabilizing manager’s over-allotment option:

	Authorized	Issued
	No. of Shares	No. of Shares
Shares.....	500,000,000	50,000,000
Class B shares .....	100,000	10,000

Our company was incorporated with an authorized share capital of 500,100,000 divided into 500,000,000 Shares of \$0.01 each (which carry limited voting rights) and 100,000 class B shares (which carry full voting rights) of \$0.01 each. At incorporation, 10,000 class B shares were issued to the subscribers to the memorandum and articles of association, and will be transferred to the Trustee upon the closing of the global offering.

100% of our class B shares will be held by Lehman Brothers Private Equity Partners Limited Charitable Trust, of which Heritage Corporate Services Limited will be the Trustee. The Trustee is an affiliate of the administrator.

Except with respect to our shareholders (whose rights are set forth in this offering memorandum), our company is not aware of any person who, immediately following admission could, directly or indirectly, jointly or severally exercise control over our company.

There are no provisions of Guernsey law which confer rights of pre-emption upon the issue or sale of any class of shares in our company. In addition, holders of our securities do not have any right to have their Shares or class B shares redeemed by us.

Save as disclosed in this offering memorandum, no share or loan capital of our company has been issued or agreed to be issued and no such capital of our company is proposed to be issued or is under option or agreed conditionally or unconditionally to be put under option.



It is expected that the Shares and the class B shares will be issued pursuant to a resolution of our company's board of directors on July 3, 2007, conditional, among other things, upon admission of our Shares to listing on Eurolist by Euronext.

### **Issuance of Additional Securities**

Under our memorandum and articles of association, consent of a majority of our company's directors is required in order to issue additional shares of the same class and to create new classes of shares, and our company's board of directors has absolute discretion to accept or reject in whole or in part any application for shares. In addition, issuances of additional Shares at a discount to net asset value require the consent of a majority of our shareholders except to the extent the committee of independent directors of our company's board of directors determines our company is in need of additional capital to fund capital commitments, repay outstanding indebtedness or other comparable purposes and such issuance is in the interest of our company. Shares shall constitute one class and rank *pari passu* in all respects and all class B shares shall constitute one class and rank *pari passu* in all respects.

### **Nature and Purpose**

Under our memorandum and articles of association, we are permitted to engage in any business activity that may lawfully be conducted by an investment company organized under the Companies Laws and our memorandum and articles of association and to do anything necessary or appropriate in furtherance of the foregoing.

### **Investment Restrictions**

The exercise by our company's board of directors of any and all powers and authority granted to it are subject to the restrictions set forth in our memorandum and articles of association, including the restrictions and limitations relating to our investment policies, and must be exercised in a manner consistent therewith. Changes to our investment objectives and guidelines require the consent of a majority of our independent directors.

### **Dividends**

We do not intend to pay dividends to our shareholders, although we may elect to do so in the future.

In the event we do elect to pay dividends in the future, they will be paid only as determined by our company's board of directors in its sole discretion under our memorandum and articles of association. Dividends will be paid to shareholders *pro rata* to their shareholdings and no dividend will be declared in excess of the amount recommended by the board.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board for the benefit of our company until claimed. No dividend shall bear interest against our company. Any dividend unclaimed after a period of 12 years from the date of declaration thereof will be forfeited and will revert to our company and the payment by our board of any unclaimed dividend or other sum payable on or in respect of a share into a separate account will not constitute the company a trustee in respect thereof.

We will not be permitted to pay a dividend if we do not have sufficient profits available for the purpose, the dividend would render us insolvent or if, in the opinion of our company's board of directors, the dividend would leave us with insufficient funds to meet any future contingent obligations.

The actual amount and timing of dividends will always be subject to the discretion of our company's board of directors. See "Dividend Policy."

### **Voting Rights**

Other than as set forth below under "Special Consent Rights," our Shares will not carry any voting rights. In particular, holders of our Shares are not eligible to vote in the election of our company's directors.

Each holder of our class B shares who is present in person or by proxy is entitled to one vote and, on a poll, every holder of our class B shares present in person or by proxy will have one vote for every Class B Share held. Except as set forth under "Special Consent Rights" below, each holder of our class B shares is entitled to vote on all matters properly presented for the consideration of shareholders in accordance with our memorandum and articles of association, including the election of our company's directors. It is anticipated that the Trustee will hold 100% of our class B shares upon the closing of the global offering.

## **Variation of Class Rights**

Subject to the provisions of Guernsey law, all or any of the special rights attached to any class of shares may (unless otherwise provided by the terms of issue) be varied with the written consent of 75% of the issued shares of the class or the affirmative vote of 75% of those votes cast at a separate meeting of the holders of such affected class. The necessary quorum shall be two persons. Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every such share held by him on a poll. The special rights conferred upon the holders of any shares or class of shares issued with preferred or other rights shall not be deemed to be varied by the creation of our issue of further shares ranking *pari passu* therewith or the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in our company's shares as set forth in our memorandum and articles of association.

## **Special Consent Rights**

Under our memorandum and articles of association, none of the actions listed below may be taken by our company without the approval of the holders of a majority of each of our Shares and our class B shares entitled to be voted:

- any merger, consolidation or sale of substantially all of our assets;
- any change of domicile by our company;
- any change in our investment adviser or any material diversion from our investment policy, the terms of the investment management and services agreement and/or our investment objective to produce attractive returns on our capital from our private equity and opportunistic investments while managing investment risk through portfolio diversification as set forth in this offering memorandum;
- the issuance of any additional Shares at a discount to net asset value except in certain circumstances described above;
- the entry into of certain material related party transactions (provided that any Shares held directly or indirectly in the form of RDSs by Lehman Brothers or its affiliates will not be entitled to be voted with respect to any such matters); and
- payment of future dividends if any, or share repurchases, in each case, in excess of 14.99% of net asset value per year.

In addition, under our memorandum and articles of association, none of the actions listed below may be taken by our company without the prior approval of the holders of a majority of our Shares entitled to be voted:

- any liquidation or winding up of our company (provided that any Shares held directly or indirectly in the form of RDSs by Lehman Brothers or its affiliates will not be entitled to be voted with respect to any such matters); and
- any adverse change to the terms of the Shares.

For purposes of determining holders of securities entitled to provide consents to any action described above, we may set a record date, which may be not less than 10 nor more than 60 days before the date by which we request record holders in writing to provide such consents. Only those record holders on the record date established by our company will be entitled to provide consents with respect to matters as to which a consent right applies.

## **Meetings**

Our memorandum and articles of association provide that our company will hold an annual meeting at which our company's board of directors will present a report on the investment activities of our company. Our annual meeting will be held in Guernsey or such other place as may be determined by our board. Notices convening the annual meeting in each year will be sent to shareholders at their registered addresses or given by advertisement not later than 21 days before the date fixed for the meeting. The notice period may be waived by unanimous consent of all persons whose names are entered in our company register as holders of shares and are entitled to attend and vote at such meeting. Other meetings may be convened from time to time by the board by sending notices to shareholders at their registered addresses. Holders of Shares holding in aggregate 10% of our Shares may at any time convene a meeting in accordance with Guernsey law. Meetings may be held in Guernsey or elsewhere.

## **Amendments of Our Memorandum and Articles of Association**

Amendments to our memorandum and articles of association may be proposed only by our company's board of directors who will have no duty or obligation to propose any amendment and may decline to propose any amendment free of any duty or obligation whatsoever to our company. A proposed amendment will be effective with the consent of 75% of the holders of our class B shares. As summarized in "Special Consent Rights" above, certain amendments to our memorandum

and articles of association relating to proposed changes in our investment adviser, our investment policies, our investment management or services agreement or investment objective will also require the consent of a majority of the holders of our Shares.

### **Borrowing Powers**

Our company's board of directors may exercise all the powers of our company to borrow money and to give guarantees, hypothecate, mortgage, charge or pledge all or part of our assets, property or undertaking and uncalled capital and to issue debentures and, subject to the considerations summarized under "Issuance of Additional Securities" above, other securities, whether outright or as collateral security for any debt, liability or obligation of the company or any third party.

### **Winding Up**

Our company may be voluntarily wound up at any time by ordinary resolution (being a resolution passed by a simple majority of the votes of record shareholders entitled to vote and voting in person or by attorney or by proxy at a general meeting in respect of which notice specifying the intention to propose the resolution has been duly given. In addition, holders of Shares holding in aggregate 10% of our Shares may at any time convene a meeting to wind up our company. As summarized in "Special Consent Rights" above, such resolution will be effective with the approval of holders of a majority of our Shares, excluding any Shares held by Lehman. Holders of our class B shares will not have the right to vote on any such resolution.

On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings, will be divided among shareholders *pro rata*, according to the rights attached to the Shares and class B shares.

### **Ownership Limitations; Involuntary Transfers of Securities**

Our Shares are subject to ownership limitations that require each holder of our Shares who is within the United States or a U.S. person (as defined in Regulation S of the U.S. Securities Act) to be (1) a qualified purchaser (as defined in the U.S. Investment Company Act and related rules) and (2) either (a) a qualified institutional buyer or (b) an accredited investor (as defined in Rule 501(c) under the U.S. Securities Act). Our memorandum and articles of association also prohibit the acquisition of our Shares with the assets of any Plan (as defined in "Certain ERISA Considerations").

Under our memorandum and articles of association, our company's board of directors may require any U.S. person or any person within the United States who is required under applicable transfer restrictions to be a qualified purchaser, but is not a qualified purchaser at the time it acquires Shares or a beneficial interest therein, whether directly or indirectly, to transfer such Shares or such beneficial interest immediately to a non-U.S. person in an offshore transaction pursuant to Regulation S or, if applicable, transfer such Shares or such beneficial interest to a person that is within the United States or that is a U.S. person and who is a qualified purchaser and makes certain representations as our company's board of directors shall require. Pending such transfer, our company's board of directors is authorized to suspend the exercise of any consent rights, any rights to receive notice of, or attend, a meeting of the company and any rights to receive dividends with respect to such Shares. If the obligation to transfer is not met within the time period determined by our company's board of directors, our company's board of directors may, in its sole discretion, sell and transfer the Shares to (i) a non-U.S. person in an offshore transaction pursuant to Regulation S or (ii) a person that is in the United States or a U.S. person and who is a qualified purchaser and, if such Shares are sold, our company's board of directors shall cause the company to distribute the net proceeds to such former holder of our Shares.

In addition, our memorandum and articles of association provide that any purported acquisition or holding of Shares with the assets of any Plan will be void and shall have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of Shares is not treated as being void and of no force and effect for any reason, such Shares will automatically be sold by us in the open market and the net proceeds remitted to the record holder or, if we determine in our sole discretion that such a sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary; which may include the trust which holds our class B shares, and the purported holder will acquire no rights under our memorandum and articles of association in such securities.

Notwithstanding the foregoing, in the case of any Shares that are listed for trading on a securities exchange, our company's board of directors will not be permitted to decline to register or recognize any transfer of such Shares if the refusal to register or recognize such transfer would not be permitted by the listing rules of such securities exchange or the regulations of any clearing system through which such securities then trade and settle.

## **Share Repurchases and Share Premium Cancellation**

An ordinary resolution of the Shareholders was duly passed on June 28, 2007 resolving that the company be generally and unconditionally authorized to make market purchases of Shares (within the meaning of clause 5 of the Companies (Purchase of Own Shares) Ordinance 1998 (the “Ordinance”) provided that:

- the maximum number of Shares authorized to be purchased is up to 14.99 per cent per year of the Shares in issue immediately following the admission of the Shares to trading on Euronext Amsterdam (rounded to the nearest whole number);
- the minimum price which may be paid for a Share is \$0.01;
- the maximum price which may be paid for a Share is an amount equal to 5% above the average of the mid-market values for a Share for the five business days immediately preceding the day on which that Share is purchased;
- such authority shall expire at the annual general meeting of the Company in 2008 unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting;
- the Company may make a contract to purchase Shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Shares pursuant to any such contract.

By a written special resolution dated June 28, 2007, it was resolved that, conditional on the admission of the Shares to trading on Euronext Amsterdam and the approval of the Court in Guernsey, the amount standing to the credit of the share premium account of the company following the admission of the Shares to trading on Euronext Amsterdam be cancelled and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the books of account of the company which shall be able to be applied in any manner in which the company’s profits available for distribution (as determined in accordance with the Companies Laws) are able to be applied, including the purchase of the company’s own Shares. In deciding whether to give its confirmation, the Court will be concerned to protect the interests of any creditors of the company as at the date the reduction takes effect. The Court will require all such creditors to have been paid or to have consented to the reduction. Until the Court has confirmed the reduction of the share premium account (and the terms of any undertaking regarding creditors required by the Court to be complied with), the company will only be able to, to the extent permitted by the Ordinance, repurchase Shares out of existing distributable profits or the proceeds of a fresh issue of Shares.

Our company may purchase Shares in the market on an on-going basis with a view of addressing any imbalance between the supply of and demand for Shares, to increase the net asset value per Share and to assist in narrowing any discount to net asset value per share in relation to the price at which Shares may be trading. Our company will subsequently cancel any Shares bought back, resell such Shares on the market at a price not less than net asset value per Share or hold such Shares in treasury as determined by our company’s board of directors on the recommendation of the Investment Manager.

Purchases will only be made through the market for cash at prices below the estimated prevailing net asset value per Share where the board of directors believe such purchases will result in an increase in the net asset value per Share of the remaining Shares and as a means of addressing any imbalance between the supply of and demand for the Shares. Such purchases may be subject to a shareholder vote in certain circumstances described above under “Special Consent Rights.” Such purchases will only be made in accordance with the Ordinance, Companies Laws and the Euronext Amsterdam rules. In addition, Share repurchases are also subject to restrictions under our Credit Facility. See “Operating and Financial Review—Liquidity and Capital Resources—Our Sources and Uses of Cash—Our Credit Facility.”

Prospective investors should note that the exercise by our board of its powers to repurchase Shares either pursuant to a tender offer or the general repurchase authority is entirely discretionary and they should place no expectation or reliance on the board exercising such discretion on any one or more occasions.

## **Disclosure of Beneficial Ownership**

Under our memorandum and articles of association, our company’s board of directors may, by delivering a notice in writing to a shareholder, require such shareholder to disclose to our company the identity of any other person known to it who has a beneficial or other interest in the shares held by such shareholder and the nature of such interest. Moreover, shareholders representing in aggregate 10% of our issued share capital may compel our company’s board of directors to require a shareholder to disclose such information. Any shareholder who provides such information pursuant to a notice delivered by our company’s board of directors will also be required to notify our company’s board of directors of any change in the information provided. Any information concerning beneficial and other interests in our shares that is provided to our company’s board of directors will be kept in a register maintained by our company’s board of directors on behalf of our company.

If a shareholder defaults in its obligation to provide information concerning the beneficial or other interests in the shares it holds, our company's board of directors will be permitted for so long as the default is continuing (i) to suspend any special consent rights, dividend rights and rights to receive notice of and to attend a company meeting that are applicable to such shares and (ii) to prevent the transfer of the such shares other than through the facilities of a securities exchange on which such shares then trades, pursuant to an offer to acquire all of our outstanding securities or in connection with a transfer of such shares as a whole to an unrelated party.

### **Disclosure of Shareholdings under Netherlands Law**

The Netherlands Financial Supervision Act (*Wet op het financieel toezicht*), requires holders of our Shares to notify the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) if they hold 5% or more of the capital rights in our company at the time our Shares are admitted to listing on Eurolist by Euronext or if, as a result of an acquisition or disposal of Shares or an issuance or cancellation of Shares, their percentage interest in our capital reaches, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75%, or 95%, provided in each case that the Shares are admitted to listing on Eurolist by Euronext at such time. The Netherlands Financial Supervision Act provides for civil and administrative sanctions for a violation of the applicable disclosure requirements.

The Netherlands Authority for the Financial Markets keeps a public register of all notifications made pursuant to the Netherlands Financial Supervision Act.

### **Directors**

Pursuant to our memorandum and articles of association, our company is managed by our company's board of directors. For a summary of the structure, practices and committees of our company's board of directors, including, among others, matters relating to its size, composition, election and removal of directors, requirements relating to board action and compensation, see "Our Management and Corporate Governance."

### **Indemnification; Limitation on Liability**

Every director or officer, auditor and, if our company's board of directors so determines, any servant, agent or employee of our company will be indemnified out of the assets of our company against all losses or liabilities sustained or incurred in or about the execution of his duties or otherwise in relation thereto, subject to any losses or liabilities sustained from their own negligence, default or willful acts.

### **Accounts, Reports and Other Information**

Under our memorandum and articles of association, we will be required to prepare financial statements in accordance with U.S. GAAP on an annual and quarterly basis. Our annual and quarterly financial statements must be delivered together with a statement of the accounting policies used in their preparation, such information as may be required by applicable laws and regulations and such information as our company's board of directors deems appropriate. Our annual financial statements must be audited by an independent accountant firm of international standing and sent to record shareholders at least 10 days prior to the annual meeting. Our quarterly financial statements will be sent to record shareholders in a reasonable period of time after they are prepared in accordance with any applicable legal, accounting and exchange requirements.

We will also prepare and send to record holders of our Shares on an annual basis, additional tax information regarding our company, information related to the status of a foreign corporate subsidiary as a passive foreign investment company (a "PFIC") and, where reasonably possible, a portfolio company.

### **Governing Law**

Our memorandum and articles of association are governed by and will be construed in accordance with the laws of Guernsey.

### **Transfers of Shares**

Subject to the laws of Guernsey, the company may issue shares as certificated or uncertificated in its absolute discretion, provided however, class B shares will be issued in uncertificated form only.

Subject to any restrictions on transfers described below and under "Transfer Restrictions" any shareholder may transfer all or any of his uncertificated shares by means of a relevant transfer, settlement and clearing system ("Uncertificated System") authorized by the board in such manner provided for, and subject as provided, in any regulations issued for this purpose under the laws of Guernsey or such as may otherwise from time to time be adopted by the board on behalf of the company and the rules of any Uncertificated System and accordingly no provision of our memorandum and articles of

association shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the shares to be transferred.

Any shareholder may transfer all or any portion of his certificated shares by an instrument of transfer in any usual form, or in any other form which the board may approve, signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

The directors may, subject to the memorandum and articles of association, refuse to register a transfer of shares unless:

- it is in respect of only one class of shares;
- it is in favor of a single transferee or not more than four joint transferees;
- it is delivered for registration to the registered office of the company or such other place as the board may decide, accompanied by the certificate for the shares to which it relates and such other evidence of title as the board may reasonably require; and
- the transfer is not in favor of any person, as determined by the board of directors, to whom a sale or transfer of shares, or in relation to whom the direct or beneficial holding of shares in circumstances (whether directly or indirectly affecting such person, and whether taken alone or in conjunction with other persons, connected or not, or any other circumstances appearing to the directors to be relevant) (a) would or could be in breach of the laws or requirements of any jurisdiction or governmental or regulatory authority; or (b) would or might result in our company's incurring a liability to taxation or suffering any pecuniary, fiscal, administrative or regulatory or similar disadvantage, including, but not limited to, our company being required to register as an "investment company" under the U.S. Investment Company Act, the assets of the company being deemed to be assets of an "employee benefits plan" (within the meaning of Section 3(3) of ERISA) that is subject to Title I of ERISA, or of a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986 as amended (the "Code") or any similar law or otherwise not being in compliance with the U.S. Investment Company Act, ERISA, the Code or any other provision of U.S. federal or state law (a "Non-Qualified Holder" under our memorandum and articles of association).

The board of directors may also, in its absolute discretion and without giving a reason, refuse to register a transfer of any share which is not fully paid or on which the company has a lien, provided that this would not prevent dealings in the share taking place on an open and proper basis on Eurolist by Euronext.

Our memorandum and articles of association further provide that if, among other things, any shares are owned directly or beneficially by an any Non-Qualified Holder, the board of directors may give notice to such person requiring that person either: (a) to provide the board within 30 days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the board of directors that such (i) person's holding of shares shall not cause the company to be required to be registered as an investment company under the U.S. Investment Company Act or the company's assets to be deemed to be "plan assets" under the Plan Asset Regulation or (ii) person is not, and is not acting on behalf of, a Plan (as defined in "Certain ERISA Considerations") or (iii) person is not otherwise a Non-Qualified Holder; or (b) to sell or transfer the shares to a person qualified to own the same within 30 days and within such 30 days to provide the directors with satisfactory evidence of such sale or transfer.

Otherwise, the relevant person will be deemed, upon the expiration of the 30-day period, to have forfeited the shares and the board of directors may apply the procedures regarding forfeiture and surrender of shares set out in our memorandum and articles of association.

### **Transfer Agent and Registrar**

ABN AMRO Bank N.V. has been appointed to act as transfer agent and registrar for the purpose of registering our Shares and transfers of our Shares as provided in our memorandum and articles of association. We will indemnify the transfer agent, its agents and each of their shareholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

### **The Trustee**

Heritage Corporate Services Limited serves as the Trustee. The Trustee is an authorized person holding a full fiduciary licence under The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, as amended. Upon completion of the global offering, the Trustee will hold 100% of our class B ordinary shares. As a result of its holding of our class B shares, the Trustee will have the right to elect all of our company's

directors and to make other decisions usually made by shareholders. Lehman Brothers will have the right to designate two of our company's directors. The Trustee is an affiliate of the administrator.

## **DESCRIPTION OF THE INVESTMENT PARTNERSHIP'S LIMITED PARTNERSHIP AGREEMENT**

*The following is a description of the material terms of the Investment Partnership's limited partnership agreement and is qualified in its entirety by reference to all of the provisions of such agreement. You will not be a limited partner of the Investment Partnership and will not have any rights under its limited partnership agreement. We have included a summary of what we believe are the most important provisions of the Investment Partnership's limited partnership agreement because we currently intend that our capital will be contributed to and invested by the Investment Partnership and its subsidiaries. Our rights with respect to our equity holding in the Investment Partnership will be governed by the terms of the Investment Partnership's limited partnership agreement. Because this description is only a summary of the terms of the agreement, it does not necessarily contain all of the information that you may find useful. Copies of the agreement will be made available to our shareholders as described under "Documents Available for Inspection."*

### **Formation and Duration**

The Investment Partnership is a limited partnership that was formed and registered with Her Majesty's Greffier in Guernsey under the Partnership Act with registration number 839 on July 2, 2007. The Investment Partnership will continue as a limited partnership unless the partnership is terminated or dissolved in accordance with its limited partnership agreement.

### **Nature and Purpose**

Under the limited partnership agreement of the Investment Partnership, the object of the Investment Partnership is to engage in any business activity that is approved by the general partner of the Investment Partnership and that lawfully may be conducted by a limited partnership registered under Guernsey law and to do anything necessary or appropriate in furtherance of the foregoing.

### **Management and Control**

Our company serves as the Investment Partnership's general partner and has sole responsibility for the management, operation and administration of the business and affairs of the partnership. However, pursuant to our investment management and services agreement, we have delegated substantially all of our, duties, rights and powers as general partner with respect to the Investment Partnership to the Investment Manager. As a result, the business and affairs of the Investment Partnership, including, among others, all decisions relating to investments are carried out by the Investment Manager. See "The Investment Manager and the Investment Management and Services Agreement—The Investment Committee."

### **Special Limited Partner**

The Special Limited Partner is a newly formed Guernsey limited partnership, the general partner of which is an affiliate of the Investment Manager. The Special Limited Partner is entitled to receive the carried interest distributions from the Investment Partnership. See "The Investment Manager and The Investment Management and Services Agreement—Carried Interest." Interests in the Special Limited Partner will be held by certain members of the Investment Manager's investment team and Lehman Brothers.

### **Amendments**

The Investment Partnership's limited partnership agreement may be amended in whole or in part with the consent in writing of all the partners.

### **Termination**

The Investment Partnership will terminate as a partnership upon the occurrence of the bankruptcy, insolvency, dissolution or liquidation of the general partner.

### **Transfer or Assignment of the General Partner Interest**

The Investment Partnership's limited partnership agreement provides that the general partner of the Investment Partnership may not sell, transfer, assign or encumber, whether in whole or in part, its general partner interest in the Investment Partnership, nor may any person be substituted as general partner of the Investment Partnership, without the prior written consent of the other parties to the limited partnership agreement.

### **Indemnification; Limitations on Liability**

Subject to certain limitations, the Investment Partnership's Special Limited Partner, the Investment Manager and any of their respective affiliates (and their respective officers, directors, agents, shareholders, partners, members and employees),



any person who serves on a governing body of a subsidiary of the Investment Partnership or any other holding vehicle established by our company and any person designated by the Investment Manager as an indemnified person will benefit from indemnification provisions and limitations on liability that are included in the Investment Partnership's limited partnership agreement.

**Governing Law**

The Investment Partnership's limited partnership agreement is governed by and will be construed in accordance with the laws of Guernsey.

## DESCRIPTION OF THE RESTRICTED DEPOSITARY SHARES AND OUR RESTRICTED DEPOSIT AGREEMENT

*The following is a description of the material terms of the RDSs and our restricted deposit agreement and is qualified in its entirety by reference to all of the provisions of the restricted deposit agreement. Because this description is only a summary of the terms of the RDSs and our restricted deposit agreement, it does not necessarily contain all of the information that you may find useful. A copy of the full restricted deposit agreement will be made available to our shareholders at the depositary's corporate trust offices at the address set forth below.*

### Restricted Depositary Shares and Restricted Depositary Receipts

The restricted depositary shares, which we refer to as "RDSs," will represent ownership interests in our Shares that are on deposit with The Bank of New York, as depositary, under a restricted deposit agreement among us, the depositary and all registered holders and beneficial owners from time to time of the restricted depositary receipts or "RDRs," evidencing the RDSs. Each RDS will also represent any other securities, cash or other property the depositary receives in respect of the deposited Shares and holds under the restricted deposit agreement. The Shares that the depositary holds, together with any other securities, cash or other property held under the restricted deposit agreement, are referred to collectively as the "deposited securities." The RDRs will not be issued by us or form part of our company capital.

The RDRs will be administered at the depositary's office at 101 Barclay Street, New York, New York 10286. The principal Amsterdam office of ING Securities Services located at BV 0601, Van Heenvlietlaar 220, CN Amsterdam 1083, Netherlands, has been appointed to act as custodian for the safekeeping of the securities on deposit.

### Registered Holders

The rights of RDS holders under the restricted deposit agreement described in this section belong to the registered holders of RDSs. As an RDS holder, you are not a holder of our Shares, we will not treat you as one of our shareholders and you will not have shareholder rights. Our memorandum and articles of association and Guernsey law govern shareholder rights. The depositary will be the holder of the Shares represented by your RDSs and as such will be the only person permitted to exercise any shareholder rights with respect thereto. As a holder of RDSs, you will have RDS holder rights as set forth in the restricted deposit agreement. The restricted deposit agreement also sets forth our rights and obligations and the rights and obligations of the depositary. New York law governs the restricted deposit agreement and the RDSs.

In this section the terms "deliver" and "delivery," when used with respect to Shares, mean either: (1) one or more book-entry transfers of Shares to an account or accounts designated by the transferee maintained with institutions authorized under applicable law to effect book-entry transfers of Shares or (2) physical delivery of certificates evidencing Shares that are registered in the name of the transferee or duly endorsed for transfer or accompanied by any proper instrument of transfer that is duly executed. In this section, the terms "deliver" and "delivery," when used with respect to RDSs, mean the execution and delivery at the depositary's office to or to the order of the person entitled to those RDSs of one or more RDRs evidencing those RDSs, registered in the name or names requested by that person. In this section, the term "surrender," when used with respect to RDSs, means surrender to the depositary at its corporate trust office of one or more RDRs evidencing those RDSs, duly endorsed in blank or accompanied by proper instruments of transfer duly executed in blank. The depositary will not knowingly deliver Shares in any form to any person or account that is in the United States or that is a U.S. person (as defined in Regulation S under the U.S. Securities Act). For important restrictions on the delivery of Shares, see below "—Deposit and Withdrawal" and "Transfer Restrictions."

### Available Information

We do not currently file reports under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 (the "U.S. Exchange Act"). In addition, we do not furnish any information to the U.S. Securities and Exchange Commission so as to qualify us for the exemption described in under Rule 12g3-2(b) under the U.S. Exchange Act. We will agree in the restricted deposit agreement that so long as we are neither a reporting company under Section 13 or 15(d) of the U.S. Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, we will provide to any holder of Shares or any holder or beneficial owner of RDSs, and to any prospective purchaser of Shares or RDSs designated by that holder or beneficial owner, upon request of that holder, beneficial owner or prospective purchaser, the information required by Rule 144A(d)(4)(i) under the U.S. Securities Act and otherwise comply with Rule 144A(d)(4). If and when we qualify for the exemption under Rule 12g3-2(b) under the U.S. Exchange Act, we will no longer deliver this information.

### Transfer Restrictions

The RDSs and the Shares represented by the RDSs will be subject to restrictions on transfer that are described under "Transfer Restrictions."

## **Deposit and Withdrawal**

The depositary will deliver RDSs if you or your broker deposits Shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or transfer taxes or fees, the depositary will deliver the appropriate number of RDSs as you request. Any deposit of Shares for RDSs must be accompanied by a Purchaser's Letter, a Subscription Agreement or a U.S. Transferee's Letter substantially in the form attached as Appendix A, B or C to this offering memorandum, respectively, by or on behalf of the person who will be the beneficial owner of the RDSs. The Purchaser's Letter, Subscription Agreement and the U.S. Transferee's Letter include certain written representations, agreements and acknowledgements relating to the transfer restrictions described in this offering memorandum upon which we, the depositary and our respective agents will rely. The depositary may refuse to accept Shares for deposit if it believes that RDSs represent Shares that would not be eligible for resale pursuant to Rule 144A under the U.S. Securities Act.

Subject to the following, you may at any time surrender your RDSs to the depositary for withdrawal of the deposited securities. In order for your surrender to be recognized by the depositary, the depositary must receive, at the time of surrender, a duly executed Surrender Letter in the form attached as Appendix D to this offering memorandum by or on behalf of you. The Surrender Letter includes certain written representations, agreements and acknowledgements relating to the transfer restrictions described in this offering memorandum upon which we, the depositary and our respective agents will rely. Upon payment of any required fees and expenses and of any taxes or charges, such as stamp taxes or transfer taxes or fees, and subject to the terms and conditions of the restricted deposit agreement, the depositary will deliver the amount of deposited securities represented by those RDSs to you, if permitted, or as you direct. Any delivery of deposited securities other than at the custodian's office will be made only at your request, risk and expense.

## **Pre-release**

A delivery by the depositary of RDSs before deposit of the underlying Shares is commonly referred to as a pre-release of RDSs. The depositary will not engage in the pre-release of RDSs.

## **Distributions and Rights**

The depositary has agreed to pay you the cash distributions that it or the custodian receives on Shares or other deposited securities, subject to restrictions imposed by applicable law and after deducting its fees and expenses. Payments of distributions in respect of Shares will be governed by our memorandum and articles of association. A description of the provisions of our memorandum and articles of association governing the making of distributions in respect of our Shares is included under "Description of Our Shares and Our Memorandum and Articles of Association—Distributions." You will receive any distributions in proportion to the number of Shares your RDSs represent.

Before making a distribution, any withholding taxes that must be paid under any applicable law will be deducted. The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent.

## ***Distributions of Shares***

The depositary may distribute new RDSs representing any Shares that we may distribute as a company distribution. The depositary will only distribute whole RDSs and will attempt to sell any Shares that would be represented by fractional Shares of RDSs if deposited under the restricted deposit agreement. The net proceeds from any such sale will be distributed by the depositary in the same manner that it distributes cash. If the depositary does not distribute additional RDSs or sell Shares, the outstanding RDSs will also represent any newly distributed Shares. Each holder of RDSs will be deemed to acknowledge that any new Shares and RDSs they represent have not been and will not be registered under the U.S. Securities Act and agree to comply with the restrictions on transfer set forth under "Transfer Restrictions."

## ***Rights to Receive Additional Shares***

If we offer holders of our Shares any rights to subscribe for additional Shares or any other rights, the depositary will have discretion as to the procedure to be followed in making such rights available to holders of RDSs or in disposing of such rights on behalf of holders of RDSs and making the net proceeds available to such holders or, if by the terms of such rights offering or for any other reason, the depositary may not either make such rights available to holders of RDSs or dispose of such rights and make the net proceeds available to such holders, then the depositary shall allow the rights to lapse.

If at the time of the offering of any rights the depositary determines in its discretion, following consultation with us, that it is lawful and feasible to make such rights available to all holders of RDSs or to certain holders of RDSs but not to others, the depositary may distribute to any holder of RDSs to whom it determines the distribution to be lawful and feasible, in proportion to the number of RDSs held by that holder, warrants or other instruments therefor in such form as it deems appropriate. Any such warrants or other instruments will be subject to the same restrictions on transfer as the RDSs.

If the depositary determines in its discretion that it is not lawful and feasible to make those rights available to all or certain holders of RDSs, it may sell the rights, in proportion to the number of RDSs held by the holders of RDSs to whom it has determined it may not lawfully or feasibly make these rights available, and allocate the net proceeds of any sales (net of the fees of the depositary as provided under the restricted deposit agreement and all taxes and governmental charges payable in connection with these rights and subject to terms and conditions of the restricted deposit agreement) for the account of the holders of RDSs otherwise entitled to those rights upon an averaged or other fair and practical basis without regard to any distinctions among these holders because of exchange restrictions or the date of delivery of any RDS or otherwise.

In circumstances in which rights would otherwise not be distributed, if a holder of RDSs requests the distribution of warrants or other instruments in order to exercise the rights allocable to the RDSs of such holder, the depositary will make the rights available to that holder upon written notice from us to the depositary that we have elected in our sole discretion to permit these rights to be exercised and that holder has executed such documents as we have determined in our sole discretion are reasonably required under applicable law. If the depositary has distributed warrants or other instruments for rights to all or certain holders, upon instruction pursuant to the warrants or other instruments to the depositary from the holder of RDSs to exercise the rights, upon payment by that holder to the depositary for the account of that holder of an amount equal to the purchase price of the Shares or other securities to be received upon the exercise of the rights, and upon payment for the fees of the depositary and any other charges as set forth in the warrants or other instruments, the depositary will, on behalf of that holder, exercise the rights and purchase the Shares or other securities and we will cause the Shares so purchased to be delivered to the depositary on behalf of that holder. As agent for the holder of RDSs, the depositary will cause the Shares so purchased to be deposited, and will execute and deliver RDSs to that holder, pursuant to the restricted deposit agreement.

The depositary will not offer rights to holders of RDSs unless (i) both the rights and the securities to which the rights relate are exempt from registration under the U.S. Securities Act with respect to a distribution to holders of RDSs and (ii) the offer of such rights would not require us to register as an investment company under the U.S. Investment Company Act and related rules. If a holder of RDSs requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the U.S. Securities Act, the depositary will not effect such distribution unless it has received an opinion from recognized counsel in the United States for us upon which the depositary may rely that the distribution to such holder is exempt from registration. Neither our company nor the depositary will be responsible for any failure to determine that it may be lawful or feasible to make rights available to you.

United States securities laws will restrict the sale, deposit, cancellation and transfer of the RDSs issued after an exercise of rights. For example, you will not be able to trade such RDSs freely in the United States. In such a case, the depositary will deliver restricted depositary shares that have the same terms as the RDSs described in this section.

### **Other Distributions**

The depositary will send to you anything else we distribute on deposited securities by any means it thinks is equitable and practical. The depositary may withhold any distribution of securities if it has not received satisfactory assurances from us that the distribution does not require registration under the U.S. Securities Act. If it cannot make the distribution to you, the depositary may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash or it may decide to hold what we distributed, in which case outstanding RDSs will also represent the newly distributed property. The depositary may withhold any fees and expenses, taxes or other governmental charges it thinks are applicable in this process.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any RDS holders. We have no obligation to register RDSs, Shares, rights or other securities under the U.S. Securities Act. We also have no obligation to take any other action to permit the distribution of RDSs, Shares, rights or anything else to RDS holders.

**This means that you may not receive a distribution that we make on our Shares or any value for them if it is illegal or impractical for us to do so.**

### **Record Dates**

The depositary may fix record dates for the determination of the holders of RDRs who will be entitled to receive a dividend, distribution or rights, subject in each case to the provisions of the restricted deposit agreement.

## Changes Affecting Deposited Shares

If we do any of the following:	All of the following will apply:
Reclassify, split up or consolidate any of the deposited securities	Each RDS will automatically represent its equal share of the new deposited securities, unless additional RDSs are issued.
Recapitalize, reorganize, merge, consolidate, sell all or substantially all of our assets or take any similar action	The depositary may, and will if we so request, execute and deliver new RDRs or call the outstanding RDRs for exchange into new RDRs describing the new deposited securities.

## Consent Rights of Shares and Other Deposited Securities

Upon receipt of notice of any meeting of, or solicitation of consents from, holders of our Shares or other deposited securities, upon our written request, the depositary will, as soon as practicable thereafter, mail to all holders of RDRs a notice, in such form as approved by us, containing:

- the information included in such notice of meeting or solicitation of consents received by the depositary from us;
- a statement that the holders of RDRs as of the close of business on a specified record date will be entitled, subject to any applicable provision of Guernsey law, the deposited securities, the restricted deposit agreement and our memorandum and articles of association, to instruct the depositary as to the exercise of any consent rights, if any, pertaining to the amount of Shares or other deposited securities represented by their respective RDSs; and
- a statement as to the manner in which these instructions may be given.

Upon the written request of a holder of RDRs on such record date, received on or before the date established by the depositary for such purpose, the depositary will endeavor, insofar as practicable, to deliver consents or cause to be delivered consents with respect to the amount of Shares or other deposited securities represented by the RDSs evidenced by such holder's RDRs in accordance with the instructions set forth in such request. The depositary will not deliver consents or attempt to exercise any consent rights that attach to the Shares or other deposited securities other than in accordance with such instructions. If the depositary does not receive instructions from a holder of RDRs on or before the instruction date, the depositary will not deliver consents or cause to be delivered any consents with respect to the underlying Shares.

We cannot ensure that you will receive consent solicitation materials or otherwise learn of an upcoming company meeting in time to ensure that you can instruct the depositary to deliver consents on your behalf. **This means that you may not be able to direct the delivery of any consents and there may be nothing you can do if the depositary does not deliver consents as requested by you.** For a description of the limited matters that require shareholder consent under our memorandum and articles of association, see "Description of Our Shares and Our Memorandum and Articles of Association."

## Reports and Other Communications

The depositary will make available to you for inspection any reports and communications from us or made available by us at its corporate trust office. The depositary will also, upon our written request, send to the registered holders of RDRs copies of such reports and communications furnished by us under the restricted deposit agreement.

## Amendment and Termination of the Restricted Deposit Agreement

We may agree with the depositary to amend the restricted deposit agreement and the RDRs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges or registration fees, cable, telex or fax transmission costs, delivery costs or other similar expenses, or prejudices an important right of RDR holders, it will only become effective 30 days after the depositary notifies you in writing of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your RDRs, to agree to the amendment and to be bound by the RDRs and the restricted deposit agreement as amended.

The depositary will terminate the restricted deposit agreement if we ask it to do so, by mailing notice of termination to you at least 30 days before termination. The depositary may also terminate the restricted deposit agreement by mailing notice of termination to you at least 30 days before termination if the depositary has informed us that it would like to resign and we have not appointed a new depositary bank within 90 days.

After termination, the restricted deposit agreement requires the depositary and its agents to do only the following under the agreement:

- collect distributions on the deposited securities;
- sell rights and other property; and
- deliver Shares and other deposited securities upon cancellation of RDSs, subject to the restrictions described in “Transfer Restrictions” and any other limitations necessary to give effect thereto.

One year after the date of termination, the depositary may sell any remaining deposited securities in an offshore transaction pursuant to Regulation S under the U.S. Securities Act and subject to any other limitations necessary to give effect thereto. After that, the depositary will hold the net proceeds of the sale, as well as any other cash it is holding under the restricted deposit agreement for the pro rata benefit of the RDS holders that have not surrendered their RDSs. It will not invest the net proceeds of the sale and other cash and will have no liability for interest. The depositary’s only obligations will be to account for the proceeds of the sale and other cash. After termination of the restricted deposit agreement, our only obligations will be with respect to indemnification and to pay certain amounts to the depositary.

### Charges of the Depositary

The charges of the depositary applicable to RDSs which have been sold through the managers’ services as placement agents as described under “Private Placements,” and for any subsequently issued RDSs, will be as follows:

RDS holders must pay the depositary:	For:
\$5.00 (or less) per 100 RDSs or portion thereof	Each issuance of RDSs, including as a result of a distribution of Shares, rights or other property
\$5.00 (or less) per 100 RDSs or portion thereof	Each surrender of RDSs for the purpose of withdrawal, including if the deposit agreement terminates
\$0.02 (or less) per RDS or portion thereof	Any cash distribution
Registration or transfer fees	Transfer and registration of Shares on our register from your name to the name of the depositary or its agent when you deposit or withdraw Shares
\$5.00 per RDR evidencing RDSs	Transfer or split up of RDSs
A distribution fee equivalent to the fee that would be payable if securities distributed to you had been Shares and the Shares had been deposited for issuance of RDSs	Distribution of securities to holders of deposited securities which are distributed by the depositary to RDS holders
Expenses of the depositary	Conversion of foreign currency to U.S. dollars, cable, telex and facsimile transmission expenses and servicing of Shares or deposited securities
Taxes and other government charges the depositary or the custodian is required to pay on any RDS or Share represented by an RDS, such as transfer taxes, stamp duty or withholding taxes	As necessary
\$0.02 (or less) per RDS per calendar year	Depositary services, except that this fee will not be charged to the extent a fee of \$0.02 was charged in the same calendar year for a cash distribution

### Liability of Owner for Taxes

You will be responsible for any taxes or other governmental charges payable on your RDSs or on the deposited securities underlying your RDSs. The depositary may refuse to transfer your RDRs or allow you to withdraw the deposited securities underlying your RDSs until these taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your RDSs to pay any taxes you owe and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of RDSs to reflect the sale and pay to you any proceeds or send to you any property, remaining after it has paid the taxes.

## **Limitations on Obligations and Liability to Holders of RDSs**

The restricted deposit agreement expressly limits our liability and obligations and the liability and obligations of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the restricted deposit agreement without negligence or bad faith;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the restricted deposit agreement;
- are not liable if either of us exercises discretion permitted under the restricted deposit agreement;
- are not liable for the inability of any holder of RDSs to benefit from any distribution on deposited securities that is not made available to holders of RDSs under the terms of the restricted deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the restricted deposit agreement; and
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party.

The depositary will not be responsible for any failure to carry out any instructions to vote any of the deposited securities or for the manner in which any such vote is cast or the effect of any such vote, provided that the depositary has acted in good faith. The depositary has no obligation to become involved in a lawsuit or other proceeding related to the RDRs or the restricted deposit agreement on your behalf or on behalf of any other person.

In the restricted deposit agreement, we agree to indemnify the depositary for acting as depositary, except for losses resulting from the depositary's negligence or bad faith, and the depositary agrees to indemnify us for losses resulting from its negligence or bad faith.

## **Resignation or Removal of Depositary**

The depositary may resign at any time by delivery of written notice to us, with its resignation having effect upon the appointment of a successor depositary and the successor depositary's acceptance of the appointment. We may remove the depositary upon 90 days' written notice, with the removal to become effective upon the later of the 90th day following the notice or the appointment of a successor depositary and the successor depositary's acceptance of the appointment. We have agreed not to remove the depositary for a period of five years from the closing date of the global offering absent a breach by the depositary of its obligations under the Restricted Deposit Agreement involving negligence or bad faith.

## **Maintenance of Books and Records by the Depositary**

The depositary will keep a register of RDSs at its corporate trust office open for inspection by you at all reasonable times. You agree not to inspect that register for any purpose other than communication with other registered holders in relation to our business, the restricted deposit agreement or the RDSs.

## **Provisions Governing Deposited Securities and Disclosure of Interests**

By holding RDSs, you will be deemed to consent to and agree to be bound by the provisions governing any deposited securities, including any provisions of Guernsey law or our memorandum and articles of association that require the disclosure of beneficial or other ownership of our Shares, such as those described under "Description of the Shares and Our Memorandum and Articles of Association" or impose limitations on the holding, acquisition, transfer or delivery of consents in respect of our Shares, such as those described under "Transfer Restrictions." We may provide for blocking transfer and voting and other rights to enforce your compliance with these limitations. The depositary will use its reasonable efforts to comply with our instructions as to RDRs in respect of any such enforcement and you will be required to comply with all such disclosure requirements and such limitations and cooperate with the depositary's compliance with our instructions.

## **Lost, Stolen, Mutilated or Destroyed RDRs**

In case any RDR becomes mutilated, destroyed, lost or stolen, the depositary will execute and deliver a new RDR in exchange and substitution for such mutilated RDR upon cancellation thereof or in lieu of and in substitution for such destroyed, lost or stolen RDR. Before the depositary will execute and deliver a new RDR in substitution for a destroyed, lost or stolen RDR, the holder will be required to:

- file with the depositary a request for such execution and delivery before the depositary has notice that the RDR has been acquired by a bona fide purchaser and a sufficient indemnity bond; and
- satisfy any other reasonable requirements imposed by the depositary.

**Requirements for Depositary Actions**

Before the depositary will deliver RDSs or register a transfer of a RDR, make a distribution on RDSs or permit withdrawal of deposited securities, the depositary may require:

- payment of transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any Shares or other deposited securities;
- production of satisfactory proof of citizenship or residence, exchange control approval or other information it deems necessary or proper; and
- compliance with regulations it may establish from time to time consistent with the restricted deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver RDSs or register transfers of RDSs generally or in particular cases when the depositary has closed its books or at any time if the depositary thinks it advisable to do so.



## EURONEXT MARKET INFORMATION

### Euronext Amsterdam

Prior to the global offering, there has not been a public market for our Shares. We have applied to list the Shares on Eurolist by Euronext. We expect our Shares to be listed on Eurolist by Euronext and, as a result, to be subject to Netherlands securities regulations and supervision by the relevant Netherlands regulatory authorities.

### Market Regulation

The market regulator in the Netherlands is the Authority for the Financial Markets (*Autoriteit Financiële Markten*, the “AFM”) insofar as the supervision of market conduct is concerned. The AFM has supervisory powers with respect to the publication of information by listed companies and to the application of takeover regulation and with respect to publication of inside information by listed companies. It also supervises financial intermediaries, such as credit institutions, investment firms and investment advisors. The AFM is also the competent authority for approving all prospectuses published for admission of securities to trading on Euronext Amsterdam, except for prospectuses approved in other Member States of the European Economic Area that are used in the Netherlands in accordance with applicable passporting rules. The surveillance units of Euronext Amsterdam N.V. and the AFM monitor and supervise all trading operations.

### Listing and Trading

Application for the admission to listing of all of our Shares on Eurolist by Euronext has been made. Public trading of our Shares on Euronext Amsterdam can occur only after listing has been approved by Euronext Amsterdam N.V. The RDSs will not be listed on any exchange.

### Holdings through Euroclear Nederland

Euroclear Nederland is the common settlement system used in respect of shares traded on Euronext Amsterdam. Euroclear Nederland facilitates the clearance and settlement of securities transactions through electronic book-entry transfer between its accountholders without the need to use share certificates or written instruments of transfer. Indirect access to Euroclear Nederland is available to other institutions which clear through or maintain a custodial relationship with an accountholder of Euroclear Nederland. Euroclear Nederland is subject to supervision by the AFM and the Netherlands Central Bank.

Where Shares are held through the book-entry system operated by Euroclear Nederland, Euroclear Nederland will under Guernsey law be the registered holder of those Shares. Accordingly, investors will under Guernsey law not have direct rights against us under our memorandum and articles of association.

## **CERTAIN TAX CONSIDERATIONS**

*The following summary discusses certain Guernsey, United States, Netherlands, and United Kingdom tax considerations related to the purchase, ownership and disposition of our Shares and RDSs as of the date hereof. Prospective purchasers of our Shares and the RDSs are advised to consult their own tax advisors concerning the consequences under the tax laws of the country of which they are resident of making an investment in our Shares or the RDSs.*

### **Guernsey Tax Considerations**

#### ***Taxation of our Company***

Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax) gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration.

Our company has applied for and has been granted exempt status for Guernsey tax purposes.

In return for the payment of a fee, currently £600, a company is able to apply annually for exempt status for Guernsey tax purposes.

Payments of dividends and interest by a company that has exempt status for Guernsey tax purposes are regarded as having their source outside Guernsey and hence are payable without deduction of tax in Guernsey.

In response to the review carried out by the European Union Code of Conduct Group, the Policy Council of the States of Guernsey has announced that the States of Guernsey intends to abolish exempt status for the majority of companies with effect from January 2008 and to introduce a zero rate of tax for companies carrying all but a few specified types of regulated business. However the States of Guernsey Administrator of Income Tax has advised that because collective investment schemes, including closed-end investment vehicles, were not one of the regimes in Guernsey that were classified by the European Union Code of Conduct Group as being harmful, it is intended that collective investment schemes and closed-end investment vehicles will continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007. These proposals have yet to be enacted.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Document duty is payable on the creation or increase of authorized share capital at the rate of one half of one per cent of the nominal value of the authorized share capital of a company incorporated in Guernsey up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares.

#### ***Taxation of our Shareholders***

Any of our shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will suffer no deduction of tax by our company from any dividends payable by the Company but our Guernsey Administrator will provide details of distributions made to those of our shareholders resident in the Islands of Guernsey, Alderney and Herm to the Administrator of Income Tax in Guernsey. Those of our shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of any Shares owned by them.

Guernsey has introduced measures that are the same as the European Union Savings Tax Directive. However paying agents located in Guernsey are not required to operate the measures on payments made by closed-end investment companies.

#### ***Taxation of our Investment Partnership***

The Investment Partnership is not a taxable entity in Guernsey. Under current Guernsey law, any of the Investment Partnership's income which is wholly derived from its international operations and any distributions paid to one of its partners is not regarded as arising or accruing from a source in Guernsey in the hand of that partner if, being an individual, the partner is not solely or principally resident in Guernsey or, being a company, is not resident in Guernsey. It is the intention of our company to ensure that the business of the Investment Partnership is conducted in such a way as to constitute international operations for the purposes of the relevant legislation. No inheritance, capital gains, gift, turnover or sales taxes are levied in Guernsey in connection with the acquisition, holding or transfer of a limited partnership interest. No stamp duty or similar taxation is levied on the issue or redemption of a limited partnership interest. No withholding tax or any other deduction will be made on distributions made by the Investment Partnership.

## United States Tax Considerations

**TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF TAX MATTERS SET FORTH IN THIS OFFERING MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PROSPECTIVE INVESTOR, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER FEDERAL, STATE OR LOCAL TAX LAW. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of Shares and RDSs by U.S. Holders and Non-U.S. Holders (as defined below) that purchase Shares or RDSs pursuant to the global offering and hold such Shares or RDSs as capital assets. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This summary is for general information only and does not address all of the tax considerations that may be relevant to specific U.S. Holders or Non-U.S. Holders in light of their particular circumstances or to U.S. Holders or Non-U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, dealers in securities, real estate investment trusts, certain former citizens or residents of the United States, persons who hold Shares or RDSs as part of a straddle, hedge, conversion transaction or other integrated investment, U.S. persons that have a “functional currency” other than the U.S. dollar, persons that own (or are deemed to own) 10% or more of our Shares or RDSs, persons that generally mark their securities to market for U.S. federal income tax purposes, controlled foreign corporations or passive foreign investment companies). This summary does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the restricted deposit agreement, and all other related agreements, will be performed in accordance with their terms.

As used in this summary, the term “U.S. Holder” means a beneficial owner of Shares or RDSs that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or an electing trust that was in existence on August 19, 1996 and was treated as a domestic trust on that date. The term “Non-U.S. Holder” means a beneficial owner of Shares or RDSs that is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes.

If an entity treated as a partnership for U.S. federal income tax purposes holds Shares or RDSs, the tax treatment of such partnership and each partner thereof will generally depend upon the status and activities of the partnership and such partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of Shares or RDSs.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF SHARES AND RDSS, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS AND NON-U.S. TAX LAWS. IN PARTICULAR, WE EXPECT THAT WE WILL BE TREATED AS A PFIC (AS DEFINED BELOW) FOR U.S. FEDERAL INCOME TAX PURPOSES AND, CONSEQUENTLY, PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSIDERATIONS RELATING TO AN INVESTMENT IN A PFIC.

### *Taxation of our Company*

We will be classified as a non-U.S. corporation for U.S. federal income tax purposes.

Except as discussed below, we will be subject to U.S. withholding tax at the rate of 30% on our distributive share of any U.S. source dividends, interest (subject to certain exemptions) and certain other income that we receive directly or through one or more entities treated as either partnerships or disregarded entities for U.S. federal income tax purposes (each, a “Pass-through Entity”), including any fund that is treated as a partnership for U.S. federal income tax purposes.

In general, a non-U.S. person that is “engaged in trade or business within the United States”, directly or through one or more Pass-through Entities, is subject to U.S. federal income tax on income that is ECI. We may make investments, directly

or through one or more Pass-through Entities, in U.S. Operating Partnership. In addition, it is possible that the IRS may assert that reductions in management fee paid to the managers of a fund or any other entity in which we invest resulting from the receipt of fees received by such manager or its affiliates should be considered ECI.

If we are considered to be engaged in a U.S. trade or business, we will be required to file a U.S. federal income tax return reporting our income that is treated as ECI (including the portion of any gain from the disposition of an interest in a U.S. Operating Partnership that is treated as ECI) and we will be subject to regular U.S. federal income tax on such ECI. If we invest in a U.S. Operating Partnership, directly or through a U.S. Pass-through Entity, the U.S. Operating Partnership or U.S. Pass-through Entity, as the case may be, generally would be required to withhold U.S. federal income tax at the rate of 35% on any ECI allocable to us (estimated on a quarterly basis). Any amount so withheld will be available as a credit against our U.S. federal income tax liability. In addition, we may also be subject to a 30% “branch profits tax” on our ECI. The branch profits tax is a tax on the “dividend equivalent amount” of a non-U.S. corporation, which is approximately equal to the amount of the corporation’s earnings and profits attributable to ECI that is not treated as reinvested in the United States. The branch profits tax will not be available as a credit against our U.S. federal income tax liability. The effect of the branch profits tax is to increase the maximum effective U.S. federal income tax rate on ECI from 35% to 54.5%. We may also be subject to U.S. state and local tax and tax return filing requirements in respect of income that is treated as ECI.

If we invest in shares of a U.S. corporation that constitutes a USRPHC, directly or through a Pass-through Entity, our share of any gain or loss from the disposition of such shares would generally be required to be taken into account as if it were ECI, except that the branch profits tax would not apply. Generally, a U.S. corporation will be treated as a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes).

We may hold certain of our investments that are likely to give rise to ECI through Corporate Subsidiaries. Each Corporate Subsidiary would be subject to the treatment described above in respect of U.S. source income and ECI.

Legislation proposed in the U.S. Senate in 2006 and reintroduced in January 2007 would, for tax years beginning at least two years after its enactment, tax a corporation as a U.S. corporation if the equity of that corporation is regularly traded on an established securities market and control of the corporation occurs primarily within the United States. If this legislation caused us or any of our subsidiaries to be taxed as a U.S. domestic corporation, we or they would be subject to U.S. federal income tax on our or their net income. However, it is unknown whether this proposal will be enacted in its currently proposed form and, whether if enacted, we or our subsidiaries would be subject to its provisions. If this or similar legislation were enacted, it could have an adverse effect on us.

### ***Taxation of U.S. Holders***

#### ***RDSs***

A U.S. Holder that owns RDSs will generally be treated, for U.S. federal income tax purposes, as the owner of the underlying Shares that are represented by such RDSs. Accordingly, deposits or withdrawals of Shares for RDSs will generally not be subject to U.S. federal income tax.

#### ***Passive Foreign Investment Company—General Considerations***

In general, a corporation organized outside the United States will be treated as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of its gross income is “passive income” or (ii) on average at least 50% of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Based on our projected income, assets and activities, we expect that we will be treated as a PFIC for the current taxable year and taxable years thereafter. The remainder of this summary assumes that we are and will continue to be a PFIC. We may also hold, directly or indirectly, interests in other entities that are PFICs, including our Corporate Subsidiaries (“Subsidiary PFICs”).

If a U.S. Holder does not validly make either (i) a “qualified electing fund” (“QEF”) election (as described below) in respect of our company and each Subsidiary PFIC for which it has QEF election filing responsibility or (ii) a “mark to market election” in respect of our Shares (as described below under “Mark-to-Market Election”), effective in either case as of the beginning of the U.S. Holder’s holding period, the U.S. Holder generally will be subject to the adverse tax consequences described below under “—No Qualified Electing Fund Election and No Mark-to-Market Election”. Unless otherwise specified, the remainder of this discussion assumes that each U.S. Holder will make a valid QEF election in respect of our

company and each Subsidiary PFIC for which it has QEF election filing responsibility, effective as of the beginning of its holding period.

#### *Qualified Electing Fund Election*

If a U.S. Holder validly makes a QEF election with respect to our company, the U.S. Holder generally will be required to include currently in gross income its pro rata share of our ordinary earnings and net capital gains, if any, for each taxable year we are a PFIC, whether or not we make any cash distributions in that year. As a result, a U.S. Holder may have to pay taxes currently on amounts not yet received and which may never be received. Income inclusion generally will be required whether or not the U.S. Holder owns Shares or RDSs for an entire taxable year or at the end of our taxable year. The amount included in income generally will be treated as ordinary income to the extent of the U.S. Holder's allocable share of our ordinary earnings and as long-term capital gain to the extent of the U.S. Holder's allocable share of our net capital gains. In addition, any net losses we incur in a taxable year will not be available to such U.S. Holder and may not be carried back or forward in computing our ordinary earnings and net capital gain in other taxable years.

The amount included in income under the QEF rules generally is treated as income from sources outside the United States for U.S. foreign tax credit purposes. However, if 50% or more of our Shares (by vote or value) are treated as held by U.S. persons, we will be treated as a United States-owned foreign corporation and the amount included in income under the QEF rules generally will be treated as income from sources outside the United States to the extent attributable to our non-U.S. source income, and as income from sources within the United States to the extent attributable to our U.S. source income, for U.S. foreign tax credit purposes. We cannot assure you that we will not be treated as a United States-owned foreign corporation.

Amounts previously included in income by a U.S. Holder under the QEF rules generally will not be subject to tax when they are actually distributed to the U.S. Holder. A U.S. Holder's tax basis in the Shares or RDSs generally will increase by any amounts so included under the QEF rules and decrease by any amounts not included in income when distributed.

As described under "Dividend Policy", we may not make cash distributions to our shareholders. If we do not make cash distributions, U.S. Holders that make a QEF Election generally will have to satisfy any tax obligation arising from their investments in our Shares or RDSs from sources other than distributions from us. A U.S. Holder generally may elect to extend the time for payment of the U.S. federal income tax due on undistributed income includable by reason of a QEF election. The extension generally terminates when a distribution attributable to the income on which tax was deferred is made or upon certain transfers or pledges of the related Shares or RDSs or termination of the QEF election. Interest is imposed on the deferred tax and must be paid when the extension terminates. U.S. Holders should consult their own tax advisers regarding this election.

#### *Indirect Investments in PFICs—Subsidiary PFICs*

As described above under "—Passive Foreign Investment Company—General Considerations," we may hold interests in Subsidiary PFICs. U.S. Holders will generally be responsible for filing a separate QEF election with respect to a Subsidiary PFIC that we hold directly or through one or more non-U.S. entities. If we hold a Subsidiary PFIC through a U.S. entity, including a fund, only the first U.S. entity in the chain of ownership will be eligible to file a QEF election, if available, with respect to the Subsidiary PFIC. If a QEF election is validly made in respect of a Subsidiary PFIC, the tax consequences described above under "Qualified Electing Fund Election" will generally apply to the U.S. Holder in respect of the PFIC to which the election applies.

To the extent practicable, we intend to hold Subsidiary PFICs through a Delaware limited partnership, (the "Delaware LP"), which is expected to be treated as a domestic partnership for U.S. federal income tax purposes. We intend to cause the Delaware LP to make QEF elections with respect to each such non-U.S. corporation that it owns and is treated as a Subsidiary PFIC. In turn, we will include in our calculation of PFIC income for the taxable year the amount attributable to the Delaware LP's QEF inclusions associated with any investment in a Subsidiary PFIC, which will affect the amounts included in income by U.S. Holders as QEF inclusions from us. There can be no assurances that, either as a result of a change in law or a contrary conclusion by U.S. tax authorities, the Delaware LP will be able to make and maintain a QEF election with respect to such subsidiaries or that the QEF elections made by the Delaware LP or its status as a domestic partnership will be respected by the IRS.

The rules applicable to indirect investments in Subsidiary PFICs are complex. U.S. Holders would be required to make a separate QEF election for any such PFIC not held through the Delaware LP if they wanted to treat it as a QEF, and there can be no assurance that the Subsidiary PFIC would provide U.S. Holders the information necessary to make such an

election. Thus, prospective investors are urged to consult their tax advisors regarding the consequences of the indirect acquisition, ownership and disposition of interests in Subsidiary PFICs.

#### *Indirect Investments in CFCs – Subsidiary CFCs*

A non-U.S. entity will be treated as a controlled foreign corporation (a “CFC”) if it is treated as a corporation for U.S. federal income tax purposes and if more than 50% of (i) the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote or (ii) the total value of the stock of such non-U.S. entity, is owned (actually or constructively) on any day during the taxable year of such non-U.S. entity by U.S. Shareholders. For these purposes, U.S. Shareholders are United States persons who own 10% or more of the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote.

A U.S. Shareholder of a CFC is required to include in gross income each year its pro rata portion of the CFC’s “Subpart F” income for the taxable year of the CFC that ends with or within such taxable year of the shareholder. Generally, Subpart F income includes passive income, such as interest, dividends and gains from assets that produce passive income (subject to certain exceptions). The aggregate Subpart F income inclusions in any taxable year relating to a particular CFC are limited to such entity’s current earnings and profits. These inclusions are treated as ordinary income (whether or not such inclusions are attributable to net capital gain). In addition, gain realized on a sale of CFC stock is treated as ordinary dividend income to the extent of current and/or accumulated earnings and profits of the CFC. These rules apply regardless of whether the CFC is also a PFIC. If any of the subsidiaries held by the Delaware LP were treated as a CFC and the Delaware LP is treated as a U.S. Shareholder with respect to such subsidiary, we would be required to include in our calculation of our ordinary earnings for the taxable year the amount attributable to the Delaware LP’s pro rata share of the Subpart F income associated with its investment in the CFC whether or not the CFC makes a distribution and any ordinary dividend income realized on the disposition of stock in such CFC, which will affect the amounts included in income by the U.S. Holders as QEF inclusions from us. In addition, the PFIC rules permitting the deferral of tax on undistributed earnings would not apply.

The rules applicable to such indirect investments in such non-U.S. entities are complex. Thus, prospective investors are urged to consult their tax advisors regarding the consequences of the indirect acquisition, ownership and disposition of interests in CFCs.

#### *Filing of QEF Election, Timing of QEF Election*

An eligible U.S. Holder may make a QEF election with respect to our company effective as of the beginning of its holding period by filing a copy of IRS Form 8621 on or before the due date (taking into account extensions) for the U.S. Holder’s federal income tax return for the first taxable year in which the U.S. Holder holds Shares or RDSs. A QEF election, once validly made, will be effective for all subsequent taxable years of the U.S. Holder unless revoked with the consent of the IRS. A QEF election is available to a U.S. Holder only if we provide such U.S. Holder in each taxable year with a “PFIC Annual Information Statement” as described in the currently applicable U.S. Treasury regulations and with reasonable access to our books of account, records and other documents so as to enable the U.S. Holder to verify that its pro rata share of ordinary earnings and net capital gains has been calculated according to U.S. federal income tax principles.

We intend to provide each U.S. Holder that makes a QEF election with respect to our Shares or RDSs with a PFIC Annual Information Statement and with reasonable access to our books of account, records and other documents. We intend to provide the PFIC Annual Information Statement prior to the due date for a calendar-year U.S. Holder’s federal income tax return, determined taking into account extensions. Since we do not expect to provide a PFIC Annual Information Statement on or before the due date for a calendar-year U.S. Holder’s federal income tax return, determined without taking into account extensions, U.S. Holders should expect that they will have to request an extension of time to file such tax returns in order to make a timely QEF election with respect to our company. We cannot assure you that any Subsidiary PFIC will provide sufficient information to permit U.S. Holders, or any U.S. entity through which we have an indirect interest in such Subsidiary PFIC, to make a QEF election with respect to the Subsidiary PFIC.

Each U.S. Holder should consult its own tax adviser with respect to the tax consequences of making a QEF election with respect to our company and our direct or indirect investments in Subsidiary PFICs.

#### *Distributions*

Subject to the discussion below under “—No Qualified Electing Fund Election and No Mark-to-Market Election”, each U.S. Holder generally will be required to include in gross income the amount of any distribution that we make on our Shares as a dividend to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), other than earnings and profits that have previously been taxed to the U.S. Holder as described above under “—

Qualified Electing Fund Election”. To the extent the amount of any distribution exceeds our current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of the U.S. Holder’s adjusted tax basis in its Shares or RDSs and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale or exchange of the Shares or RDSs. Each U.S. Holder should consult its own tax advisor with respect to the appropriate U.S. federal income tax treatment of any distribution on our Shares or RDSs.

Distributions on our Shares or RDSs that are treated as dividends generally will constitute income from sources outside the United States. However, such dividends may be treated for U.S. foreign tax credit purposes as income from sources outside the United States to the extent attributable to our non-U.S. source earnings and profits, and as income from sources within the United States to the extent attributable to our U.S. source earnings and profits if we are treated as a United-States-owned foreign corporation, as described above under “Qualified Electing Fund Election”. Distributions on our Shares or RDSs that are treated as dividends will be categorized for U.S. foreign tax credit purposes as “passive category income,” or, in the case of some U.S. Holders, as “general category income”. Such dividends will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations or for the reduced tax rate applicable to “qualified dividend income” of non-corporate taxpayers.

#### *Sale, Exchange or Other Disposition of Shares or RDSs*

Subject to the discussion below under “—No Qualified Electing Fund Election and No Mark-to-Market Election”, a U.S. Holder in PFIC generally will recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of Shares or RDSs in an amount equal to the difference, if any, between the amount realized on the sale, exchange or other disposition and the U.S. Holder’s adjusted tax basis in the Shares or RDSs. Any such gain or loss generally will be treated as capital gain or loss. The deductibility of capital losses is subject to limitations. Such gain or loss generally will be sourced within the United States for U.S. foreign tax credit purposes.

#### *Mark-To-Market Election*

If our Shares are considered “marketable stock”, a U.S. Holder generally may elect to make a “mark-to-market election” in respect of its Shares, in lieu of making a QEF election. Generally, our Shares will be considered marketable stock if they are “regularly traded” on a “qualified exchange” within the meaning of applicable U.S. Treasury regulations. A class of shares is regularly traded during any calendar year during which more than *de minimis* quantities of such class of shares is traded, on at least 15 days during each calendar quarter. A non-U.S. securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. It is not clear whether our Shares will constitute marketable stock for this purpose. Assuming the RDSs are regularly traded on a qualified exchange for this purpose, U.S. Holders that own such RDSs will generally be eligible to make a mark-to-market election in respect of their investment. However, there can be no assurance that trading volumes will be sufficient to permit a mark-to-market election. Thus, prospective investors are urged to consult their tax advisors regarding the feasibility of making a mark-to-market election.

If a “mark-to-market” election is available and a U.S. Holder validly makes such an election as of the beginning of the U.S. Holder’s holding period, the U.S. Holder generally will not be subject to the adverse tax consequences described below under “—No Qualified Electing Fund Election and No Mark-to-Market Election”. Instead, the U.S. Holder generally will be required to take into account the difference, if any, between the fair market value of, and its adjusted tax basis in, its Shares at the end of each taxable year as ordinary income or, to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to the tax basis of its Shares. In addition, any gain from a sale, exchange or other disposition of Shares will be treated as ordinary income, and any loss will be treated as ordinary loss to the extent of any net mark-to-market gains previously included in income. It is not entirely clear how the tax consequences of a mark-to-market election with respect to our Shares would apply with respect to our interest in a Subsidiary PFIC.

If a deceased U.S. Holder had made a mark-to-market election for our Shares effective as of the beginning of his or her holding period, a person who acquires Shares from the deceased U.S. Holder generally will be denied the step-up of the tax basis for U.S. federal income tax purposes to the fair market value at the date of the U.S. Holder’s death, which would otherwise be available with respect to a decedent dying in any year other than 2010. Instead, the acquirer will have a tax basis equal to the lower of the fair market value of the Shares and the deceased U.S. Holder’s tax basis.

Each U.S. Holder should consult its own tax advisor with respect to the availability and tax consequences of a mark-to-market election with respect to our Shares.

### *No Qualified Electing Fund Election and No Mark-to-Market Election*

If a U.S. Holder does not validly make a QEF election or mark-to-market election, effective as of the beginning of its holding period, with respect to our company, the U.S. Holder will be subject to special rules with respect to any “excess distribution” made by us. An “excess distribution” is generally the excess of (i) all distributions to the U.S. Holder on its Shares or RDSs during such taxable year over (ii) 125 percent of the average annual distributions to the U.S. Holder on such Shares or RDSs during the preceding three taxable years (or shorter period during which the U.S. Holder held such Shares or RDSs). The tax payable by a U.S. Holder on an excess distribution with respect to our Shares or RDSs will be determined by allocating such excess distribution ratably to each day of the U.S. Holder’s holding period for such Shares or RDSs. The amount of excess distribution allocated to the taxable year of such distribution will be included as ordinary income for the taxable year of such distribution. The amount of excess distribution allocated to any other period included in the U.S. Holder’s holding period cannot be offset by any net operating losses of the U.S. Holder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period. Furthermore, the amount of an excess distribution not includable in income in the taxable year of such distribution will not be included in determining the amount of the excess distribution for any subsequent taxable year.

If a U.S. Holder does not validly make a QEF election or a mark-to-market election effective as of the beginning of its holding period in respect of our Shares or RDSs, any gain in respect of our Shares or RDSs (including, without limitation, gain with respect to certain transfers upon death, gifts and pledges) generally will be treated as an excess distribution subject to the tax consequences relating to an excess distribution described above.

If a deceased U.S. Holder had not made a QEF election for Shares or RDSs effective as of the beginning of his or her holding period, a person who acquires Shares or RDSs from the deceased U.S. Holder generally will be denied the step-up of the tax basis for U.S. federal income tax purposes to the fair market value at the date of the U.S. Holder’s death, which would otherwise be available with respect to a decedent dying in any year other than 2010. Instead, the acquirer will have a tax basis equal to the lower of the fair market value of the Shares or RDSs and the deceased U.S. Holder’s tax basis.

If no QEF election is made for a Subsidiary PFIC, the rules described above with respect to excess distributions generally will apply to direct and indirect dispositions of our interest in the Subsidiary PFIC (including a disposition by a U.S. Holder of our Shares or RDSs) and excess distributions by the Subsidiary PFIC. It is not entirely clear how the consequences relating to the tax basis upon death described above would apply with respect to our interest in a Subsidiary PFIC.

### *Backup Withholding Tax and Information Reporting Requirements*

Under certain circumstances, U.S. backup withholding tax and/or information reporting may apply to U.S. Holders with respect to payments made on, or proceeds from the sale, exchange or other disposition of, Shares or RDSs, unless an applicable exemption is satisfied. U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the backup withholding tax rules will be allowed as a credit against a U.S. Holder’s U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS.

In addition, a U.S. Holder that purchases our Shares or RDSs for cash in the global offering or makes a payment to us of any subsequent installment due with respect to our Shares or RDSs will generally be required to report the purchase on Form 926 if the amount of cash transferred to us by such U.S. Holder during the 12-month period ending on the date of the transfer exceeds \$100,000. A U.S. Holder that fails to comply with this reporting obligation may be subject to substantial penalties.

### *Taxation of Non-U.S. Holders*

#### *Dividends*

A Non-U.S. Holder generally will not be subject to U.S. federal income tax on dividends received from us in respect of our Shares or RDSs, unless the dividends are effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States. If the dividends are effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such dividends in the same manner as a U.S. citizen or corporation, as applicable, except as provided by an applicable tax treaty. In addition, any such dividends that are received by a Non-U.S. Holder that is treated as a corporation for U.S. federal income tax purposes may be subject to a branch profits tax at the rate of 30% (or lower rate if provided by an applicable tax treaty).



### *Sale, Exchange or Other Disposition of Shares*

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax on gains realized upon the sale, exchange or other disposition of Shares or RDSs unless (i) the Non-U.S. Holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and such gain is considered derived from U.S. sources, or (ii) the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States.

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% on the amount by which capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources, except as provided by an applicable tax treaty. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. citizen or corporation, as applicable, except as provided by an applicable tax treaty. In addition, any such gain realized by a Non-U.S. Holder that is treated as a corporation for U.S. federal income tax purposes may be subject to a branch profits tax at the rate of 30% (or lower rate if provided by an applicable tax treaty).

### *Backup Withholding Tax and Information Reporting Requirements*

Under certain circumstances, U.S. backup withholding tax and/or information reporting may apply to Non-U.S. Holders with respect to payments made on, or proceeds from the sale, exchange or other disposition of, Shares or RDSs, unless the Non-U.S. Holder certifies as to its status as a Non-U.S. Holder under penalties of perjury or otherwise establishes an exemption, and certain other conditions are satisfied. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder will be allowed as a refund or a credit against such Non-U.S. Holder's U.S. federal income tax liability, provided that the required procedures are followed.

### **Netherlands Tax Considerations**

The following summary outlines certain Netherlands tax consequences in connection with the acquisition, ownership and disposition of our Shares and/or the RDSs. The summary does not purport to present any comprehensive or complete picture of all Netherlands tax aspects that could be of relevance to a holder of Shares of the company and/or RDSs, who may be subject to special tax treatment under any applicable law. It does not address the tax consequences of a holder of Shares and/or RDSs who is an individual and who together with his partner and/or certain other close relatives, holds, alone or together, directly or indirectly (x) the ownership of, (y) certain other rights, such as usufruct, over, or (z) rights to acquire (whether or not already issued), Shares of the company and/or RDSs representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of Shares) of the company. It also does not address the tax consequences of any other shareholder holding alone or together with certain related entities Shares of the company and/or RDSs representing an interest of at least 5 per cent in the issued and paid up nominal share capital of the company. It furthermore does not address the tax consequences of a holder of our Shares and/or RDSs receiving income or realizing capital gains in their capacity as (former) employer, (former) manager, (former) director or (former) supervisory director. The summary is based on the current law and practice of the Netherlands, which is subject to changes that could prospectively or retrospectively affect the stated tax consequences. Prospective holders of Shares and/or RDSs who may be in doubt as to their respective tax positions should consult their own professional advisors regarding the tax consequences of any acquisition, ownership or disposition of the Shares and/or the RDSs.

### ***Taxes on income and capital gains***

#### *Holders of Shares and/or RDSs resident in the Netherlands: individuals*

A holder of Shares and/or RDSs, who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as resident in the Netherlands for Netherlands income tax purposes, will be subject to regular Netherlands income tax on the income derived from the Shares and/or the RDSs and the gains realized upon the acquisition, redemption and/or disposition of the Shares and/or the RDSs, if:

- such holder of Shares and/or RDSs has an enterprise or an interest in an enterprise, to which enterprise the Shares and/or the RDSs are attributable; and/or
- such income or capital gain forms "a benefit from miscellaneous activities" (*resultaat uit overage werkzaamheden*) which, for instance, would be the case if the activities with respect to the Shares and/or the RDSs exceed "normal active asset management" (*normaal, actief vermogensbeheer*).

If either of the above-mentioned conditions (i) or (ii) applies, income or capital gains in respect of dividends distributed by the company or in respect of any gain realized on the disposition of the Shares and/or RDSs will in general be subject to Netherlands income tax at the progressive rates.

If the above-mentioned conditions (i) and (ii) do not apply, the holder of Shares and/or RDSs who is an individual, resident or deemed to be resident in the Netherlands, or who has elected to be taxed as a resident of the Netherlands, will not be subject to taxes on income and capital gains in the Netherlands. Instead, the individual is taxed at a flat rate of 30 per cent. on deemed income from “savings and investments” (*sparen en beleggen*). This deemed income amounts to 4 per cent. of the average of the individual’s “yield basis” (*rendementsgrondslag*), generally, at the beginning of the calendar year and the individual’s “yield basis” at the end of the calendar year (minus a tax-free threshold). The yield basis would include the fair market value of the Shares and/or the RDSs.

#### *Holders of Shares and/or RDSs resident in the Netherlands: corporate entities*

A holder of Shares and/or RDSs that is resident or deemed to be resident in the Netherlands for corporate income tax purposes, and that is:

- a corporation;
- another entity with a capital divided into shares;
- a cooperative (association); or
- another legal entity that has an enterprise or an interest in an enterprise to which the Shares and/or the RDSs are attributable,

but which is not:

- a qualifying pension fund;
- a qualifying private equity fund (*fiscale beleggingsinstelling*); or
- another entity exempt from corporate income tax,

will in general be subject to regular corporate income tax, generally levied at a rate of 25.5 per cent. (20 per cent. over profits up to €25,000 and 23.5 per cent. over profits between €25,000 and €60,000) over income derived from the Shares and/or the RDSs and gains realized upon purchase, redemption and disposition of the Shares and/or the RDSs.

#### *Holders of Shares and/or RDSs resident outside the Netherlands: individuals*

A holder of Shares and/or RDSs, who is an individual, not resident or deemed to be resident of the Netherlands, and who has not elected to be taxed as a resident of the Netherlands for Netherlands income tax purposes, will not be subject to any Netherlands taxes on income or capital gains in respect of dividends distributed by the company or in respect of any gain realized on the disposition of the Shares and/or the RDSs, unless:

- such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares and/or the RDSs are attributable;
- such dividend or capital gain forms a “benefit from miscellaneous activities in the Netherlands” (*resultaat uit overige werkzaamheden in Nederland*) which would for instance be the case if the activities in the Netherlands with respect to the Shares and/or the RDSs exceed “normal active asset management” (*normaal, actief vermogensbeheer*).

If either of the above-mentioned conditions (i), or (ii) applies, income or capital gains in respect of dividends distributed by the company or in respect of any gain realized on the disposition of the Shares and/or the RDSs will in general be subject to Netherlands income tax at the progressive rates.

#### *Holders of Shares and/or RDSs resident outside the Netherlands: legal and other entities*

A holder of Shares and/or RDSs, that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in the Netherlands, will not be subject to any Netherlands taxes on income derived from the Shares and/or the RDSs and gains realized upon purchase, redemption and disposition of the Shares and/or the RDSs, unless such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares and/or the RDSs are attributable. Such holder of Shares and/or RDSs will in general be subject to regular corporate income tax, generally levied at a rate of 25.5 per cent. (20 per cent. over profits up to €25,000 and 23.5 per cent. over profits between €25,000 and €60,000)

over income derived from the Shares and/or the RDSs and gains realized upon purchase, redemption and disposition of the Shares and/or the RDSs.

### ***Gift, estate and inheritance taxes***

#### ***Holders of Shares and/or RDSs resident in the Netherlands***

Gift tax may be due in the Netherlands with respect to an acquisition of Shares and/or RDSs by way of a gift by a holder of Shares and/or RDSs who is resident or deemed to be resident in the Netherlands. Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of Shares and/or RDSs by way of an inheritance or bequest on the death of a holder of Shares and/or RDSs who is resident or deemed to be resident of the Netherlands, or by way of a gift within 180 days before his death by a holder of Shares and/or RDSs who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Netherlands gift and inheritance tax, an individual with the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

#### ***Holders of Shares and/or RDSs resident outside the Netherlands***

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of Shares and/or RDSs by way of a gift by, or on the death of, a holder of Shares and/or RDSs who is neither resident, deemed to be resident nor has requested to be treated as a resident in the Netherlands for Netherlands inheritance and gift tax purposes, unless:

- such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares and/or the RDSs are or were attributable; or
- in the case of a gift of Shares and/or RDSs by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

### **United Kingdom Tax Considerations**

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of holding Shares and/or RDSs. They are based on current UK legislation and the practice of HM Revenue & Customs, which may change. They apply only to Shareholders who are resident for tax purposes in the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares and/or RDSs as an investment and who are the absolute beneficial owner of both the Shares and/or RDSs and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Shares and/or RDSs in connection with employment, dealers in securities, insurance companies, investment trust companies, pension funds, trusts and collective investment schemes) is not considered.

#### ***General***

The Directors intend to conduct the affairs of the company in such a manner as to minimize, so far as they consider reasonably practicable, taxation suffered by the company. This will include conducting the affairs of the company so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein), the company will not be subject to United Kingdom income tax or corporation tax other than on United Kingdom source income.

Investment funds that undertake trading activity and are managed from the UK can be subject to UK taxation. Tax exemptions can be applied in particular circumstances in accordance with Schedule 26 Finance Act 2003, but this exemption will not apply in all circumstances. It is therefore possible that UK taxation could be applied to some of the profits of the company, although it is the intention of the managers that this should not happen, as far as is reasonably practicable.

The Company should not be an offshore fund for the purposes of UK taxation and the provisions of Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 ("the Taxes Act") should not therefore apply. Accordingly, Shareholders (other than those holding Shares and/or RDSs as trading stock, who are subject to separate rules) who are resident or ordinarily resident in the UK, or who carry on business in the UK through a branch or agency (if an individual), or a permanent establishment (if a corporation) with which their investment in the company is connected may, depending on

their circumstances and subject as mentioned below, be liable to UK tax on capital gains realized on the disposal of their Shares and/or RDSs (or obtain relief for any loss).

On a subsequent disposal or deemed disposal (which includes a repurchase by the company) by an individual Shareholder who is (at any time in the relevant UK tax year) resident or ordinarily resident in the UK for taxation purposes or trading in the UK as mentioned above, the Shares and/or RDSs may attract taper relief which reduces the amount of chargeable gain according to how long, measured in years, the Shares and/or RDSs have been held. Shareholders who are within the charge to UK corporation tax will benefit from indexation allowance which, in general terms increases the capital gains tax base cost of an asset in accordance with the rise in the retail price index.

### ***Tax on disposal***

An individual Shareholder who is resident or ordinarily resident, but not domiciled, in the UK, will be liable to UK capital gains tax only to the extent that the chargeable gains on the disposal of Shares and/or RDSs are received or treated as received in the UK. A Shareholder who is neither resident nor, in the case of a non-corporate Shareholder, ordinarily resident in the UK for UK taxation purposes is not subject to UK taxation of chargeable gains unless, in the case of a non-corporate Shareholder, he carries on a trade, profession or vocation in the UK through a branch or agency or, in the case of a corporate Shareholder, it carries on a trade in the UK through a permanent establishment and the assets disposed of are situated in the UK and are used or held for the purposes of the branch or agency or the permanent establishment (as the case may be) or are acquired for use by or for the purposes of that branch or agency or that permanent establishment (as the case may be).

In some circumstances individuals becoming temporarily non-UK resident after 16 March 1998 could become subject to UK taxation on chargeable gains in the year of return to the UK on chargeable gains realized in the intervening years.

### ***Taxation of dividends on Shares and/or RDSs***

UK resident individual Shareholders will be liable to income tax on the gross amount of any dividends received. An individual Shareholder who is subject to income tax at the higher rate will be subject to UK income tax on such dividends at the rate of 32.5%. UK resident corporate Shareholders will be liable to corporation tax in respect of dividends received from the Company. An individual investor who is resident in the UK but is not ordinarily resident or is not domiciled in the UK will generally be subject to UK income tax on dividends received to the extent that sums are received in the UK in respect of those dividends (the “remittance basis”). This concept is interpreted broadly and is extended further under certain anti-avoidance legislation. A Shareholder who is not resident in the UK for UK tax purposes will not be liable to income or corporation tax in the UK on dividends paid on the Shares and/or RDSs unless such a Shareholder carries on a trade (or profession or vocation) in the UK and the dividends are either a receipt of that trade or, in the case of corporation tax, the Shares and/or RDSs are held by a UK permanent establishment through which the trade is carried on.

The 2007 Budget contained proposals to grant, with effect from 6 April 2008, a non-repayable tax credit to individual shareholders in non-UK resident company’s equivalent to the tax credit available in respect of dividends paid by UK resident companies. Legislation to implement this proposal is expected to be included in the 2008 Finance Bill, although the terms of any future legislation are not certain.

### ***Stamp duty and stamp duty reserve tax (“SDRT”)***

No UK stamp duty, and no UK SDRT, will be payable on the issue of the Shares and/or RDSs.

UK stamp duty (at the rate of 0.5%, rounded up where necessary to the nearest £5 of the amount of consideration for the transfer) may be payable on any instrument of transfer of the Shares or RDSs executed within, or in some circumstances brought into, the UK. Provided that the Shares and RDSs are not registered in any register by or on behalf of the Company kept in the UK and that the Shares and RDSs are not paired with shares issued by a company incorporated in the UK, an agreement to transfer the Shares or RDSs will not be subject to UK SDRT.

### ***Other UK tax considerations***

The attention of individuals ordinarily resident in the UK is drawn to the provisions of sections 739-745 of the Taxes Act. These contain anti-avoidance provisions dealing with the transfer of assets to overseas persons in circumstances which may render such individuals liable to taxation in respect of undistributed profits of the Company. More generally, the attention of Shareholders is also drawn to the provisions of sections 703-709 of the Taxes Act which give powers to HM Revenue & Customs to cancel tax advantages derived from certain transactions in securities. The attention of companies resident in the UK is drawn to the fact that the “controlled foreign companies provisions” contained in sections 747-756 of the Taxes Act could be material to any company so resident that holds alone, or together with certain other associated persons, 25%, or more of the Shares and/or RDSs, if at the same time the Company is controlled by companies or any other

persons who are resident in the United Kingdom for taxation purposes. Persons who may be treated as “associated” with each other for these purposes include two or more companies one of which controls the other(s) or all of which are under common control. The effect of such provisions could be to render such companies liable to United Kingdom corporation tax in respect of undistributed income profits of the Company. The attention of United Kingdom resident or ordinarily resident (and if an individual resident or ordinarily resident and domiciled) Shareholders is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances where the Company would, if UK resident, be a close company, a portion of capital gains made by the Company can be attributed to an investor who, alone or together with associated persons, has more than a 10% interest in the Company acquired for use by or for the purposes of that branch or agency or that permanent establishment (as the case may be).

## **TRANSFER RESTRICTIONS**

We have elected to impose the restrictions described below on the global offering and on the future trading of our Shares and the RDSs so that we will not be required to register the offer and sale of our Shares and the RDSs in the global offering under the U.S. Securities Act, so that we will not have an obligation to register as an investment company under the U.S. Investment Company Act and related rules and to address certain ERISA, U.S. Internal Revenue Code and other considerations. These transfer restrictions, which will remain in effect until we determine in our sole discretion to remove them, may adversely affect the ability of holders of our Shares and the RDSs to trade such securities. Due to the restrictions described below, purchasers in the United States and U.S. persons (as defined in the U.S. Securities Act) are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of our Shares or the RDSs. We, the depositary and our agents will not be obligated to recognize any resale or other transfer of Shares or the RDSs made other than in compliance with the restrictions described below.

### **Transfer Restrictions Applicable to Our Shares**

#### ***Restrictions Due to Lack of Registration under the U.S. Securities Act***

Our Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States. Our Shares are being offered and sold in the global offering outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S of the U.S. Securities Act. Each purchaser of our Shares in the global offering, by acquiring our Shares or a beneficial interest therein, will be deemed to have represented, agreed and acknowledged that it is outside the United States and not a U.S. person.

#### ***U.S. Investment Company Act Restrictions***

We have not been and do not intend to become registered as an investment company under the U.S. Investment Company Act and related rules. Our Shares and any beneficial interest therein may not be reoffered, resold, pledged or otherwise transferred in the United States or to U.S. persons, except to persons who are qualified purchasers (as defined in the U.S. Investment Company Act and related rules). Each purchaser of our Shares in the global offering and each subsequent transferee, by acquiring our Shares or a beneficial interest therein, will be deemed to have represented, agreed and acknowledged that (1) it is either (A) outside the United States and not a U.S. person or (B) a qualified purchaser and that (2) it will not offer, resell, pledge or otherwise transfer our Shares or a beneficial interest therein in the United States or to a U.S. person other than to a qualified purchaser.

We, the depositary and our agents may require any U.S. person or any person within the United States who is required to be a qualified purchaser but is not a qualified purchaser at the time it acquires our Shares or a beneficial interest therein to transfer its Shares or such beneficial interest immediately to (1) a non-U.S. person in an offshore transaction pursuant to Regulation S under the U.S. Securities Act or (2) to a person (A) that is within the United States or that is a U.S. person and (B) who is a qualified purchaser and makes certain representations. Pending such transfer, we are authorized to suspend the exercise of any special consent rights, any rights to receive notice of, or attend, a meeting of our company and any rights to receive distributions with respect to such Shares. If the obligation to transfer is not met, we are irrevocably authorized, without any obligation, to sell and transfer the Shares to (1) a non-U.S. person in an offshore transaction pursuant to Regulation S or (2) a person that is in the United States or a U.S. person and who is a qualified purchaser and, if such Shares are sold, are obligated to distribute the net proceeds to the entitled party.

#### ***ERISA, U.S. Internal Revenue Code and Other Restrictions***

Our Shares and any beneficial interests therein may not be acquired or held by investors using assets of any Plan (as defined in “Certain ERISA Considerations”). Each purchaser of our Shares in the global offering and each subsequent transferee, by acquiring our Shares or a beneficial interest therein, will be deemed to have represented, agreed and acknowledged that no portion of the assets used to acquire or hold its interest in the Shares constitutes or will constitute the assets of any Plan.

Our memorandum and articles of association provides that any purported acquisition or holding of our Shares or a beneficial interest therein in contravention of the restriction described in the representation set forth in the immediately preceding paragraph will be void and have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of our Shares or a beneficial interest therein is not treated as being void for any reason, the Shares or such beneficial interest will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in such Shares.

## **Legends on Shares**

Our Shares will bear the following legend:

*Lehman Brothers Private Equity Partners Limited (the “Company”) has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the “U.S. Investment Company Act”). This security and any beneficial interest herein may not be reoffered, resold, pledged or otherwise transferred in the United States or to U.S. persons, except to persons who are qualified purchasers (as defined in the U.S. Investment Company Act and related rules, a “Qualified Purchaser”). By acquiring this security or a beneficial interest herein, each acquirer shall be deemed to represent, warrant and agree with the Company that: (1) it is either: (A) outside the United States and not a U.S. person or (B) a Qualified Purchaser; (2) it will not offer, resell, pledge or otherwise transfer this security or a beneficial interest herein in the United States or to a U.S. person other than to a Qualified Purchaser; and (3) no portion of the assets used by it to purchase, and no portion of the assets used by it to hold, this security or a beneficial interest herein constitutes or will constitute the assets of an “employee benefit plan” (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”) or any other federal, state, local, non-U.S. or other laws or regulations that would cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company, its board of directors or investment manager (or other persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code, or an entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “Plan”). The Company and its agents shall not be obligated to recognize any resale or other transfer of this security or any beneficial interest herein made other than in compliance with these restrictions.*

*The Company and its agents may require any person within the United States or any U.S. person who is required under these restrictions to be a Qualified Purchaser but who is not a Qualified Purchaser at the time it acquires this security or a beneficial interest herein to transfer this security or such beneficial interest either (A) to a person or entity that is in the United States or a U.S. person and who is a Qualified Purchaser or (B) to a non-U.S. person in an offshore transaction.*

*Transfers of this security or any interest herein to a person using assets of a Plan to purchase or hold this security or any interest herein will be void and of no force and effect and will not operate to transfer any rights to such person notwithstanding any instruction to the contrary to the Company or any of its agents. If any such transfer is not treated as being void for any reason, this security or such interest herein will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in this security.*

*The terms “U.S. person” and “offshore transaction” shall have the meanings set forth in Regulation S under the U.S. Securities Act of 1933, as amended.*

## **Transfer Restrictions Applicable to the RDSs**

### ***Restrictions Due to Lack of Registration under the U.S. Securities Act***

Neither the RDSs nor the Shares represented thereby have been or will be registered under the U.S. Securities Act or any other applicable law of the United States. The RDSs may not be offered or sold within the United States or to U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Each person who is within the United States or a U.S. person and who purchases RDSs in the global offering from the managers must be a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) and must execute and deliver a Purchaser’s Letter in the form set forth in Appendix A to this offering memorandum. Each person who is within the United States or a U.S. person and who purchases RDSs directly from us must be an accredited investor (as defined in Rule 501(a) under the U.S. Securities Act) and must execute and deliver a Subscription Agreement in the form set forth in Appendix B to this offering memorandum. The Purchaser’s Letter and the Subscription Agreement include certain written representations, agreements and acknowledgements relating to the transfer restrictions described herein.

The RDSs and any beneficial interests therein may not be reoffered, resold, pledged or otherwise transferred to a transferee that is in the United States or that is a U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Each subsequent transferee of RDSs who is within the United States or a U.S. person will be required to execute and deliver a U.S. Transferee’s Letter in the form set forth in Appendix C to this offering memorandum. Shares that are represented by RDSs and any beneficial interests therein may be transferred only to a non-U.S. person in an offshore transaction pursuant to Regulation S under the U.S. Securities Act and only upon the surrender by the transferor of the RDRs evidencing such RDSs and the execution and delivery by the transferor of a Surrender Letter in the form set forth in Appendix D to this offering memorandum. The U.S. Transferee’s Letter and the

Surrender Letter include certain written representations, agreements and acknowledgements relating to the transfer restrictions described herein. In addition, except in the case of (1) a transfer of RDSs in accordance with Rule 144A to a qualified institutional buyer who executes and delivers a U.S. Transferee's Letter or (2) a transfer of Shares represented by RDSs to a non-U.S. person in an offshore transaction in accordance with Regulation S where the transferor executes and delivers a Surrender Letter, we and the depositary may, in connection with a transfer of Shares or RDSs represented thereby, require the delivery of an opinion of counsel to ensure compliance with the U.S. Securities Act and additional certifications or information relating to the transfer.

### ***U.S. Investment Company Act Restrictions***

We have not been and do not intend to become registered as an investment company under the U.S. Investment Company Act and related rules. The RDSs, the Shares represented thereby and any beneficial interest therein may not be offered or sold in the global offering or reoffered, resold, pledged or otherwise transferred in the United States or to U.S. persons, except to persons who are qualified purchasers (as defined in the U.S. Investment Company Act and related rules). Each person who is within the United States or a U.S. person and who purchases RDSs in the global offering from the managers or from us will, by executing and delivering a Purchaser's Letter or a Subscription Agreement, represent, agree and acknowledge in writing that it is a qualified purchaser. Each subsequent transferee who is within the United States or a U.S. person will, by executing and delivering a U.S. Transferee's Letter, agree and acknowledge in writing that it is a qualified purchaser.

We, the depositary and our agents may require any U.S. person or any person within the United States who is required to be a qualified purchaser but is not a qualified purchaser at the time it acquires the RDSs, our Shares or a beneficial interest therein to transfer such securities or such beneficial interest immediately to (1) a non-U.S. person in an offshore transaction pursuant to Regulation S under the U.S. Securities Act or (2) to a person (A) that is within the United States or that is a U.S. person and (B) who is a qualified purchaser and makes certain representations. Pending such transfer, we are authorized to suspend the exercise of any special consent rights, any rights to receive notice of, or attend, a meeting of our company and any rights to receive distributions with respect to such securities. If the obligation to transfer is not met, we are irrevocably authorized, without any obligation, to sell and transfer such securities to (1) a non-U.S. person in an offshore transaction pursuant to Regulation S or (2) a person that is in the United States or a U.S. person and who is a qualified purchaser and, if such securities are sold, are obligated to distribute the net proceeds to the entitled party.

### ***ERISA, U.S. Internal Revenue Code and Other Restrictions***

The RDSs, the Shares represented thereby and any beneficial interest therein may not be acquired or held by investors using assets of any Plan (as defined in "Certain ERISA Considerations"). Each purchaser of RDSs and each subsequent transferee will, by executing and delivering a Purchaser's Letter, a Subscription Agreement or a U.S. Transferee's Letter, represent, agree and acknowledge in writing that no portion of the assets used to acquire or hold its interest in the Shares constitutes or will constitute the assets of any Plan.

Our memorandum and articles of association provide that any purported acquisition or holding of the RDSs, the Shares represented thereby or a beneficial interest therein in contravention of the restriction described in the representation set forth in the immediately preceding paragraph will be void and have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of the RDSs, the Shares represented thereby or a beneficial interest therein is not treated as being void for any reason, the RDSs, the Shares represented thereby or such beneficial interest therein will automatically be sold by us in the open market and the net proceeds remitted to the record holder or, if we determine in our sole discretion that such a sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary, which may include the trust which holds our class B shares, and the purported holder will acquire no rights under our memorandum and articles of association in such securities.

### ***Legends on RDRs Evidencing RDSs***

The RDRs evidencing the RDSs offered hereby will bear the following legend:

*The restricted depositary shares (the "RDSs") evidenced hereby and the class A ordinary shares (the "Shares") of Lehman Brothers Private Equity Partners Limited (the "Company") represented thereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws in the United States, and the Company has not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"). These securities and any beneficial interest therein may not be reoffered, resold, pledged or otherwise transferred, except:*

*(1) in an offshore transaction in accordance with Regulation S under the U.S. Securities Act ("Regulation S") to a person outside the United States and not known by the transferor to be a U.S. person, by pre-arrangement or*



otherwise, upon surrender of the RDSs and delivery of a written certification that such transferor is in compliance with the requirements of this clause (1). The terms “U.S. person” and “offshore transaction” shall have the meanings set forth in Regulation S;

(2) in a transaction, that is exempt from the registration requirements of the Securities Act to a transferee who is within the United States or a U.S. person and who delivers a written certification that:

(A) such transferee is (i) all of the following: (a) a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act), (b) not a broker-dealer that owns and invests on discretionary basis less than \$25 million in securities of unaffiliated issuers and (c) not a participant directed employee plan, such as a plan described in subsections (a)(1)(i)(d), (e) or (f) of Rule 144A under the U.S. Securities Act; or (ii) acquiring such securities pursuant to another available exemption from the registration requirements of the Securities Act, subject to the right of the Company and the designated depository (the “Depository”) to require delivery of an opinion of counsel and to require delivery of other information satisfactory to each of them as to the availability of such exemption;

(B) such transferee is a qualified purchaser (as defined in the U.S. Investment Company Act and related rules, a “Qualified Purchaser”);

(C) no portion of the assets used by such transferee to purchase, and no portion of the assets used by such transferee to hold, the RDSs, the Shares represented thereby or any beneficial interest therein constitutes or will constitute the assets of an “employee benefit plan” (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”) or any other federal, state, local, non-U.S. or other laws or regulations that would cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company, its board of directors or investment manager (or other persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code, or an entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “Plan”); and

(D) such transferee is acquiring the RDSs, the Shares represented thereby and any beneficial interest therein for its own account as principal, or for the account of another person who is able to and shall be deemed to make the representations, warranties and agreements in this clause (2); or

(3) to the Company or a subsidiary thereof.

Each of the foregoing restrictions is subject to any requirement of law that the disposition of the property of the holder of these securities or the property of any investor account or accounts on behalf of which such holder holds these securities be at all times within the control of such holder or of such accounts and subject to compliance with any applicable state securities laws.

The Company, the Depository and their respective agents shall not be obligated to recognize any resale or other transfer of these securities or any beneficial interest therein made other than in compliance with these restrictions. The Company and the Depository may require any U.S. person or any person within the United States who is required by these restrictions to be a Qualified Purchaser, but is not, to transfer these securities or such beneficial interest either (A) to a person or entity that is in the United States or a U.S. person and who is a Qualified Purchaser or (B) to a non-U.S. person in an offshore transaction. Pending such transfer, the Company is authorized to suspend the exercise of the meeting and consent rights relating to the relevant RDSs and the Shares represented thereby and the right to receive distributions in respect of the relevant RDSs and the Shares represented thereby. If the obligation to transfer is not met, the Company is irrevocably authorized, without any obligation, to sell and transfer the RDSs or the Shares represented thereby, as applicable, in a manner consistent with these restrictions and, if such Shares or RDSs are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.

Transfers of these securities or any interest therein to a person using assets of a Plan to purchase or hold such securities or any interest therein will be void and of no force and effect and will not operate to transfer any rights to such person notwithstanding any instruction to the contrary to the Company, the designated depository or their respective agents. If any such transfer is not treated as being void for any reason, these securities or such interest therein will automatically be sold by us in the open market and the net proceeds remitted to the record holder or, if we determine in our sole discretion that such a sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary, which may include the trust which holds our class B shares, and the purported holder will acquire no rights under our memorandum and articles of association in these securities.

## CERTAIN ERISA CONSIDERATIONS

### General

The following is a summary of certain considerations associated with the purchase of the Shares and RDSs by an “employee benefit plan” (within the meaning of Section 3(3) of ERISA) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code or provisions under any Similar Law, and entities whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “Plan”). This summary is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Shares or the RDSs on behalf of, or with the assets of, any employee benefit plan, consult with their counsel to determine whether such employee benefit plan is subject to Title I of ERISA, Section 4975 of the U.S. Internal Revenue Code or any Similar Laws.

ERISA and the Plan Asset Regulations generally provide that when a Plan subject to Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code (an “ERISA Plan”) acquires an equity interest in an entity that is neither a “publicly-offered security” (as defined in the Plan Asset Regulations) nor a security issued by an investment company registered under the U.S. Investment Company Act, the ERISA Plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that less than 25% of the total value of each class of equity interest in the entity is held by “benefit plan investors” as defined in Section 3(42) of ERISA (the “25% Exception”) or that the entity is an “operating company,” as defined in the Plan Asset Regulations. For purposes of the 25% Exception, the assets of an entity will not be treated as “plan assets” if, immediately after the most recent acquisition of any equity interest in the entity, less than 25% of the total value of each class of equity interest in the entity is held by “benefit plan investors,” excluding equity interest held by persons (other than benefit plan investors) with discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates thereof. The term “benefit plan investors” is generally defined to include employee benefit plans subject to Title I of ERISA or Section 4975 of the Code (including “Keogh” plans and individual retirement accounts), as well as any entity whose underlying assets include plan assets by reason of a plan’s investment in such entity (e.g., an entity of which 25% or more of the value of any class of equity interests is held by benefit plan investors and which does not satisfy another exception under ERISA).

It is anticipated that (i) the Shares, in the form of Shares or RDSs, will not constitute “publicly offered securities” for purposes of the Plan Asset Regulations, (ii) we will not be an investment company registered under the U.S. Investment Company Act and (iii) we will not qualify as an “operating company” within the meaning of the Plan Asset Regulations. In addition, we will not monitor whether investment in the Shares or the RDSs by benefit plan investors will satisfy the 25% Exception.

### *Plan Asset Consequences*

If our assets were deemed to be “plan assets” of an ERISA Plan whose assets were invested in us, this would result, among other things, in (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by us, and (ii) the possibility that certain transactions that we, our company’s board of directors, the Investment Manager, the Investment Partnership and any investment vehicles of the Investment Partnership might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the U.S. Internal Revenue Code and might have to be rescinded. A non-exempt prohibited transaction, in addition to imposing potential liability upon fiduciaries of the ERISA Plan, may also result in the imposition of an excise tax under the U.S. Internal Revenue Code upon a “party in interest” (as defined in ERISA), or “disqualified person” (as defined in the U.S. Internal Revenue Code), with whom the ERISA Plan engaged in the transaction. In addition, for purposes of investing in an entity that is itself seeking to qualify for the 25% Exception, it could be disadvantageous to us if 25% or more of the value of any class of our equity interest is held by ERISA Plans.

Governmental plans, certain church plans and non-U.S. plans, while not subject to Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code, may nevertheless be subject to Similar Laws. Fiduciaries of such plans should consult with their counsel before purchasing or holding any Shares or RDSs.

Because of the foregoing, neither the Shares nor RDSs may be purchased or held by any person investing “plan assets” of any Plan.

### *Representation and Warranty*

In light of the foregoing, by accepting an interest in any Shares or RDSs, each shareholder will be deemed to have represented and warranted, or will be required to represent and warrant in writing, that no portion of the assets used to

purchase or hold its interest in the Shares or the RDSs constitutes or will constitute the assets of any Plan. Any purported purchase or holding of Shares or RDSs in violation of the requirement described in the foregoing representation will be void. If such purchase is not treated as being void for any reason, the Shares or RDSs, as the case may be, will automatically be sold by us in the open market and the net proceeds remitted to the record holder or, if we determine in our sole discretion that such a sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary, which may include the trust which holds our class B shares, and the purported holder will acquire no rights under our memorandum and articles of association in such securities.

## THE GLOBAL OFFERING

### Introduction

The global offering consists of an offering of 50,000,000 Shares, including Shares in the form of RDSs. We have applied to list all our Shares on Eurolist by Euronext. It is expected that the dealings in our Shares will commence on an “as-if-and-when-issued” basis on or about July 18, 2007. It is expected that settlement will take place and that dealings in our Shares will commence unconditionally on or about July 25, 2007. Once dealing in our Shares have commenced unconditionally, the global offering may not be revoked or suspended. The RDSs will not be listed on any exchange.

The global offering consists of a private placement with institutional and certain other investors in the Netherlands and in other countries. In the United States, RDSs representing Shares will be offered in a private placement to certain “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act). Additionally, as part of the global offering, we will directly offer RDSs representing Shares in a private placement, with the managers acting as placement agents, to certain “accredited investors” (as defined in Rule 501(a) under the U.S. Securities Act). Simultaneously with the closing of the global offering, affiliates of Lehman Brothers Holdings Inc. (“Lehman Brothers”) will purchase \$100 million of our Shares (in the form of RDSs) at the public offering price.

In connection with the global offering, it is intended to passport this offering memorandum into the United Kingdom.

The expected date of issuance of the Shares and RDSs will be on or about July 25, 2007, which is expected to be five business days after the initial date of trading of the Shares being offered in the global offering.

The initial offering price is \$10 per Share (including those in the form of RDSs) and was determined by our company’s board of directors in consultation with the managers.

The Investment Manager will bear the underwriting and placement fees and other expenses associated with the global offering.

### Over-allotment Option

The stabilizing manager may, to the extent permitted by applicable law, over-allot Shares in an amount up to a maximum of 10% of the total number of Shares and RDSs comprised in the global offering. Pursuant to the purchase/placement agreement to be entered into among us, the Investment Manager and the managers of the global offering, the stabilizing manager will be granted an option to require us to issue additional Shares up to 10% of the total number of Shares and RDSs initially offered in the global offering at the initial offering price until 30 days from commencement of trading of our Shares on Euronext Amsterdam to cover over-allotments. The option may be exercised by the stabilizing manager at its discretion in order to cover short positions created in any initial over-allotment of Shares sold in the global offering or in subsequent stabilization transactions following admission, in accordance with applicable law. For more information on this right of the stabilizing manager, see “Plan of Distribution—Stabilization.”

### Expected Timetable for the Global Offering

The timetable below lists certain expected key dates for the global offering.

Event	Date
Expected allotment of the RDSs and Shares.....	July 17, 2007
Announcement of the offer size in pricing statement .....	July 18, 2007
Euronext Amsterdam listing date.....	July 18, 2007
Dealings to commence on “as-if-and-when-issued” basis .....	July 18, 2007
Admission to official listing (unconditional listing) .....	July 25, 2007
Settlement date.....	July 25, 2007

The timetable for the global offering is subject to acceleration or extension. Any acceleration or extension of the timetable for the global offering will be announced in a press release (together with any related revision of the expected dates of pricing, allocation and closing) at least two hours before the proposed expiration of the accelerated timetable for the global offering or, in the event of an extended timetable for the global offering, at least two hours before the expiration of the original timetable for the global offering. Any extension of the timetable for the global offering will be for a minimum of one full business day.

We expect that delivery of the Shares and RDSs will be made against payment therefor on or about the settlement date specified on the cover page of this prospectus, which will be the fifth business day following the expected initial date of

trading of the Shares (such settlement cycle being referred to as “T+5”). Under applicable rules and regulations, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Shares on the initial trading date of the Shares and the next succeeding business day will be required, by virtue of the fact that the Shares and RDSs initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Shares or RDSs who wish to trade Shares on the initial date of trading of the Shares or the next succeeding business day should consult their own advisor.

### **Change of Actual Number of Shares and RDSs and Bookbuilding**

The managers will solicit from prospective investors indications of interest in acquiring the Shares and RDSs under the offering. Based on indications received during the subscription period, the managers will conduct a bookbuilding process pursuant to which they will endeavor to establish the number of Shares and RDSs for which there is demand.

The actual number of Shares and RDSs being offered in the global offering may be increased or decreased prior to the settlement date. The actual number of Shares and RDSs offered in the global offering will be determined after taking into account market conditions, and criteria and conditions such as those listed below:

- demand for the Shares and RDSs in the offering; and
- the economic and market conditions, including those in the debt and equity markets.

The number of Shares and RDSs offered in the global offering will be published in a pricing statement to be filed with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) and will be announced in a press release and the Official Price List and a Netherlands newspaper on or about July 18, 2007.

### **Subscription and Allotment**

The latest time and date for receipt of indications of interest under the offering is 5:00 p.m. (London time) on July 16, 2007, but that time may be extended at the discretion of the managers (with our agreement). Subscriptions may not be withdrawn unless we publish a supplement to this offering memorandum in accordance with Section 5:23 of the Netherlands Financial Supervision Act, in which case the subscriptions may be withdrawn within two business days after the publication of the supplement.

The minimum aggregate amount which a prospective investor may subscribe for in the offering is \$100,000 (or (i) such lesser amount as may be decided by our Company or (ii) in respect of investors in any particular jurisdiction, such higher amount as the managers may deem appropriate in order to comply with applicable securities laws in such jurisdiction), which at the offering price of \$10 per Share or RDS is 10,000 Shares or RDSs. There is no maximum amount of Shares or RDSs for which prospective investors may subscribe. Investors may receive a smaller number of Shares or RDSs than they subscribe for. Any monies received in respect of subscriptions not accepted in whole or part will be returned to applicants without interest and at the applicants’ risk. Multiple subscriptions are permitted; the managers may, nevertheless, at their own discretion and without stating the reasons, reject any subscriptions wholly or partly.

Allotment of our Shares and the RDSs is expected to take place after the close of business on July 17, 2007, subject to acceleration or extension of the timetable for the global offering.

We expect to announce the numbers of RDSs allocated to U.S. investors and the number of Shares issued pursuant to the global offering on or about July 18, 2007. We will also publish a pricing statement on or about July 18, 2007, which will state the initial offering price as stated in this offering memorandum and the final aggregate number of Shares to be issued by us.

### **Listing Agent and Paying Agent**

ABN AMRO Bank N.V. is acting as the listing agent with respect to the listing of our Shares on Eurolist by Euronext. The address of ABN AMRO Bank N.V. is Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands. ABN AMRO Bank N.V. is acting as the paying agent for our Shares in the Netherlands. The address of ABN AMRO Bank N.V. is Gustav Mahlerlaan 10, 1082 PP Amsterdam, Netherlands.

### **Security Codes**

ISIN: GG00B1ZBD492

Amsterdam Security Code (*fondscode*): 600737

## **Payment, Delivery, Clearing and Settlement**

Payment for the Shares, and payment for any Shares issued pursuant to the exercise of the stabilizing manager's over-allotment option, provided that this option has been exercised prior to the settlement date, will take place on the settlement date. Application has been made for the Shares to be accepted for clearance through the book-entry facilities of Euroclear Nederland.

Delivery of the Shares is expected to take place on or about July 25, 2007, which we refer to as the "settlement date," through the book-entry facilities of Euroclear Nederland in accordance with their normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.

There are certain restrictions on the transfer of our Shares as described under "Transfer Restrictions."

## **Listing and Trading of the Shares**

We have applied for the listing of all of our Shares on Eurolist by Euronext under the symbol "LBPE" and the admission of all of our Shares to trade on Euronext Amsterdam. We expect that listing of our Shares on Eurolist by Euronext and trading of our Shares on Euronext Amsterdam will commence on or about July 18, 2007 on an "as-if-and-when-issued" basis. We expect that dealings in our Shares will commence unconditionally on or about July 25, 2007. The settlement date, on which the closing of the global offering and delivery of the Shares is scheduled to take place, is expected to be on or about July 25, 2007.

Investors that wish to enter into transactions in our Shares prior to the settlement date, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that the closing of the global offering may not take place on the settlement date or at all if certain conditions or events referred to in the purchase/placement agreement are not satisfied or waived or occur on or prior to such date. See "Plan of Distribution." Such conditions include the receipt of officers' certificates and legal opinions and such events include the absence of a suspension of trading on Euronext Amsterdam or a material adverse change in our financial condition or business affairs or in the financial markets. If closing of the global offering does not take place on the settlement date or at all, all transactions in our Shares on Euronext Amsterdam conducted between the announcement of the offering and the settlement date are subject to cancellation by Euronext Amsterdam N.V. All dealings in our Shares on Euronext Amsterdam prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam N.V. does not accept any responsibility or liability for any loss or damage incurred by any person as a result of the listing and trading on an "as-if-and-when-issued" basis as from the listing date until the settlement date.

## PLAN OF DISTRIBUTION

We plan to enter into a purchase/placement agreement with Lehman Brothers International (Europe), Hoare Govett Limited and UBS Limited (the “managers”), the Investment Partnership and our Investment Manager, under which each of the managers will (severally and not jointly or jointly and severally) agree to procure placees, or failing which to subscribe itself, for the number of Shares (either in the form of Shares or RDSs) identified in the pricing statement (less any Shares (in the form of RDSs) sold directly by us in the private placement described under “Private Placement”). In addition, we expect that certain co-managers will enter into binding agreements with us to procure subscribers for, or failing which to subscribe themselves, for a fixed number of Shares upon the terms and conditions specified therein and in the purchase/placement agreement. The identity of such co-managers and the number of Shares in relation to which each such co-manager has agreed to procure subscribers, or failing which to subscribe itself, will be identified in the pricing statement.

Allocations among managers will be published in a pricing statement in the Netherlands on or about July 18, 2007.

A portion of the Shares and RDSs may be reserved for issuance to employees of Lehman Brothers on the same terms as other investors in the global offering.

The stabilizing manager has been granted in the purchase/placement agreement an option to require us to issue additional Shares up to 10% of the total number of Shares and RDSs initially offered in the global offering. It may exercise that option for 30 days from the commencement of trading of our Shares on the regulated market of Euronext Amsterdam N.V.

In no event will the total size of the global offering, including Shares issued pursuant to the stabilizing manager’s over-allotment option, exceed 60,000,000 Shares and RDSs.

The initial offering price of the Shares per share will be \$10.

The proceeds to us will be \$500,000,000, assuming 50,000,000 Shares are issued (increasing to \$550,000,000 if the over-allotment option is exercised in full).

Our Investment Manager will pay the managers and any co-managers an aggregate commission of up to 4.0% of the proceeds of the global offering on all Shares being offered as part of the global offering except for any Shares purchased by Lehman Brothers or its affiliates (other than through its activities as underwriter), or sold to employees of Lehman Brothers. The Managers may pay a portion of the commissions received from the Investment Manager in connection with the global offering to third party selling agents. Our Company, the Investment Partnership and the Investment Manager will agree to indemnify the managers with respect to certain matters against certain liabilities and expenses, including liabilities under the U.S. Securities Act.

The maximum number of Shares and RDSs being offered in the global offering may be increased prior to the settlement date. The actual number of Shares and RDSs offered in the global offering will be determined after taking into account market conditions, and criteria and conditions such as those listed in “The Global Offering—Change of Maximum Number of Shares and RDSs.” Any increase in the maximum number of Shares or RDSs being offered in the global offering will be announced in a press release in the Netherlands.

Prior to the global offering, there has been no public market for our Shares or RDSs. Consequently, the initial offering price for the Shares and RDSs was determined by negotiations between us and the managers. Among the factors considered in determining the initial offering price were our future prospects, our markets, the economic conditions in and future prospects of the industry in which we compete, an assessment of our management, and currently prevailing general conditions in the equity securities markets.

We anticipate that the typical investors in our company will be institutional and other sophisticated or professional investors, who are capable themselves of evaluating the merits and risks of such an investment and have sufficient resources both to invest in potentially illiquid securities and to be able to bear any losses (which may equal the whole amount invested) that may result from such an investment.

### **Purchase/Placement Agreement**

The purchase/placement agreement provides that the obligations of the several managers to procure placees for, or failing which to subscribe, for, our Shares and the RDSs as set out in the pricing statement are subject to the approval of certain legal matters by their counsel and to other conditions, including the truth and completeness of customary representations and warranties and other statements made by us, the performance of customary obligations by us and the satisfaction of other customary conditions relating to legal opinions, expert opinions, officers’ certificates, the condition of us

and our affiliates, market conditions, the deposit agreement and lock-up agreements, occurs immediately post-closing and only as to Initial Investments for which we have received third party consents, the listing of our Shares on Eurolist by Euronext and other customary documents and conditions, all as set forth in the purchase/placement agreement. The purchase/placement agreement will also set forth the terms of the stabilizing manager's over-allotment option.

Our Shares and the RDSs will initially be offered at the initial offering price set forth on the cover page of this offering memorandum. After our Shares and the RDSs are released for sale and the initial offering is completed, the managers may change the initial offering price and other selling terms of our Shares or the RDSs.

The managers will be entitled to be released and discharged from their obligations under, and to terminate, the purchase/placement agreement in certain circumstances.

The purchase/placement agreement will provide that our company, the Investment Partnership and the Investment Manager will indemnify the managers and their affiliates with respect to certain matters against specified liabilities, including liabilities under the U.S. Securities Act, in connection with the offer and sale of our Shares and the RDSs, and will contribute to payments the managers and their affiliates may be required to make in respect of those liabilities.

### **Stabilization**

In connection with the global offering, the stabilizing manager may, to the extent permitted by applicable law, over-allot Shares up to a maximum of 10% of the total number of Shares and RDSs comprised in the global offering. Lehman Brothers International (Europe), as the stabilizing manager, on behalf of the managers, may effect transactions that stabilize or maintain the market price of our Shares at levels above those which might otherwise prevail in the open market. Such transactions may commence on or after the date of the commencement of trading on Euronext Amsterdam and will end no later than 30 days thereafter. Such transactions may be effected on Euronext Amsterdam, in the over-the-counter market or otherwise. There is no assurance that such stabilization will be undertaken and, if it is undertaken, it may be discontinued at any time.

Stabilization transactions must be conducted in accordance with the SEC's Regulation M and with all applicable laws and regulations, including (i) the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*) and its implementing regulations, (ii) the Commission Regulation (EC) No. 2273/2003 and (iii) Rule A-2408 of Rule Book II of Euronext Amsterdam. Rule A-2408 provides that only Euronext members may engage in stabilization activities on Euronext Amsterdam. Lehman Brothers International (Europe), the stabilizing manager, is a Euronext member.

Neither we nor any of the managers make any representation or prediction as to the direction or magnitude of any effect that the stabilization transactions described above may have on the price of our Shares or the RDSs.

### **Relationship with the Managers**

Each of the managers or their respective affiliates have from time to time performed, and may in the future perform, various investment banking, financial advisory and lending services for the Investment Manager and its affiliates and for us and our affiliates, for which they have received and may in the future receive customary fees.

The Investment Manager will bear the underwriting and placement fees and other expenses associated with the global offering.

### **Lock-Up Agreements**

We and our company's directors and officers and Lehman Brothers and members of the Investment Committee (to the extent they purchase RDSs in the global offering) will each agree, during the applicable restricted period described below, not to (save in certain limited circumstances):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any of our Shares or any securities convertible into or exercisable or exchangeable for our Shares; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our Shares;

whether any such transaction described above is to be settled by delivery of our Shares or the RDSs or such other securities, in cash or otherwise. The restrictions described in this paragraph with respect to us do not apply to:

- issues of Shares or RDSs pursuant to the global offering; or



- the issuance of Shares in connection with the exercise of the stabilizing manager's over-allotment option as described under "The Global Offering—Over-allotment Option;" or
- issuances of Shares or RDSs to Lehman Brothers in connection with its initial capital contribution to our company; or
- sales of our Shares, RDSs or other securities acquired in open market transactions.

Each of the persons subject to the foregoing restrictions also has agreed and consented to the entry of stop transfer instructions with our transfer agent and registrar against the transfer of their Shares or RDSs except in compliance with the foregoing restrictions.

The foregoing lock-up restrictions shall remain in effect for the relevant restricted period described below:

- The restricted period for our company and our company's directors and officers will commence on the date we enter into the purchase/placement agreement and end 180 days thereafter, subject to waivers of two-thirds of the global coordinators.
- The restricted period for Lehman Brothers will commence on the date we enter into the purchase/placement agreement and end 3 years thereafter or immediately upon termination of our investment management and services agreement. Waivers of the approval of Lehman Brothers' lock-up restrictions will require the approval of two thirds of the global coordinators and the consent of the committee of independent directors of our company's board of directors.

## **Selling Restrictions**

### ***United States***

Our Shares and the RDSs have not been and will not be registered under the U.S. Securities Act. Pursuant to the global offering, our Shares may not be offered or sold within the United States or to U.S. persons (as defined under the U.S. Securities Act). The RDSs may not be offered or sold within the United States or to U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Each manager has agreed that (1) it will offer and sell Shares under the purchase/placement agreement only outside the United States in accordance with Rule 903 of Regulation S and (2) it will not offer and sell the RDSs under the purchase/placement agreement at any time within the United States or to U.S. persons except to persons that it reasonably believes to be (a) qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) or accredited investors (as defined in Rule 501(a) under the U.S. Securities Act) in reliance on the exemption from registration provided by Regulation D under the U.S. Securities Act and (b) qualified purchasers (as defined in Rule the U.S. Investment Company Act and related rules). Each U.S. purchaser of the RDSs is hereby notified that the offer and sale of RDSs to it is being made in reliance upon such exemption under the U.S. Securities Act and under the relevant provisions of the U.S. Investment Company Act and related rules.

The RDSs and the Shares will be in registered form and any certificate evidencing ownership thereof shall bear a legend with respect to the restrictions on transfer set forth herein. We and our agents will not be obligated to recognize any resale or other transfer of Shares or RDSs made other than in compliance with the transfer restrictions set forth herein. In addition, purchasers of the RDSs that are in the United States or that are U.S. persons may, if they are not qualified purchasers at the time they acquire the RDSs, be forced to sell them. For a description of important restrictions on the RDSs or the Shares they represent initially offered and sold in the United States or to U.S. persons, see "Description of Our Shares and Our Limited Partnership Agreement" and "Transfer Restrictions."

Each purchaser and subsequent transferee of our Shares will be deemed to represent and warrant, and each purchaser and subsequent transferee of Shares and RDSs represented by the RDSs will be required to represent and warrant in writing, that no portion of the assets used to acquire or hold its interest in our Shares or the RDSs constitutes or will constitute the assets of any Plan (as defined in "Certain ERISA Considerations"). Our memorandum and articles of association provide that any purported acquisition or holding of Shares or RDSs in contravention of the restriction described in the representation will be void and have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of Shares or RDSs is not treated as being void for any reason, the Shares or RDSs will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in such Shares or RDSs.

### ***European Economic Area***

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of Shares or the RDSs described in this offering

memorandum may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the Shares or the RDSs that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Shares or the RDSs described in this offering memorandum located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an “offer to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Our company has not authorized and does not authorize the making of any offer of Shares or the RDSs through any financial intermediary on our behalf, other than offers made by the managers with a view to the final placement of the Shares or the RDSs as contemplated in this offering memorandum. Accordingly, no purchaser of the Shares or the RDSs, other than the managers, is authorized to make any further offer of the Shares or the RDSs on behalf of us or the managers.

### ***United Kingdom***

This offering memorandum is being distributed only to, and is directed only at, (i) persons outside the United Kingdom to whom it is lawful to communicate to, or (ii) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), or (iii) high net worth companies, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), provided that in the case of persons falling into categories (ii) or (iii), the communication is only directed at persons who are also “qualified investors” as defined in section 86 of the Financial Services and Markets Act 2000 (each of the persons falling within (i), (ii) or (iii), a “relevant person”). Any investment or investment activity to which this offering memorandum relates is available only to and will be engaged in only with such relevant persons. Persons within the United Kingdom who receive this communication (other than persons falling within (ii) and (iii) above) should not rely on or act upon this offering memorandum. This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom.

### ***Australia***

This offering memorandum is not a formal disclosure document and has not been lodged with the Australian Securities and Investments Commission (ASIC). It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus for the purposes of Chapter 6D.2 of the Australian Corporations Act 2001 (Act) in relation to the Shares or our company.

This offering memorandum is not an offer to retail investors in Australia generally. Any offer of Shares in Australia is made on the condition that the recipient is a “sophisticated investor” within the meaning of section 708(8) of the Act or a “professional investor” within the meaning of section 708(11) of the Act, or on condition that the offer to that recipient can be brought within the exemption for ‘Small-Scale Offerings’ (within the meaning of section 708(1) of the Act). If any recipient does not satisfy the criteria for these exemptions, no applications for Shares will be accepted from that recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of the offer, is personal and may only be accepted by the recipient.

If a recipient on-sells their Shares within 12 months of their issue, that person will be required to lodge a disclosure document with ASIC unless either:

- (a) the sale is pursuant to an offer received outside Australia or is made to a “sophisticated investor” within the meaning of 708(8) of the Act or a “professional investor” within the meaning of section 708(11) of the Act; or
- (b) it can be established that our company issued, and the recipient subscribed for, the Shares without the purpose of the recipient on-selling them or granting, issuing or transferring interests in, or options or warrants over them.

#### ***Austria***

This offering memorandum does not constitute a prospectus within the meaning of the Austrian Capital Markets Act and does not constitute an offer to sell or the solicitation of an offer to purchase the shares of our company in Austria. The shares will not be publicly offered in the Republic of Austria. The distribution of this offering memorandum or the marketing of the shares is subject to restrictions under Austrian law. Persons into whose possession this offering memorandum may come are required to obtain all necessary information on and to observe such restrictions.”

#### ***Bahrain***

This offering memorandum has not been reviewed by the Central Bank of Bahrain (“CCB”). This offering memorandum may not be circulated within the Kingdom of Bahrain and nor may our Shares be offered for subscription or sold, directly or indirectly, nor may any invitation or offer to subscribe for our Shares be made to persons in the Kingdom of Bahrain. The CCB is not responsible for our performance.

#### ***Belgium***

This offering does not constitute a public offering in Belgium. The offer may not be advertised and the Shares may not be offered or sold, and this offering memorandum or any other offering material relating to the Shares may not be distributed, directly or indirectly, to any persons in Belgium other than to (i) qualified investors as defined in article 10 of the Act of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market, or (ii) other investors in circumstances which do not require the publication by the Issuer of a prospectus, information circular, brochure or similar document pursuant to Article 3 of the aforementioned Act. The offering has not been and will not be notified to, and this document or any other offering material relating to the Shares has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission (“Commission bancaire, *financière* et des assurances/Commissie voor het Bank-, Financie-en Assurantiewezen”). Any representation to the contrary is unlawful.

#### ***Denmark***

This offering memorandum does not constitute a prospectus under any Danish laws or regulations and has not been filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) as this offering memorandum has not been prepared in the context of a public offering of securities in Denmark within the meaning of the Danish Securities Trading Act No. 479 of 1 June 2006 as amended from time to time or any Executive Orders issued in connection thereto. This offering memorandum will only be directed to persons or entities in Denmark who acquire securities in circumstances which will not result in the offer being subject to the Danish Prospectus requirements pursuant to Chapter 6 or 12 of the Danish Securities Trading Act No. 479 of 1 June 2006 as amended from time to time or any Executive Orders issued in connection thereto.

#### ***Dubai International Financial Centre (DIFC)***

This offering memorandum relates to an investment company which is not subject to any form of regulation or approval by the Dubai Financial Services Authority (“DFSA”).

This offering memorandum is intended for distribution only to persons of a type specified in the DFSA’s rules (i.e. “qualified investors”) and must not, therefore, be delivered to, or relied on by, any other type of person.

The DFSA has no responsibility for reviewing or verifying this offering memorandum or other documents in connection with our company. Accordingly, The DFSA has not approved this offering memorandum or any other associated documents nor taken any steps to verify the information set out in this offering memorandum, and has no responsibility for it.

The shares to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. prospective purchasers of the shares offered should conduct their on due diligence on the shares.

If you do not understand the contents of this document you should consult an authorised financial adviser.

## ***Finland***

The Shares may not be offered or sold, and this offering memorandum may not be distributed, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, except pursuant to applicable Finnish laws and regulations. Specifically, the Shares may not be offered or sold, and this offering memorandum may not be distributed, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, other than to a limited number of pre-selected investors (under the Finnish Securities Market Act of 1989).

## ***France***

The Shares have not been offered, sold or otherwise transferred and will not be offered, sold or otherwise transferred, directly or indirectly, to the public in the Republic of France.

Such offers, sales or other transfers and distributions will be made in the Republic of France in accordance with Article L.411-2 of the French Code monétaire et financier only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case, and except as otherwise stated under French laws and regulations, investing for their own account, all as defined in, and in accordance with, Articles L.411-2, D.411-1 to D.411-4, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier; and/or
- to investment services providers authorised to engage in portfolio management services on a discretionary basis on behalf of third parties.

The Shares may be resold directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Code monétaire et financier.

Neither this offering memorandum nor any other offering material relating to the Shares described in this offering memorandum has been submitted to the clearance procedures of the Autorité des Marchés Financiers or notified to the Autorité des Marchés Financiers by the competent authority of another member state of the European Economic Area.

Neither this offering memorandum nor any other offering material relating to the Shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in the Republic of France, or
- used in connection with any offer for subscription or sale of the Shares to the public in the Republic of France,

other than to investors to whom offers, sales or other transfers of the Shares in the Republic of France may be made as described above.

## ***Germany***

The Shares are neither registered for public distribution with the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht / BaFin*) according to the German Investment Act nor listed on a German exchange. No sales prospectus pursuant to the German Securities Prospectus Act has been filed with the BaFin. Consequently, the Shares must not be distributed in or into Germany by way of a public offer, public advertisement or in any similar manner, and this document and any other document relating to the Company, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the Shares to the public in Germany or any other means of public marketing.

Any resale of the Shares in the Federal Republic of Germany must not be made by way of a public offer, public advertisement or in any similar manner and should also comply with the applicable exemptions of section 3 (2) of the German Securities Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of units. Prospective investors in Germany are urged to consult their own tax advisers as to the tax consequences that may arise from an investment in the Shares.

## ***Hong Kong***

The Shares have not been and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and no advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of

Hong Kong), has been or will be issued, whether in Hong Kong or elsewhere, other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

**W A R N I N G**—The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

### ***India***

This offering memorandum has not been and will not be registered as a prospectus with the registrar of companies in India, nor has it, or any other offering document or material relating to the Shares, been circulated or distributed nor will it be circulated or distributed, directly or indirectly, to the public or any members of the public in India. Further, persons into whose possession this offering memorandum comes are required by our company and the managers to inform themselves about and to observe any such restrictions. Each prospective investor is advised to consult its advisers about the particular consequences to it of an investment in the Shares. Each prospective investor is also advised that any investment in the Shares by it is subject to the regulations prescribed by the Reserve Bank of India and the Foreign Exchange Management Act and any regulations framed thereunder.

### ***Indonesia***

The global offering will not be conducted in a manner which constitutes a public offering of securities under applicable and regulations of the Republic of Indonesia.

### ***Israel***

No action has been or will be taken in Israel that would permit an offering of the Shares or a distribution of this offering memorandum to the public in Israel.

Accordingly, the Shares will not be offered, directly or indirectly, in Israel or to others for re-offering or resale, directly or indirectly, in Israel except to investors of the type listed in the First Schedule to Israel’s Securities Law 5728-1968.

### ***Italy***

The proposed offering has not been and will not be filed with the Italian authorities for registration and it has not been and will not be authorized by the Bank of Italy pursuant to Article 42, paragraph 5 of the D.Lgs 58/98 (the “Financial Law Consolidated Act”). Consequently, the Shares cannot be offered in Italy either to retail or professional investors.

### ***Japan***

The Shares have not been, and will not be, listed, registered or publicly offered in Japan under the Securities and Exchange Law of Japan (law no. 25 of 1948 as amended).

As the Shares have been offered to the holder of the Shares in reliance upon an exception under the Securities and Exchange Law, the Shares or any interest therein may be offered, directly or indirectly, in Japan to or for the account of up to 49 persons and 250 Qualified Institutional Investors (**tekikaku-kikan-toshika**) (as defined in the Securities and Exchange Law).

### ***Kuwait***

The marketing and sale of the Shares in the State of Kuwait have not been licensed by the Ministry of Commerce and Industry.

### ***Malaysia***

Nothing in this offering memorandum shall constitute in any manner whatsoever a proposal to make available, offer for subscription or purchase or to issue an invitation to purchase or subscribe for any securities in Malaysia or a proposal to implement any of the foregoing in Malaysia nor has this offering memorandum been registered as a prospectus with the Malaysia Securities Commission (“SC”) or deposited with the SC. No person receiving a copy of this offering memorandum may treat the same as constituting an invitation or offer to him in Malaysia and shall not distribute or make available this offering memorandum in Malaysia. The offeror of any Shares shall not be liable in any manner whatsoever in the event that this offering memorandum is distributed or made available in Malaysia. Since no application for approval has been or will be made to the SC for the offering of the Shares, or for the registration of this offering memorandum, the Shares shall not be

offered for subscription or purchased or made available, whether directly or indirectly, in Malaysia. The Shares are being offered to you outside Malaysia under a very limited and exclusive private placement. It is the sole responsibility of recipients wishing to take any action upon this offering memorandum to satisfy themselves as to the full observance of the laws of Malaysia and to obtain all relevant government regulatory approvals including but not limited to exchange control laws.

### ***Portugal***

This offering memorandum has not been approved by the Comissão do Mercado de Valores Mobiliários (“CMVM”), the Portuguese Securities Market Commission, and no application has been or will be made to obtain such approval. The Shares have not been directly or indirectly offered, sold or distributed to undetermined addressees nor preceded or accompanied by prospecting or advertisement activities or by the collection of investment intentions from undetermined addressees and will not be offered, sold or distributed nor preceded or accompanied by prospecting or advertisement activities or by the collection of investment intentions from undetermined addressees in circumstances which could qualify the Portuguese jurisdiction as the competent authority pursuant to Article 145 applicable ex vi article 108 and in circumstances which could qualify as a public offering of securities pursuant to Article 109 of the Portuguese Securities Code (“Código dos Valores Mobiliários” or “CVM”), as approved by the Decree-Law no. 486/99, of 13<sup>th</sup> November, as amended. Consequently, the Shares will *only* be directly or indirectly offered, sold or distributed in the Republic of Portugal to qualified investors as defined in Articles 30 and 110-A of the CVM. Accordingly, this offering memorandum or any other materials or document relating to the Shares has not been directly or indirectly distributed or caused to be distributed and will not, in any circumstances, in whole or in part, be directly or indirectly distributed, reproduced, redistributed, published or delivered or caused to be distributed, reproduced, redistributed, published or delivered, nor its contents disclosed by any means, directly or indirectly, to any other persons other than to qualified investors as referred above. For the avoidance of doubt, Madeira and Azores Islands fall within the jurisdiction of the Republic of Portugal.

### ***Qatar***

The investment described in this document has not been offered, sold or delivered, and will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar in a manner that would constitute a public offering.

This document has not been, and will not be, registered with or approved by the Qatar Financial Market Authority or Qatar Central Bank and may not be publicly distributed. This document is intended for the original recipient only and must not be provided to any other person. It is not for circulation in the State of Qatar and may not be reproduced or used for any other purpose.

### ***Singapore***

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. You should accordingly consider carefully whether the investment is suitable for you.

Each investor agrees that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than institutional investors (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”)), accredited investors (as defined in Section 4A of the SFA) or any person pursuant to an offer that is made on terms that the Shares are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets.

### ***Spain***

The securities referred to in this offering memorandum are not offered as a public offer of securities in Spain, but as a private placement under the exemptions available pursuant to article 30bis of Law 24/1988, of 28 July 1988 and in article 38.1 of Royal Decree 1310/2005, of 4 November 2005.

### ***Sweden***

Neither the offering of the Shares nor this offering memorandum is subject to any registration or approval requirements in Sweden. Accordingly, this offering memorandum has not been, nor will it be, registered or approved by the Swedish Financial Supervisory Authority (*Finansinspektionen*). The Shares may not be distributed in Sweden in circumstances which would require such registration or approval.

### ***Switzerland***

Our company has not been approved by the Swiss Federal Banking Commission as a foreign collective investment scheme pursuant to Article 120 of the Collective Investment Schemes Act of June 23, 2006 (“CISA”). Accordingly, the Shares may not be offered to the public in or from Switzerland, and neither this offering document, nor any other offering materials relating to the Shares may be made available through a public offering in or from Switzerland. The Shares may only be offered and this offering document may only be distributed in or from Switzerland to qualified investors (as defined in the CISA and its implementing ordinance) and to a limited number of other offerees otherwise than through a public offering in or from Switzerland.

### ***Taiwan***

The offer of the Shares has not been and will not be registered with or approved by the competent authorities of the Taiwan pursuant to relevant securities laws and regulations and the Shares may not be offered or sold within the Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the securities law and regulations of the Taiwan that requires a registration or approval of the competent authorities of Taiwan.

Purchasers of Shares within Taiwan under the global offering may not resell such Shares except in accordance with applicable laws in Taiwan.

### ***United Arab Emirates***

This offering memorandum is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (“UAE”). The Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange.

The global offering, the Shares and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

This offering memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The Shares may not be offered or sold directly or indirectly to the public in the UAE.

## **PRIVATE PLACEMENTS**

We are offering and selling RDSs directly to institutional “accredited investors” (as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the U.S. Securities Act) and to individual “accredited investors” (as defined in Rule 501(a)(4), (5) or (6) under the U.S. Securities Act), who are also qualified purchasers (as defined in the U.S. Investment Company Act and related rules) and who deliver to us a Subscription Agreement in the form set forth in Appendix B to this offering memorandum. The managers will receive a commission from our Investment Manager of up to 4.0% of the proceeds from the sale of RDSs for providing services as placement agent with respect to the RDSs.

The offer and sale of RDSs in the private placement is not being registered under the U.S. Securities Act, but rather is being privately placed by us pursuant to the private placement exemption from registration provided by Rule 506 of Regulation D under Section 4(2) of the Securities Act on the basis of this offering memorandum. Each purchaser of RDSs in the private placement will be required to complete and deliver to us a Subscription Agreement setting forth the purchaser’s agreement to purchase the RDSs for which the purchaser has subscribed and substantiating the purchaser’s investor status prior to our acceptance of any order from such purchaser.

Simultaneously with the closing of the global offering, affiliates of Lehman Brothers will purchase \$100 million of our Shares (in the form of RDSs) at the public offering price. The managers will not be paid any commission with respect to these RDSs.



## **LEGAL MATTERS**

The validity of the Shares being offered in the global offering will be passed upon by Carey Olsen, our Guernsey advocates. The legality of the RDSs being offered in the global offering and certain U.S. federal income tax matters will be passed upon by Simpson Thacher & Bartlett LLP, New York, New York, our special United States counsel. We are also being represented by Freshfields Bruckhaus Deringer, Amsterdam, Netherlands and London, England, who are acting as our Netherlands and English counsel, respectively. In addition, certain legal matters will be passed upon for the managers by Willkie Farr & Gallagher LLP, New York, New York and Herbert Smith LLP, London, England.

## **INDEPENDENT ACCOUNTANTS**

We have retained PricewaterhouseCoopers CI LLP to act as our independent accountants. The address of PricewaterhouseCoopers CI LLP is National Westminster House, Le Truchot, St. Peter Port, Guernsey, GY1 4ND.

## **GUERNSEY ADMINISTRATOR**

We have retained Heritage International Fund Managers Limited to act as our Guernsey administrator. Heritage International Fund Managers Limited was incorporated in Guernsey on February 15, 2006 and has its registered office at Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of our company's memorandum and articles of association, our company's restricted deposit agreement, the Investment Partnership's limited partnership agreement, our investment management and services agreement, the Investment Manager's Form ADV, our administration agreement with our Guernsey administrator and, when published, our most recent annual and quarterly financial statements and any reports to our shareholders will be available for one year from the date of this offering memorandum, free of charge, from our company at Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey, from the managers at the address set forth below and from ABN AMRO Bank N.V., the listing agent and paying agent, at Gustav Mahlerlaan 10, 1082 PP Amsterdam, Netherlands.

## **MANAGERS OF THE GLOBAL OFFERING**

The following are the legal names and addresses of the managers of the global offering:

Lehman Brothers International (Europe)  
25 Bank Street  
London E14 5LE  
United Kingdom

Hoare Govett Limited  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

**APPENDIX A: FORM OF PURCHASER'S LETTER  
FOR  
QUALIFIED INSTITUTIONAL BUYERS**

C/O Lehman Brothers Private Fund Advisers, LP  
Lehman Brothers Private Equity Partners Limited  
325 N. St. Paul Street, Suite 4900  
Dallas, TX 75201

Lehman Brothers International (Europe)  
25 Bank Street  
London E14 5LE  
United Kingdom

Hoare Govett Limited  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

The Bank of New York  
101 Barclay Street—Floor 22W  
New York, New York 10286

Ladies and Gentlemen:

In connection with the proposed purchase by the investor named below or the accounts listed on the attachment hereto (each an "*Investor*") of the restricted depositary shares (the "*RDSs*") to be delivered by The Bank of New York, as depositary (the "*Depositary*"), representing Class A ordinary shares (the "*Shares*") of Lehman Brothers Private Equity Partners Limited, a Guernsey investment company (the "*Company*"), from the Company in reliance upon an exemption from registration under the U.S. Securities Act of 1933, as amended (the "*Securities Act*"), the Investor agrees and acknowledges, on its own behalf or on behalf of each account for which it is acquiring any RDSs, and makes the representations and warranties, on its own behalf or on behalf of each account for which it is acquiring any RDSs, as set forth in Sections 1 through 20 of this letter (this "*Purchaser's Letter*");

**PLEASE COMPLETE THE FOLLOWING AND SIGN BELOW OR, IF YOU ARE ACTING FOR MORE THAN ONE INVESTOR, COMPLETE THE FORM ATTACHED HERETO AS EXHIBIT A FOR EACH OF THOSE INVESTORS, AND SIGN BELOW:**

**Name of the Investor (use exact name in which  
RDSs are to be registered in the records of the Company):**

**Address of Investor for Registration of RDSs:**

**The Investor's Tax Identification Number:**

**Number of RDSs Requested:\***

The Investor has provided a completed and signed Substitute IRS Form W-9 as set forth in Section 20 of this letter and has caused this Purchaser's Letter to be executed by its duly authorized representative as of the date indicated below.

Date:

Signature:

**A signed copy of this page may be  
submitted by fax to The Bank of New York at  
(646) 291-5813**

Print Name:

Company Name:

Title:

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\* The Investor agrees that the Managers (as defined below) may allocate to it a smaller number of RDSs.

## Qualified Institutional Buyer and Qualified Purchaser Status

1. The Investor certifies to each of the following: (i) it is a “qualified institutional buyer” (a “*QIB*”) as defined in Rule 144A, (ii) it is purchasing the RDSs only for its account or for the account of another entity that is a *QIB*, (iii) it is not a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers and (iv) it is not a participant-directed employee plan, such as a plan described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A.

2. The Investor certifies that it is a “qualified purchaser” (a “*Qualified Purchaser*”) within the meaning of Section 2(a)(51) and related rules of the U.S. Investment Company Act of 1940 (the “*Investment Company Act*”).

3. The Investor understands that, subject to certain exceptions, to be a Qualified Purchaser, it must have \$25 million in “investments” as defined in Rule 2a51-1 of the Investment Company Act.

## Transfer Restrictions

4. The Investor understands and agrees that the RDSs and the Shares represented thereby are being offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the RDSs and the Shares represented thereby have not been and will not be registered under the Securities Act, that the Company has not been and will not be registered as an investment company under the Investment Company Act and that the RDSs and the Shares represented thereby may not be transferred except as permitted in this Section 4. The Investor agrees that, if in the future it decides to offer, resell, pledge or otherwise transfer such Shares or RDSs, such Shares or RDSs will be offered, resold, pledged or otherwise transferred only as follows:

(1) in an offshore transaction in accordance with Regulation S under the Securities Act (“*Regulation S*”) to a person outside the United States and not known by the transferor to be a U.S. person, by pre-arrangement or otherwise, upon surrender of the RDSs and delivery of a written certification that such transferor is in compliance with the requirements of this clause (1) (a “*Regulation S Transfer*”);

(2) in a transaction, that is exempt from the registration requirements of the Securities Act to a transferee who is within the United States or a U.S. person and who delivers a written certification that:

(A) such transferee is (i) all of the following: (a) *QIB*, (b) not a broker-dealer that owns and invests on discretionary basis less than \$25 million in securities of unaffiliated issuers and (c) not a participant directed employee plan, such as a plan described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A; or (ii) acquiring such securities pursuant to another available exemption from the registration requirements of the Securities Act, subject to the right of the Company and the Depositary to require delivery of an opinion of counsel and to require delivery of other information satisfactory to each of them as to the availability of such exemption;

(B) such transferee is a Qualified Purchaser;

(C) no portion of the assets used by such transferee to purchase or hold the RDSs, the Shares represented thereby or any beneficial interest therein constitutes or will constitute the assets of an “employee benefit plan” (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”)) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “*U.S. Internal Revenue Code*”) or any other federal, state, local, non-U.S. or other laws or regulations that would cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company, its board of directors or investment manager (or other persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code (“*Similar Laws*”), or an entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “*Plan*”); and

(D) such transferee is acquiring the RDSs, the Shares represented thereby and any beneficial interest therein for its own account as principal, or for the account of another person who is able to and shall be deemed to make the representations, warranties and agreements in this clause (2); or

(3) to the Company or a subsidiary thereof.

Each of the foregoing restrictions is subject to any requirement of law that the disposition of the Investor’s property or the property of such investor account or accounts on behalf of which the Investor holds the RDSs be at all times within the control of the Investor or of such accounts and subject to compliance with any applicable state securities laws. The Investor

understands that any certificates representing RDSs acquired by it will bear a legend reflecting, among other things, the substance of this Section 4.

5. The Investor agrees that, prior to transferring the Investor's RDSs, the Shares represented thereby or any interest therein, (i) other than in the case of a Regulation S Transfer, any transferee must sign and deliver a letter to the Depositary substantially in the form of the U.S. Transferee's Letter attached as Annex I hereto (or in a form otherwise acceptable to the Company and the Depositary) (a "*U.S. Transferee's Letter*") and (ii) in the case of a Regulation S Transfer, the Investor must sign and deliver to the Depositary a surrender letter substantially in the form of the Surrender Letter attached as Annex II hereto (or in a form otherwise acceptable to the Company and the Depositary) (a "*Surrender Letter*").

### **Investment Company Act**

6. The Investor understands and acknowledges that the Company has not registered, and does not intend to register, as an "investment company" (as such term is defined in the Investment Company Act and related rules) and that the Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. persons described herein so that the Company will qualify for the exemption provided under Section 3(c)(7) of the Investment Company Act and will have no obligation to register as an investment company even if it were otherwise determined to be an investment company.

7. The Investor understands and acknowledges that (i) the Company and the Depositary will not be required to accept for registration of transfer any RDSs acquired by it that are not being acquired by a Qualified Purchaser, except as provided in Section 4(1) or 4(3), (ii) the Company and the Depositary may require any U.S. person or any person within the United States who is required under this Purchaser's Letter to be a Qualified Purchaser, but is not, to transfer the RDSs immediately in a manner consistent with the restrictions set forth in this Purchaser's Letter, (iii) pending such transfer, the Company is authorized to suspend the exercise of the meeting and consent rights relating to the relevant RDSs and the Shares represented thereby and the right to receive distributions in respect of the relevant RDSs and the Shares represented thereby and (iv) if the obligation to transfer is not met, the Company is irrevocably authorized, without any obligation, to transfer the RDSs or the Shares represented thereby, as applicable, in a manner consistent with the restrictions set forth in this Purchaser's Letter and, if such Shares or RDSs are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.

### **ERISA**

8. The Investor represents and warrants that no portion of the assets used by it to acquire, and no portion of the assets used by it to hold, an interest in the RDSs or the Shares represented thereby or any beneficial interest therein constitutes or will constitute the assets of an "employee benefit plan" (within the meaning of Section 3(3) of ERISA) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code or any applicable Similar Laws, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement.

9. The Investor understands and acknowledges that (i) transfers of the RDSs, the Shares represented thereby or any interest therein to a person using assets of a Plan to purchase or hold such securities or any interest therein will be void and have no force and effect and will not operate to transfer any rights to such person notwithstanding any instruction to the contrary to the Company, the Depositary or their respective agents and (ii) if such transfer is not treated as being void for any reason, the RDSs or the Shares represented thereby will automatically be sold by us in the open market and the net proceeds remitted to the record holder or, if we determine in our sole discretion that such a sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary, which may include the trust which holds our class B shares, and the purported holder will acquire no rights under our memorandum and articles of association in such securities.

### **The Offering**

10. The Investor has received a copy of the offering memorandum relating to the offering of the Shares and RDSs described therein (the "*Offering Memorandum*"). The Investor understands and agrees that the Offering Memorandum speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date.

11. The Investor is not purchasing the RDSs with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the Securities Act) that would be in violation of the securities laws of the United States or any state thereof.

12. The party signing this Purchaser's Letter is acquiring the RDSs for his or her own account or for the account of one or more Investors as to which the party signing this Purchaser's Letter is authorized to make the acknowledgments, representations and warranties, and enter into the agreements, contained in this Purchaser's Letter. The party signing this Purchaser's Letter has indicated on the first page hereof whether it is acquiring the RDSs for its own account, as Investor, or for the account of one or more Investors.

13. The Investor became aware of the offering of the Shares and RDSs by the Company and the RDSs were offered to the Investor (i) solely by means of the Offering Memorandum, (ii) by direct contact between the Investor and the Company or (iii) by direct contact between the Investor and one or more of the managers named in Schedule 1 hereto and their U.S. affiliates (the "*Managers*"). The Investor did not become aware of, nor were the RDSs offered to the Investor by any other means, including, in each case, by any form of general solicitation or general advertising. In making the decision to purchase the RDSs, the Investor relied solely on the information set forth in the Offering Memorandum and other information obtained by the Investor directly from the Company or from one or more of the Managers as a result of any inquiries by the Investor or one or more of the Investor's advisors. The Investor, in the normal course of its business, invests in or purchases securities similar to the RDSs and is a highly sophisticated investor that has such knowledge and experience in financial and business matters as to be capable of evaluating, and has evaluated the merits and risks of an investment in the RDSs, and the Investor and any accounts for which it is acting are each able to bear the economic risk of an investment in the RDSs and are currently able to afford the complete loss of such investment.

### **Purchaser's Letter**

14. The Investor understands that there is no established market for the RDSs that it is unlikely that a public market for the RDSs will develop and that the Company and the Managers will take no action to develop a market for the RDSs.

15. The Investor acknowledges that the Managers have acted as agents for the Company in connection with the sale of the RDSs. The Investor consents to the actions of each of such Managers in this regard and hereby waives any and all claims, actions, liabilities, damages or demands it may have against any of such Managers in connection with any alleged conflict of interest arising from the engagement of each of the Managers as an agent of the Company with respect to the sale by the Manager of the RDSs to the Investor.

### **General**

16. The Investor acknowledges that each of the Managers, the Company, the Depositary and their respective affiliates and others will rely on the acknowledgments, representations and warranties contained in this Purchaser's Letter as a basis for exemption of the sale of the RDSs under the Securities Act, the Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA hereof and for other purposes. The party signing this Purchaser's Letter agrees to promptly notify the Company, the Managers and the Depositary if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.

17. Each of the Managers, the Company, the Depositary and their respective affiliates are irrevocably authorized to produce this Purchaser's Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

**18. This Purchaser's Letter shall be governed by and construed in accordance with the laws of the State of New York.**

19. The Investor understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the RDSs or the Shares represented thereby.

20. The Investor agrees to provide, together with this completed and signed Purchaser's Letter, a completed and signed Substitute IRS Form W-9 or IRS Form W-8BEN, W-8EXP or W-8IMY. The Substitute IRS Form W-9 is attached to this letter as Exhibit B.

*[The next page is Exhibit A]*

**Exhibit A to Form of Purchaser's Letter  
Registered Holder Information**

	<b>Name of the Investor (use exact name of which RDSs are to be Registered)</b>	<b>Address of Investor for Registration of RDSs</b>	<b>Tax Identification Number</b>	<b>Number of RDSs Requested*</b>
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
	<b>Total Number of RDSs Requested:</b>			

\* The Investor agrees that the Managers may allocate to it a smaller number of RDSs.

**A copy of this page may be submitted by fax with a signed copy of the first page of this Purchaser's Letter and an executed substitute Form W-9 to The Bank of New York at (646) 291-5813.**

**Exhibit B to Form of Purchaser's Letter  
Substitute Form W-9**

*[Substitute Form W-9 included in Appendix E]*

**Schedule I to Form of Purchaser's Letter  
Managers**

Lehman Brothers International (Europe)  
Hoare Govett Limited  
UBS Investment Bank



**Annex I to Form of Purchaser's Letter**

*[Form of U.S. Transferee's Letter included in Appendix C]*

**Annex II to Form of Purchaser's Letter**

*[Form of Surrender Letter included in Appendix D]*

**APPENDIX B: FORM OF SUBSCRIPTION AGREEMENT  
FOR  
ACCREDITED INVESTORS**

C/O Lehman Brothers Private Fund Advisers, LP  
Lehman Brothers Private Equity Partners Limited  
325 N. St. Paul Street, Suite 4900  
Dallas, TX 75201

The Bank of New York  
101 Barclay Street—Floor 22W  
New York, New York 10286

Ladies and Gentlemen:

In connection with the proposed purchase by the investor named below (the “*Investor*”) of the restricted depositary shares (the “*RDSs*”) to be delivered by The Bank of New York, as depositary (the “*Depository*”), representing Class A ordinary shares (the “*Shares*”) of Lehman Brothers Private Equity Partners Limited, a Guernsey investment company (the “*Company*”), from the Company pursuant to Regulation D (“*Regulation D*”) under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”), the Investor agrees and acknowledges, on its own behalf or on behalf of each account for which it is acquiring RDSs, and makes the representations and agreements, on its own behalf or on behalf of each account for which it is acquiring RDSs, set forth in Sections 1 through 25 of this agreement (this “*Subscription Agreement*”):

**PLEASE COMPLETE THE FOLLOWING AND SIGN BELOW OR, IF YOU ARE ACTING FOR MORE THAN ONE INVESTOR, COMPLETE THE FORM ATTACHED HERETO AS EXHIBIT A FOR EACH OF THOSE INVESTORS, AND SIGN BELOW:**

**Name of the Investor (use exact name in which RDSs are to be registered in the records of the Company):**

\_\_\_\_\_

**Address of Investor for Registration of RDSs:**

\_\_\_\_\_

**Investor’s Social Security Number (if an individual) or Taxpayer Identification Number (if not an individual):**

\_\_\_\_\_

**Number of RDSs Requested:\***

\_\_\_\_\_

The Investor(s) has/have provided a completed and signed Substitute IRS Form W-9 as set forth in Section 25 of this Subscription Agreement. This Subscription Agreement has been executed by a duly authorized representative of the Investor(s), as of the date indicated below.

Date:

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Company Name: \_\_\_\_\_

Title: \_\_\_\_\_

Accepted:

Lehman Brothers Private Equity  
Partners Limited:

by: \_\_\_\_\_

Title: \_\_\_\_\_

A signed copy of this page and an executed substitute Form W-9 may be submitted by fax to the Investment Manager at (214) 647-9501.

\* The Investor agrees that the Company may allocate to it a smaller number of RDSs.

### **Accredited Investor and Qualified Purchaser Status**

1. The Investor certifies that it is a “qualified purchaser” (a “*Qualified Purchaser*”) within the meaning of Section 2(a)(51) and related rules of the U.S. Investment Company Act of 1940 (the “*Investment Company Act*”).

2. The Investor understands that, subject to certain exceptions, to be a Qualified Purchaser, an individual must have \$5 million in “investments” as defined in Rule 2a51-1 of the Investment Company Act.

3. The Investor certifies that it is an “accredited investor” (an “*Accredited Investor*”) as defined in Regulation D under the Securities Act.

4. The Investor understands that, to be an Accredited Investor (i) an individual must have (a) a net worth that exceeds \$1 million, individually or jointly with the individual’s spouse, or (b) an individual income in excess of \$200,000 in each of the two most recent years or joint income with the individual’s spouse in excess of \$300,000 in each of those years, with a reasonable expectation of reaching the same income level in the current year, (ii) a trust must have total assets in excess of \$5 million, not have been formed for the specific purpose of acquiring the RDSs and must be directed by a sophisticated person meeting the standards of the first sentence of Section 5 of this Subscription Agreement and (iii) any other entity must have only Accredited Investors as its equity owners.

5. The Investor is knowledgeable, sophisticated and experienced in business and financial matters as to be capable of evaluating, and has evaluated, the merits and risks of an investment in the RDSs and it fully understands the limitations on ownership and transfer and the restrictions on sales of the RDSs. The Investor is able to bear the economic risk of its investment in the RDSs and is currently able to afford the complete loss of such investment. The Investor is aware that there are substantial risks incident to the purchase of the RDSs, including those summarized under “Risk Factors” in the Offering Memorandum.

### **The Subscription**

6. Upon the terms and subject to the conditions set forth in this Subscription Agreement, the Investor hereby irrevocably subscribes for and agrees to purchase from the Company such number of RDSs as is set forth on the first page hereof at a price equal to \$10 per RDS. The Investor understands and agrees that the Company reserves the right to accept or reject the Investor’s Subscription for any reason or for no reason, in whole or in part, at any time prior to its acceptance by the Company and the same shall be deemed to be accepted by the Company only when this Subscription Agreement is signed by a duly authorized person by or on behalf of the Company. This Subscription Agreement may be signed in counterpart form.

### **Transfer Restrictions**

7. The Investor understands and agrees that the RDSs and the Shares represented thereby are being offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the RDSs and the Shares represented thereby have not been and will not be registered under the Securities Act, that the Company has not been and will not be registered as an investment company under the Investment Company Act and that the RDSs and the Shares represented thereby may not be transferred except as permitted in this Section 7. The Investor agrees that, if in the future it decides to offer, resell, pledge or otherwise transfer such Shares or RDSs, such Shares or RDSs will be offered, resold, pledged or otherwise transferred only as follows:

(1) in an offshore transaction in accordance with Regulation S under the Securities Act (“*Regulation S*”) to a person outside the United States and not known by the transferor to be a U.S. person, by pre-arrangement or otherwise, upon surrender of the RDSs and delivery of a written certification that such transferor is in compliance with the requirements of this clause (1) (a “*Regulation S Transfer*”);

(2) in a transaction, that is exempt from the registration requirements of the Securities Act to a transferee who is within the United States or a U.S. person and who delivers a written certification that:

(A) such transferee is (i) all of the following: (a) a “qualified institutional buyer” as defined in Rule 144A under the Securities Act, (“*Rule 144A*”) (b) not a broker-dealer that owns and invests on discretionary basis less than \$25 million in securities of unaffiliated issuers and (c) not a participant directed employee plan, such as a plan described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A; or (ii) acquiring such securities pursuant to another available exemption from the registration requirements of the Securities Act, subject to the right of the

Company and the Depositary to require delivery of an opinion of counsel and to require delivery of other information satisfactory to each of them as to the availability of such exemption;

(B) such transferee is a Qualified Purchaser;

(C) no portion of the assets used by such transferee to purchase, and no portion of the assets used by such transferee to hold, the RDSs, the Shares represented thereby or any beneficial interest therein constitutes or will constitute the assets of an “employee benefit plan” (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”) or any other federal, state, local, non-U.S. or other laws or regulations that would cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company, its board of directors or investment manager (or other persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code (“Similar Laws”), or an entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “Plan”); and

(D) such transferee is acquiring the RDSs, the Shares represented thereby and any beneficial interest therein for its own account as principal, or for the account of another person who is able to and shall be deemed to make the representations, warranties and agreements in this clause (2); or

(3) to the Company or a subsidiary thereof.

Each of the foregoing restrictions is subject to any requirement of law that the disposition of the Investor’s property or the property of such investor account or accounts on behalf of which the Investor holds the RDSs be at all times within the control of the Investor or of such accounts and subject to compliance with any applicable state securities laws. The Investor understands that any certificates representing RDSs acquired by it will bear a legend reflecting, among other things, the substance of this Section 7.

8. The Investor agrees that, prior to transferring the Investor’s RDSs, the Shares represented thereby or any interest therein, (i) other than in the case of a Regulation S Transfer, any transferee must sign and deliver a letter to the Depositary substantially in the form of the U.S. Transferee’s Letter attached as Annex I hereto (or in a form otherwise acceptable to the Company) (a “U.S. Transferee’s Letter”) and (ii) in the case of a Regulation S Transfer, the Investor must sign and deliver to the Depositary a surrender letter substantially in the form of the Surrender Letter attached as Annex II hereto (or in a form otherwise acceptable to the Company) (a “Surrender Letter”).

### **Investment Company Act**

9. The Investor understands and acknowledges that the Company has not registered, and does not intend to register, as an “investment company” (as such term is defined in the Investment Company Act and related rules) and that the Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. persons described herein so that the Company will qualify for the exemption provided under Section 3(c)(7) of the Investment Company Act and will have no obligation to register as an investment company even if it were otherwise determined to be an investment company.

10. The Investor understands and acknowledges that (i) the Company and the Depositary will not be required to accept for registration of transfer any RDSs acquired by it that are not being transferred to a Qualified Purchaser, except as provided in Section 7(1) or 7(3), (ii) the Company and the Depositary may require any U.S. person or any person within the United States who is required under this Subscription Agreement to be a Qualified Purchaser, but is not, to transfer the RDSs immediately in a manner consistent with the restrictions set forth in this Subscription Agreement, (iii) pending such transfer, the Company is authorized to suspend the exercise of the meeting and consent rights relating to the relevant RDSs and the Shares represented thereby and the right to receive distributions in respect of the relevant RDSs and the Shares represented thereby and (iv) if the obligation to transfer is not met, the Company is irrevocably authorized, without any obligation, to transfer the RDSs or the Shares represented thereby, as applicable, in a manner consistent with the restrictions set forth in this Subscription Agreement and, if such Shares or RDSs are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.

## ERISA

11. The Investor represents and warrants that no portion of the assets used by it to acquire, and no portion of the assets used by it to hold, an interest in the RDSs or the Shares represented thereby or any beneficial interest therein constitutes or will constitute the assets of an “employee benefit plan” (within the meaning of Section 3(3) of ERISA) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code or any applicable Similar Laws, or any entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement.

12. The Investor understands and acknowledges that (i) transfers of the RDSs, the Shares represented thereby or any interest therein to a person using assets of a Plan to purchase or hold such securities or any interest therein will be void and have no force and effect and will not operate to transfer any rights to such person notwithstanding any instruction to the contrary to the Company, the Depositary or their respective agents and (ii) if such transfer is not treated as being void for any reason, the RDSs or the Shares represented thereby will automatically be sold by us in the open market and the net proceeds remitted to the record holder or, if we determine in our sole discretion that such a sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary, which may include the trust which holds our class B shares, and the purported holder will acquire no rights under our memorandum and articles of association in such securities.

## The Offering

13. The Investor has received a copy of the offering memorandum relating to the offering of the Shares and RDSs described therein (the “*Offering Memorandum*”). The Investor understands and agrees that the Offering Memorandum speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date.

14. The Investor is not purchasing the RDSs with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the Securities Act) that would be in violation of the securities laws of the United States or any state thereof. The Investor has a pre-existing business relationship with one or more placement agents named in Schedule 1 hereto or their U.S. affiliates (each, a “*Placement Agent*” and, collectively, the “*Placement Agents*”) that propose to place the RDSs which the Investor proposes to purchase.

15. The party signing this Subscription Agreement is acquiring the RDSs for his or her own account or for an Investor (which is an Accredited Investor and a Qualified Purchaser) as to which the party signing this Subscription Agreement exercises sole investment discretion and is authorized to make the representations, and enter into the agreements, contained in this Subscription Agreement. The party signing this Subscription Agreement has indicated on the first page hereof whether it is acquiring the RDSs for its own account, as Investor, or for the account of one or more Investors.

16. The Investor understands that there is no established market for the RDSs and that it is unlikely that a public market for the RDSs will develop and that the Company and the Placement Agents will take no actions to develop a market for the RDSs.

17. The Investor has had access to all information that it believes is necessary, sufficient or appropriate in connection with its purchase of the RDSs, it has been afforded an opportunity to ask questions concerning the terms and conditions of the offering and sale of the RDSs and the Shares represented thereby, it has had all such questions answered to its satisfaction, it has been supplied all additional information as it has requested and, after being advised by persons deemed appropriate by the Investor concerning the Offering Memorandum, this Subscription Agreement and the transactions contemplated hereby, it has made an independent decision to purchase the RDSs based on information it has determined to be adequate to verify the accuracy of (i) the information in the Offering Memorandum and (ii) any other information that the Investor deems relevant to making an investment in the RDSs.

18. The Investor became aware of the offering of the Shares and RDSs by the Company and the RDSs were offered to the Investor (i) solely by means of the Offering Memorandum, (ii) by direct contact between the Investor and the Company or (iii) by direct contact between the Investor and one or more Placement Agents, with whom the Investor had a pre-existing business relationship. The Investor did not become aware of, nor were the RDSs offered to the Investor by any other means, including, in each case, by any form of general solicitation or general advertising. In making the decision to purchase the RDSs, the Investor relied solely on the information set forth in the Offering Memorandum and other information obtained by the Investor directly from the Company as a result of any inquiries by the Investor or one or more of the Investor’s advisors.

19. The Investor acknowledges that each of the Placement Agents and the Depositary have acted as agents for the Company in connection with the sale of the RDSs. The Investor consents to the actions of each of such Placement Agents and

Depository in this regard and hereby waives any and all claims, actions, liabilities, damages or demands it may have against any of such Placement Agents or Depository in connection with any alleged conflict of interest arising from the engagement of each of the Placement Agents and the Depository as agents of the Company with respect to the sale by the Company of the RDSs to the Investor.

20. The Investor acknowledges that none of the Placement Agents makes any representation or warranty as to the accuracy or completeness of the information in the Offering Memorandum or any other information provided by the Company; that the Investor has not relied and will not rely on any investigation by any Placement Agent or any person acting on its behalf may have conducted with respect to the Shares or the Company; and that none of the Placement Agents makes any representations to the availability of Rule 144 under the Securities Act or any other exemption from the Securities Act for the transfer of the RDSs.

### **General**

21. The Investor acknowledges that each of the Placing Agents, the Company, the Depository and their respective affiliates and others will rely on the acknowledgments, representations and warranties contained in this Subscription Agreement as a basis for exemption of the sale of the RDSs under the Securities Act, the Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and for other purposes. The party signing this Subscription Agreement agrees to promptly notify the Company, the Placement Agents and the Depository if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.

22. Each of the Placing Agents, the Company, the Depository and their respective affiliates are irrevocably authorized to produce this Subscription Agreement or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

**23. This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of New York.**

24. The Investor understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the RDSs or the Shares represented thereby.

25. The Investor agrees to provide, together with this completed and signed Subscription Agreement, a completed and signed Substitute IRS Form W-9 or IRS Form W-8BEN, W-8EXP or W-8IMY. The Substitute IRS Form W-9 is attached to this Subscription Agreement as Exhibit B.

**[The next page is Exhibit A]**

**Exhibit A to Form of Subscription Agreement**  
**Substitute Form W-9**  
*[Substitute Form W-9 included in Appendix E]*



**Schedule I to Form of Subscription Agreement  
Placement Agents**

Lehman Brothers International (Europe)  
Hoare Govett Limited  
UBS Investment Bank

**ANNEX I TO FORM OF SUBSCRIPTION AGREEMENT**

*[Form of U.S. Transferee's Letter included in Appendix C]*

**ANNEX II TO FORM OF SUBSCRIPTION AGREEMENT**

*[Form of Surrender Letter included in Appendix D]*

## APPENDIX C: FORM OF U.S. TRANSFEREE'S LETTER

C/O Lehman Brothers Private Fund Advisers, LP  
Lehman Brothers Private Equity Partners Limited  
325 N. St. Paul Street, Suite 4900  
Dallas, TX 75201

The Bank of New York  
101 Barclay Street—Floor 22W  
New York, New York 10286

Ladies and Gentlemen:

In connection with the undersigned's proposed purchase of the accompanying restricted depositary shares (the "*RDSs*") delivered by The Bank of New York, as depositary (the "*Depository*"), representing Class A ordinary shares (the "*Shares*") of Lehman Brothers Private Equity Partners Limited, a Guernsey investment company (the "*Company*"), from a holder of *RDSs* or the *Shares* represented thereby (a "*Seller*") pursuant to an available exemption from the registration requirements of the U.S. Securities Act of 1933, as amended (the "*Securities Act*"), the undersigned agrees and acknowledges, on its own behalf or on behalf of each account for which it acquires any *RDSs*, and makes the representations and warranties, on its own behalf or on behalf of each account for which it acquires any *RDSs*, as set forth in this letter (this "*U.S. Transferee's Letter*"):

1. The undersigned certifies to one of the following (check a box):

☐ (a) it is a "qualified institutional buyer" (a "*QIB*") as defined in Rule 144A under the Securities Act ("*Rule 144A*"), (b) it is purchasing the *RDSs* from the Seller only for its account or for the account of another entity that is a *QIB*, (c) it is not a broker-dealer which owns and invests on a discretionary basis less than \$25 million in securities of unaffiliated issuers and (d) it is not a participant-directed employee plan, such as a plan described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A or

☐ (a) it is acquiring the *RDSs* pursuant to another available exemption from the registration requirements of the Securities Act, (b) if requested by the Company or the Depository, it has attached hereto an opinion of U.S. counsel that is satisfactory to the Company and the Depository and (c) it agrees to provide any such information that the Company or the Depository may require.

2. The undersigned understands and agrees that the *RDSs* and the *Shares* represented thereby have been offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the *RDSs* and the *Shares* represented thereby have not been and will not be registered under the Securities Act, that the Company has not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940 (the "*Investment Company Act*") and that the *RDSs* and the *Shares* represented thereby may not be transferred except as permitted in this Section 2. The undersigned agrees that, if in the future it decides to offer, resell, pledge or otherwise transfer such *Shares* or *RDSs*, such *Shares* or *RDSs* will be offered, resold, pledged or otherwise transferred only as follows:

(1) in an offshore transaction in accordance with Regulation S under the Securities Act ("*Regulation S*") to a person outside the United States and not known by the transferor to be a U.S. person, by pre-arrangement or otherwise, upon surrender of the *RDSs* and delivery of a written certification that such transferor is in compliance with the requirements of this clause (1) (a "*Regulation S Transfer*");

(2) in a transaction, that is exempt from the registration requirements of the Securities Act to a transferee who is within the United States or a U.S. person and who delivers a written certification that:

(A) such transferee is (i) all of the following: (a) a *QIB*, (b) not a broker-dealer that owns and invests on discretionary basis less than \$25 million in securities of unaffiliated issuers and (c) not a participant directed employee plan, such as a plan described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A; or (ii) acquiring such securities pursuant to any available exemption from the registration requirements of the Securities Act, subject to the right of the Company and the Depository to require delivery of an opinion of counsel and to require delivery of other information satisfactory to each of them as to the availability of such exemption;

(B) such transferee is a "qualified purchaser" (a "*Qualified Purchaser*") within the meaning of Section 2(a)(51) of the Investment Company Act;

(C) no portion of the assets used by such transferee to purchase, and no portion of the assets used by such transferee to hold, the *RDSs*, the *Shares* represented thereby or any beneficial interest therein

constitutes or will constitute the assets of an “employee benefit plan” (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”) or any other federal, state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 to cause the underlying assets of the Company to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company, its board of directors or investment manager (or other persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code (“Similar Laws”), or an entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “Plan”); and

(D) such transferee is acquiring the RDSs, the Shares represented thereby and any beneficial interest therein for its own account as principal, or for the account of another person who is able to and shall be deemed to make the representations, warranties and agreements in this clause (2); or

(3) to the Company or a subsidiary thereof.

Each of the foregoing restrictions is subject to any requirement of law that the disposition of the undersigned’s property or the property of such investor account or accounts on behalf of which the undersigned holds the RDSs be at all times within the control of the undersigned or of such accounts and subject to compliance with any applicable state securities laws. The undersigned understands that any certificates representing RDSs acquired by it will bear a legend reflecting, among other things, the substance of this Section 2.

3. The undersigned agrees that, prior to transferring the undersigned’s RDSs, the Shares represented thereby or any interest therein, (i) other than in the case of a Regulation S Transfer, any transferee must sign and deliver a letter to the Depositary substantially in the form of this U.S. Transferee’s Letter (or in a form otherwise acceptable to the Company and the Depositary) and (ii) in the case of a Regulation S Transfer, the undersigned must sign and deliver to the Depositary a surrender letter substantially in the form of the Surrender Letter attached as Exhibit A hereto (or in a form otherwise acceptable to the Company and the Depositary) (a “Surrender Letter”).

4. The undersigned certifies that it is a Qualified Purchaser.

5. The undersigned understands that, subject to certain exceptions, to be a Qualified Purchaser, an individual must have \$5 million, and other entities must have \$25 million, in “investments” as defined in Rule 2a51-1 of the Investment Company Act.

6. The undersigned understands and acknowledges that the Company has not registered, and does not intend to register, as an “investment company” (as such term is defined in the Investment Company Act and related rules) and that the Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. persons described herein so that the Company will qualify for the exemption provided under Section 3(c)(7) of the Investment Company Act and will have no obligation to register as an investment company even if it were otherwise determined to be an investment company.

7. The undersigned represents and warrants that no portion of the assets used by it to acquire, and no portion of the assets used by it to hold, an interest in the RDSs or the Shares represented thereby or beneficial interest therein constitutes or will constitute the assets of an “employee benefit plan” (within the meaning of Section 3(3) of ERISA) that is subject to Title I of ERISA, a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code or any applicable Similar Laws, or any entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement.

8. The undersigned understands and acknowledges that (i) transfers of the RDSs, the Shares represented thereby or any interest therein to a person using assets of a Plan to purchase or hold such securities or any interest therein will be void and have no force and effect and will not operate to transfer any rights to such person notwithstanding any instruction to the contrary to the Company, the Depositary or their respective agents and (ii) if such transfer is not treated as being void for any reason, the RDSs or the Shares represented thereby will automatically be sold by us in the open market and the net proceeds remitted to the record holder or, if we determine in our sole discretion that such a sale is for any reason impracticable, transferred to a charitable trust for the benefit of a charitable beneficiary, which may include the trust which holds our class B shares, and the purported holder will acquire no rights under our memorandum and articles of association in such securities.

9. The undersigned understands and acknowledges that (i) the Company and the Depositary will not be required to accept for registration of transfer any RDSs acquired by it that are not being transferred to a Qualified Purchaser,

except as provided in Section 2(1) or 2(3) hereof, (ii) the Company and the Depositary may require any U.S. person or any person within the United States who is required under this U.S. Transferee's Letter to be a Qualified Purchaser, but is not, to transfer the RDSs immediately in a manner consistent with the restrictions set forth in this U.S. Transferee's Letter, (iii) pending such transfer, the Company is authorized to suspend the exercise of the meeting and consent rights relating to the relevant RDSs and the Shares represented thereby and the right to receive distributions in respect of the relevant RDSs and the Shares represented thereby and (iv) if the obligation to transfer is not met, the Company is irrevocably authorized, without any obligation, to transfer the RDSs or the Shares represented thereby, as applicable, in a manner consistent with the restrictions set forth in this U.S. Transferee's Letter and, if such Shares or RDSs are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.

10. The undersigned acknowledges that each of Company, the Depositary and the Seller and their respective affiliates and others will rely on the acknowledgments, representations and warranties contained in this U.S. Transferee's Letter as a basis for exemption of the sale of the RDSs under the Securities Act, the Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and for other purposes. The undersigned agrees to promptly notify the Company and the Depositary if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.

11. The Company, the Depositary and the Seller and their respective affiliates are irrevocably authorized to produce this U.S. Transferee's Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

**12. This U.S. Transferee's Letter shall be governed by and construed in accordance with the laws of the State of New York.**

13. The undersigned certifies that it was offered the RDSs by direct contact between the undersigned and the Company or the Seller. The undersigned did not become aware of, nor were the RDSs offered to the undersigned by any other means, including, in each case, by any form of general solicitation or general advertising. In making the decision to purchase the RDSs, the undersigned relied solely on the information set forth in the Offering Memorandum and other information obtained by the undersigned directly from the Company or the Seller as a result of any inquiries by the undersigned or the undersigned's advisor(s).

14. The undersigned has had access to all information that it believes is necessary, sufficient or appropriate in connection with its purchase of the RDSs, it has been supplied all additional information as it has requested and it has made an independent decision to purchase the RDSs based on information it has determined to be adequate to verify the accuracy of any information that the undersigned deems relevant to making an investment in the RDSs.

15. The undersigned understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the RDSs or the Shares represented thereby.

16. The undersigned agrees to provide, together with this completed and signed U.S. Transferee's Letter, a completed and signed Substitute IRS Form W-9 or IRS Form W-8BEN, W-8EXP or W-8IMY. The Substitute IRS Form W-9 is attached to this U.S. Transferee's Letter as Exhibit A.

*[The next page is the signature page.]*

The undersigned has provided a completed and signed Substitute IRS Form W-9 or IRS Form W-8BEN, W-8EXP or W-8IMY and has caused this U.S. Transferee's Letter to be executed by its duly authorized representative as of the date set forth below.

Date:	
	Name of Purchaser (use exact name in which RDSs are to be registered):
	Address of Purchaser for Registration of RDSs:
	Signature:
	Print Name:
	Company Name:
	Title:

If the investor is an individual, the investor's social security number: \_\_\_\_\_

If the investor is a corporation, Company, trust or other legal entity its tax payer identification number: \_\_\_\_\_

**Exhibit A to Form of U.S. Transferee's Letter**  
*[Form of Surrender Letter Included in Appendix E]*



**Exhibit B to Form of U.S. Transferee's Letter  
Substitute Form W-9**

*[Substitute Form W-9 included in Appendix E]*

## APPENDIX D: FORM OF SURRENDER LETTER

To: C/O Lehman Brothers Private Fund Advisers, LP  
Lehman Brothers Private Equity Partners Limited  
325 N. St. Paul Street, Suite 4900  
Dallas, TX 75201

The Bank of New York  
101 Barclay Street—Floor 22W  
New York, New York 10286

Ladies and Gentlemen:

This letter (the “*Surrender Letter*”) relates to the surrender by the undersigned of restricted depositary shares (“*RDSs*”) delivered by The Bank of New York, as Depositary (the “*Depositary*”), representing Class A ordinary shares (the “*Shares*”) of Lehman Brothers Private Equity Partners Limited, a Guernsey investment company (the “*Company*”), pursuant to the Restricted Deposit Agreement relating to the delivery of the *RDSs* by the Depositary among the Company, the Depositary and all owners and beneficial owners from time to time of restricted depositary receipts evidencing *RDSs* (the “*Deposit Agreement*”) for the purpose of withdrawal of Shares deposited with the Depositary pursuant to the Deposit Agreement. Terms used in this Surrender Letter and not otherwise defined shall have the meaning given to them in Regulation S (“*Regulation S*”) under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”), except as otherwise stated herein.

The undersigned acknowledges (or if the undersigned is acting for the account of another person has confirmed that it acknowledges) that the deposited Shares, as applicable, have not been and will not be registered under the Securities Act and that the Company has not registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the “*Investment Company Act*”).

The undersigned hereby certifies as to at least one of the following:

☐ The undersigned has sold or agreed to sell the Shares represented by the surrendered *RDSs*, and *all* of the following are true:

1. The offer and sale of the Shares represented by the *RDSs* was not and will not be made to a person in the United States or to a person known by the undersigned to be a U.S. person.
2. Either (a) at the time the buy order for the Shares represented by the *RDSs* was originated, the buyer was outside the United States or the undersigned and any person acting on the undersigned’s behalf reasonably believed that the buyer was outside the United States or (b) the transaction in such Shares was executed in, on or through the facilities a designated offshore securities market, and neither the undersigned nor any person acting on the undersigned’s behalf knows that the transaction was pre-arranged with a buyer in the United States.
3. Neither the undersigned, nor any of its affiliates, nor any person acting on the undersigned’s or their behalf has made any directed selling efforts in the United States with respect to the Shares represented by the *RDSs*.
4. The proposed transfer of the Shares represented by the *RDSs* is not part of a plan or scheme to evade the registration requirements of the Securities Act or the Investment Company Act.
5. Neither the Company nor any of its agents participated in the sale of the Shares represented by the *RDSs*.
6. The undersigned agrees that the Company, the Depositary and their respective agents and affiliates may rely upon the truth and accuracy of the foregoing acknowledgments, representations agreements.

*or*

☐ The undersigned is not in the United States and is not a U.S. person and is not surrendering the *RDSs* in connection with an offer, sale or other disposition of the Shares represented by the *RDSs*.

Where there are joint transferors, each must sign this Surrender Letter. A Surrender Letter of a corporation, partnership, limited liability company or similar entity must be signed by an authorized officer or be completed otherwise in accordance with such entity's governing instruments. Evidence of such authority may be required.

Very truly yours,

Name of Surrendering Owner (use exact name in which RDSs are registered):

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Address of Surrendering Owner:

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Signature:

Print Name:

Company Name:

Title:

Date:

**APPENDIX E: SUBSTITUTE FORM W-9**

PAYOR'S NAME: Lehman Brothers Private Equity Partners Limited

PAYEE'S NAME:

PAYEE'S ADDRESS:

**SUBSTITUTED FORM W-9**  
**Part I—Taxpayer Identification Number (TIN)**

Department of the Treasury Internal Revenue Service  
Social Security Number  
OR  
Employer Identification Number  
(If awaiting TIN write "Applied For" and complete Part III and the Certificate of Awaiting Taxpayer Identification Number)

**Part II: For Payees Exempt from Backup Withholding**

For Payees Exempt from Backup withholding, see the Guidelines below and complete as instructed therein.

**Payer's Request for Taxpayer Identification Number and Certification**  
**Part III:—Certification—**

Under penalties of perjury, I certify that:

- (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and
- (2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- (3) I am a U.S. person (including a U.S. resident alien).

**Certification Instructions**—You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2).

\_\_\_\_\_  
Signature of U.S. person

\_\_\_\_\_  
Date

**NOTE:** FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL INFORMATION.

**YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU WROTE "APPLIED FOR" IN THE APPROPRIATE LINE IN PART I OF SUBSTITUTE FORM W-9**

**CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER**

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 28% of all reportable payments made to me pursuant to the tender offer will be withheld.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

# GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number for the Payee (You) to Give the Payer.—Social security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employee identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer. All “Section” references are to the Internal Revenue Code of 1986, as amended. “IRS” is the Internal Revenue Service.

**For this type of account:**

**Give the  
SOCIAL SECURITY  
number of—  
The individual**

**1. Individual**

**2. Two or more individuals (joint account)**

**The actual owner of the account or, if  
combined funds, the first individual on the  
account.<sup>(1)</sup>**

**3. Custodian account of a minor (Uniform Gift to Minors Act)**

**The minor<sup>(2)</sup>**

**4. a. The usual revocable savings trust account (grantor is also trustee)**

**The grantor-trustee<sup>(1)</sup>**

**b. So-called trust account that is not a legal or valid trust under state  
law**

**The actual owner<sup>(1)</sup>**

**5. Sole proprietorship**

**The owner<sup>(3)</sup>**

**For this type of account:**

**Give the  
EMPLOYER IDENTIFICATION  
number of—**

**6. Sole proprietorship**

**The owner<sup>(3)</sup>**

**7. A valid trust, estate, or pension trust**

**The legal entity<sup>(4)</sup>**

**8. Corporate**

**The corporation**

**9. Association, club, religious, charitable, educational, or other tax-exempt  
organization**

**The organization**

**10. Partnership**

**The partnership**

**11. A broker or registered nominee**

**The broker or nominee**

**12. Account with the Department of Agriculture in the name of a public entity  
(such as a state or local government, school district, or prison) that  
receives agricultural program payments**

**The public entity**

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- (1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.
  - (2) Circle the minor's name and furnish the minor's social security number.
  - (3) You must show your individual name, but you may also enter your business or “doing business as” name. You may use either your social security number or your employer identification number (if you have one).
  - (4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

**NOTE:** *If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.*

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9**

**Page 2**

**Obtaining a Number**

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, at the local Social Security Administration office, or Form SS-4, Application for Employer Identification Number, by calling 1 (800) TAX-FORM, and apply for a number.

**Payees Exempt from Backup Withholding**

*Payees specifically exempted from withholding include:*

- An organization exempt from tax under Section 501(a), an individual retirement account (IRA), or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2).
- The United States or a state thereof, the District of Columbia, a possession of the United States, or a political subdivision or instrumentality of any one or more of the foregoing.
- An international organization or any agency or instrumentality thereof.
- A foreign government and any political subdivision, agency or instrumentality thereof.

*Payees that may be exempt from backup withholding include:*

- A corporation.
- A financial institution.
- A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A middleman known in the investment community as a nominee or custodian.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A foreign central bank of issue.
- A trust exempt from tax under Section 664 or described in Section 4947.

*Payments of dividends and patronage dividends generally exempt from backup withholding include:*

- Payments to nonresident aliens subject to withholding under Section 1441.
- Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) payments made by an ESOP.

*Payments of interest generally exempt from backup withholding include:*

- Payments of interest on obligations issued by individuals. However, if you pay \$600 or more of interest in the course of your trade or business to a payee, you must report the payment. Backup withholding applies to the reportable payment if you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under Section 852).
- Payments described in Section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under Section 1451.
- Payments made by certain foreign organizations.
- Mortgage or student loan interest paid to you.

Certain payments, other than payments of interest, dividends, and patronage dividends, that are exempt from information reporting are also exempt from backup withholding. For details, see the regulations under Sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N.

***Exempt payees described above must file Form W-9 or a substitute Form W-9 to avoid possible erroneous backup withholding.*** FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART II OF THE FORM, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER.

**Privacy Act Notice**—Section 6109 requires you to provide your correct taxpayer identification number to payers, who must report the payments to the IRS. The IRS uses the number for identification purposes and may also provide this information to various government agencies for tax enforcement or litigation purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 28% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to the payer. Certain penalties may also apply.

### **Penalties**

(1) **Failure to Furnish Taxpayer Identification Number.**—If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) **Civil Penalty for False Information With Respect to Withholding.**—If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

(3) **Criminal Penalty for Falsifying Information.**—Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE**

50,000,000 Shares

# Lehman Brothers Private Equity Partners Limited

In the form of Shares or Restricted Depositary Shares

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OFFERING MEMORANDUM  
July 6, 2007

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**LEHMAN BROTHERS**

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**HOARE GOVETT LIMITED**  
**UBS INVESTMENT BANK**