



Lehman Brothers Private Equity launches IPO for \$500m fund of funds

20 June 2007

Lehman Brothers Private Equity, a unit of Lehman Brothers Inc. (together "Lehman Brothers"), today announces the launch of a Global Offering (the "IPO") of shares in a closed-ended investment company to be created to grant investors access to its private equity fund-of-funds investment strategy through the equity market for the first time.

Lehman Brothers Private Equity Partners Limited ("LBPE" or the "Company") intends to seek a listing on Euronext Amsterdam N.V.'s Eurolist by Euronext ("Euronext"). LBPE will issue a single class of US dollar denominated shares at \$10 per share. Conditional dealings are expected to commence on 18 July 2007 and unconditional dealings on 25 July 2007.

The offering has been structured to align the interests of Lehman Brothers with those of investors. Lehman Brothers will bear all IPO costs and furthermore, has undertaken to subscribe for \$100 million of LBPE shares in the IPO, which will be subject to a 3 year lock-up.

The entire expected gross IPO proceeds of approximately \$500 million will be committed to a diversified portfolio of private equity fund investments selected by Lehman Brothers Private Fund Investments Group ("LBPFIG" or the "Investment Manager") and alongside leading sponsors in certain direct private equity investments.

LBPE offers investors exposure to Lehman Brothers' private equity platform and has been specifically designed to provide exposure to a private equity fund-of-funds investment strategy in the form of listed, tradable shares with liquidity on Euronext.

Lehman Brothers International (Europe) is Sole Global Coordinator. Joint Bookrunners are Lehman Brothers International (Europe), Hoare Govett Limited and UBS Investment Bank.

LBPE Investment Highlights:

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| □ | LBPE enables investors to participate in the long-term returns generated by the Investment Manager's private equity fund-of-funds strategy, via tradable shares with liquidity on Euronext. |
| □ | LBPFIG manages \$6.5bn in commitments – it has 40 investment professionals, 110 administration and finance personnel and an investment committee of 10 members that have over 170 years of private equity experience between them. |

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| □ | Since inception in 1987, the Investment Manager has achieved an Internal Rate of Return (“IRR”) of 18.1% , net of fees and expenses. |
| □ | The Investment Manager intends to make investments that are diversified across private equity asset class, geography, industry, vintage year and sponsor. |
| □ | LBPE expects to acquire a portfolio of private equity assets for an aggregate purchase price of approximately \$237.8 million, and assume related unfunded commitments aggregating approximately \$365.4 million ¹ . |
| □ | Capital structure designed to minimise cash drag, utilising a pre-arranged credit facility to support a prudent over-commitment strategy intended to allow LBPE to maintain full investment. |
| □ | Lehman Brothers will subscribe to \$100 million of LBPE shares in the IPO. |
| □ | Lehman Brothers will bear the underwriting, placement fees and other expenses associated with the IPO to ensure 100% of gross proceeds are available for investment. |
| □ | Management fees will be charged on invested capital only; there will be no fees on cash or unfunded commitments. |
| □ | LBPE has the option to buy back up to 14.99% of issued share capital, financed through a combination of distributions and, to the extent permitted, the credit facility. |

Joe Malick, Managing Director, Lehman Brothers Private Equity, commented:

“We are delighted to offer investors around the world access to our successful private equity platform via the equity markets for the first time.”

“We have structured the offering with investors in mind, not least because Lehman Brothers will be the largest single investor. Furthermore, we are fully committed to following best practice investor communications, including monthly reports, full quarterly performance disclosure, and audited annual reports.”

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About Lehman Brothers Private Equity

Lehman Brothers' Private Equity business, started in 1984, has assets under management of approximately \$19 billion and consists of 16 different fund strategies across six asset classes: merchant banking, venture capital, real estate, fund-of-funds, credit and infrastructure.

About Lehman Brothers

Lehman Brothers, an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients, and high net worth individuals worldwide. Founded in 1850, Lehman Brothers maintains leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity. The Firm is headquartered in New York, with regional headquarters in London and Tokyo, and operates in a network of offices around the world. For further information about Lehman Brothers' services, products and recruitment opportunities, visit www.lehman.com.

- 1) 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. Estimates regarding the allocation of unfunded commitments are based on the Investment Manager's proprietary analyses.

DISCLAIMER

This announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the Company and that will contain detailed information about the Company and management, as well as financial statements.

This announcement is for marketing purposes and is not a prospectus and, if the transaction proceeds, investors should not purchase or subscribe for any securities referred to in this announcement except on the basis of information in the prospectus to be published by the proposed issuer in due course in connection with the admission of the shares in the capital of the proposed issuer to listing on Euronext Amsterdam N.V.'s Eurolist by Euronext and to trading on the regulated market of Euronext Amsterdam N.V. (the "Prospectus"). Subject to the transaction proceeding, copies of the Prospectus will, following publication, be available at no cost from the joint bookrunners and from the proposed issuer's registered office.

In the United Kingdom, this announcement is directed only at persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or who fall within Article 49(2)(a) to (d) of the Order, or (ii) to whom it may otherwise lawfully be communicated (all such persons being referred to as "relevant persons"). This announcement must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. Any investment or investment activity to which this announcement relates is available, in the United Kingdom, only to relevant person and will be engaged in only with such persons.

The proposed issuer will not be subject to (a) the license requirement under the Financial Supervision Act (*Wet op het financieel toezicht*) and (b) the supervision of the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*).

Hoare Govett Limited, Lehman Brothers International (Europe) and UBS Limited (collectively, the "Banks") are acting for the Company and no-one else in connection with the global offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the global offering, this announcement or any other matter. The Banks make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this announcement, and nothing in this announcement is, or shall be relied upon as, a promise or representation by the Banks.

In connection with the global offering, LBPE intends to appoint a stabilising manager (the "Stabilising Manager") who (or persons acting on behalf of the Stabilising 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 and effect transactions that stabilize or maintain the market price of the shares at levels above those which might otherwise prevail in the open market of Euronext Amsterdam N.V. Such transactions may commence on or after the date of the commencement of trading on Euronext Amsterdam N.V. and will end no later than 30 days thereafter. Such transactions may be effected on Euronext Amsterdam N.V., 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.

Application will be made for consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 (as amended) for the raising of funds by the issue of shares. It must be specifically understood that neither the Guernsey Financial Services Commission nor the States Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.