PROSPECTUS SUPPLEMENT
(To Prospectus Dated May 30, 2006)

# 66,000,000 Shares

# Lehman Brothers Holdings Inc.

## Depositary Shares
## Each Representing 1/100th of a Share of
## 7.95% Non-Cumulative Perpetual Preferred Stock, Series J

This is a public offering by Lehman Brothers Holdings Inc. of 66,000,000 depositary shares, each representing 1/100th of a share of 7.95% Non-Cumulative Perpetual Preferred Stock, Series J. Each depositary share entitles the holder, proportionately, to all rights, preferences and privileges of the Preferred Stock represented by that depositary share. We will deposit the Preferred Stock with Computershare Trust Company N.A., as depositary. The proportionate stated value of each depositary share is $25.00.

Dividends on the Preferred Stock will be payable quarterly in arrears, when, as and if declared by our board of directors, at a rate of 7.95% per year. The dividend payment dates will be each February 15, May 15, August 15 and November 15, commencing on May 15, 2008, or the next business day if any such day is not a business day. Dividends on the Preferred Stock will be non-cumulative.

We may redeem the Preferred Stock on any dividend payment date on or after February 15, 2013, in whole or in part, at a redemption price equal to $2,500.00 per share of the Preferred Stock (equivalent to $25.00 per depositary share) plus any declared and unpaid dividends. Any redemption of the depositary shares or the preferred stock is subject to prior approval of the Securities and Exchange Commission (the "SEC"), in its capacity as the regulator of Lehman Brothers, as well as to our commitments in the replacement capital covenant described in this prospectus supplement.

Application will be made to list the depositary shares on the New York Stock Exchange. Trading on the New York Stock Exchange is expected to begin within 30 days of the initial delivery of the depositary shares. We do not expect that there will be any public trading market for the Preferred Stock except as represented by the depositary shares.

***See "Risk Factors" beginning on page S-9 of this prospectus supplement and the "Risk Factors" beginning on page 14 of our Annual Report on Form 10-K for the year ended November 30, 2007 to read about factors you should consider before investing in the depositary shares and the Preferred Stock.***

Neither the Securities and Exchange Commission (the "SEC") nor any other regulatory body has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

| | Per Depositary Share | Total |
|---|---|---|
| Initial public offering price | $25.0000 | $1,650,000,000 |
| Underwriting discount (1) | $ 0.7875 | $ 51,975,000 |
| Proceeds to Lehman Brothers Holdings (before expenses) | $24.2125 | $1,598,025,000 |

(1) The underwriting discount will be $0.50 per depositary share with respect to any depositary shares sold to certain institutions, which decreases the total underwriting discounts and increases the total proceeds to Lehman Brothers Holdings by $7,939,600.

The underwriters expect to deliver the depositary shares through the facilities of The Depository Trust Company against payment in New York, New York on February 12, 2008.

We have granted the underwriters an option to purchase up to 9,900,000 depositary shares on the same terms and conditions as set forth above within 30 days of the date of this prospectus supplement.

Following the initial offering of the depositary shares and subject to approval of the New York Stock Exchange, Lehman Brothers Inc., a wholly owned subsidiary of Lehman Brothers Holdings, expects to offer and sell previously issued depositary shares in the course of its business as a broker-dealer. Lehman Brothers Inc. may act as principal or agent in those transactions, and this prospectus supplement may be used by Lehman Brothers Inc. in connection therewith. Such activities may be conducted at varying prices related to prevailing market prices at the time of sale.

Lehman Brothers — *Sole Structuring Coordinator and Sole Bookrunner*

Citi

Banc of America Securities LLC

Merrill Lynch & Co.

Morgan Stanley

UBS Investment Bank

Wachovia Securities

RBC Capital Markets

SunTrust Robinson Humphrey

Wells Fargo Securities

February 5, 2008

You should only rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or any free writing prospectus. Any free writing prospectus should be read in connection with this prospectus supplement and the accompanying prospectus. We have not, and no underwriter, agent or dealer has, 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. We are not, and no underwriter, agent or dealer is, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we have filed or will file with the SEC and incorporated by reference, is accurate as of the date of the applicable document or other date referred to in the document. Our business, financial condition, results of operations and prospects may have changed since that date.

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## GENERAL INFORMATION

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of shares of depositary shares and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, as well as the information incorporated by reference into both documents.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

Please note that in this prospectus supplement references to "Lehman Brothers Holdings", "we", "us" and "our" refer to Lehman Brothers Holdings, Inc. and references to "Lehman Brothers" refer to Lehman Brothers Holdings and its subsidiaries.

Also, in this prospectus supplement, references to "holders" mean those who own securities registered in their own names, on the books that we or our agent maintains for this purpose, and not those who own beneficial interests in securities registered in street name or in securities issued in book-entry form through one or more depositaries. The depositary shares will be issued in book-entry form only. Owners of beneficial interests in the securities should read the section entitled "Book-Entry System."

Investing in the offered securities involves risks. You should reach a decision to purchase a security only after you have carefully reviewed the risk factors and other information included or incorporated by reference in this prospectus supplement and considered with your advisors the suitability of an investment in the security in light of your particular circumstances.

This prospectus supplement contains summaries of provisions of certain documents that are described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus supplement is a part, and you may obtain copies of those documents as described below under "Where You Can Find More Information."

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have included or incorporated by reference in this prospectus supplement statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. It is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements.

Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward-looking statements is contained in our most recent Annual Report on Form 10-K, which is incorporated in this prospectus supplement by reference. See "Where You Can Find More Information" in this prospectus supplement for information about how to obtain a copy of this annual report.

## SUMMARY INFORMATION

*This summary highlights selected information in this prospectus supplement, but it may not contain all of the information that you should consider before deciding to invest in the Preferred Stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the "Risk Factors" section in this prospectus supplement and in our Annual Report on Form 10-K for the year ended November 30, 2007 and the other documents referred to in "Where You Can Find More Information."*

### Lehman Brothers Holdings Inc.

Lehman Brothers Holdings Inc. ("we," "us," "our" or "Lehman Brothers Holdings") and subsidiaries (collectively, "Lehman Brothers"), an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients and high-net-worth individuals worldwide. Lehman Brothers provides a full array of services in equity and fixed income sales, trading and research, investment banking, asset management, private asset management and private equity. Lehman Brothers' worldwide headquarters in New York and regional headquarters in London and Tokyo are complemented by a network of offices in North America, Europe, the Middle East, Latin America and the Asia Pacific region. Lehman Brothers, through predecessor entities, was founded in 1850.

Lehman Brothers operates in three business segments: Capital Markets, Investment Banking and Investment Management.

Capital Markets primarily represents institutional client-flow activities, including secondary trading, financing, mortgage origination and securitization, prime brokerage and research activities in fixed income and equity products. These products include a wide range of cash, derivative, secured financing and structured instruments and investments. Lehman Brothers is a leading global market-maker in numerous equity and fixed income products, including U.S., European and Asian equities, government and agency securities, money market products, corporate high grade, high yield and emerging market securities, mortgage- and asset-backed securities, preferred stock, municipal securities, bank loans, foreign exchange, financing and derivative products. Lehman Brothers is one of the largest investment banks in terms of U.S. and pan-European listed equities trading volume and maintains a major presence in over-the-counter U.S. stocks, major Asian large capitalization stocks, warrants, convertible debentures and preferred issues. In addition, the secured financing business manages Lehman Brothers' equity and fixed income matched book activities, supplies secured financing to institutional clients and customers, and provides secured funding for Lehman Brothers' inventory of equity and fixed income products. The Capital Markets segment also includes principal investing and proprietary activities including investments in real estate, private equity and other long-term investments.

Investment Banking provides advice to corporate, institutional and government clients throughout the world on mergers, acquisitions and other financial matters. Investment Banking also raises capital for clients by underwriting public and private offerings of debt and equity instruments. Investment Banking is comprised of corporate finance, mergers & acquisitions ("M&A") and global finance units that serve Lehman Brothers' corporate, institutional and government clients. The corporate finance unit is organized into global industry groups—communications, consumer/retail, financial institutions, financial sponsors, healthcare, industrial, media, middle markets, natural resources, power, real estate and technology—that include bankers who deliver industry knowledge and expertise to meet clients' objectives. M&A is comprised of advisory and restructuring groups. Global finance serves Lehman Brothers' clients' capital-raising needs through specialized product groups in equity capital markets, debt capital markets, leveraged finance, private capital markets and risk solutions. Bankers in these specialized product groups partner with industry coverage bankers in the global industry groups to provide comprehensive financial solutions for clients.

Investment Management provides strategic investment advice and services to institutional and high net-worth clients on a global basis. Private Investment Management provides traditional brokerage services

and comprehensive investment, wealth advisory and capital markets execution services to high-net-worth individuals and small and medium size institutional clients, leveraging all the resources of Lehman Brothers. Asset Management provides proprietary asset management products across traditional and alternative asset classes, through a variety of distribution channels, to individuals and institutions; it includes both the Neuberger Berman and Lehman Brothers Asset Management brands as well as our Private Equity business.

Since the end of our most recently completed fiscal year, we continue to operate in a very challenging market environment, in which asset repricings and valuation pressure across multiple products persists. As of the date hereof, we would have negative valuation adjustments to our fixed income assets that are somewhat higher than those we experienced in the previous quarter.

Lehman Brothers Holdings Inc. was incorporated in Delaware on December 29, 1983. Our principal executive office is at 745 Seventh Avenue, New York, New York 10019, and our telephone number is (212) 526-7000.

## The Offering

*This summary highlights selected information from this prospectus supplement to help you understand the depositary shares and the Preferred Stock. This summary does not contain all of the information that may be important to you. You should read this entire prospectus supplement carefully to fully understand the terms of such securities, as well as the tax and other considerations that should be important to you in making a decision about whether to invest in the securities offered hereby. You should pay special attention to "Risk Factors" in this prospectus supplement and in our Annual Report on Form 10-K for the year ended November 30, 2007 to determine whether an investment in the securities offered hereby is appropriate for you.*

### The Preferred Stock

***Dividends.*** Cash dividends on the Preferred Stock will be payable quarterly in arrears on a non-cumulative basis, only when, as and if declared by our board of directors, on each February 15, May 15, August 15 and November 15, beginning May 15, 2008, each a "dividend payment date," at a rate per annum equal to 7.95%. Dividends on the Preferred Stock will be non-cumulative and we may pay a partial dividend or skip a dividend on the Preferred Stock at any time. If a dividend is not declared on the Preferred Stock for any dividend period (as defined below) prior to the related dividend payment date, that dividend will not accrue, and we will have no obligation to pay a dividend for that dividend period on the related dividend payment date or at any time in the future, whether or not dividends are declared for any future dividend period.

Dividends will be calculated based on a 360-day year consisting of 12 30-day months. If any day that would otherwise be a dividend payment date is not a business day, then the first business day following that day will be the applicable dividend payment date. The term "dividend period" means the period from and including each dividend payment date (or, in the case of the initial dividend period, the issue date) to but excluding the next dividend payment date.

We may not declare, set apart for payment or pay dividends on any of our stock that ranks equally with the Preferred Stock unless we have declared and paid, or set apart for payment, dividends on the Preferred Stock for the dividend period ending on or before the dividend payment date of that other stock, ratably with dividends on that other stock, in proportion to the respective amounts of (A) the full amount of dividends payable on the Preferred Stock for such dividend period and (B) the accumulated and unpaid dividends, or the full amount of dividends payable in the case of non-cumulative preferred stock, on that other stock.

Except as set forth above, unless full dividends on the Preferred Stock have been declared and paid or set aside for payment for the most recently completed dividend period:

- we may not declare, set apart for payment or pay dividends on our common stock or on any other stock of ours ranking equally with or junior to the Preferred Stock as to dividends (any such stock, "Junior or Parity Stock"); and
- we may not, and may not permit our subsidiary to, redeem, purchase or otherwise acquire (or make payment to or available for any sinking fund with respect to) any of our Junior or Parity Stock, except that money previously deposited in a sinking fund may be applied to a redemption or purchase;

other than any:

(1) purchase, redemption or other acquisition of Junior or Parity Stock in connection with the satisfaction of our obligations pursuant to any contract entered into prior to the beginning of the then-current dividend period;

(2) purchase, redemption or other acquisition of Junior or Parity Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more of our employees, officers, directors, consultants or independent contractors;

(3) exchange, redemption or conversion of Junior or Parity Stock for Junior or Parity Stock;

(4) purchase, redemption or other acquisition of Junior or Parity Stock with the proceeds of a substantially contemporaneous sale of any such Junior or Parity Stock; or

(5) any purchase of fractional interests in shares of the Corporation's capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged.

No dividends on the Preferred Stock will be declared by our board of directors, or paid or set apart for payment by us, at any time during which the terms and provisions of any of our agreements, including any agreement relating to our junior subordinated debentures and our other indebtedness, would prohibit a declaration, payment or setting apart for payment of a dividend or provide that such a declaration, payment or setting apart for payment would constitute a breach or a default or would not be permitted thereunder. See "Risk Factors—Risks Relating to the Preferred Stock—Certain of our existing securities may prevent us from paying dividends on the Preferred Stock upon the occurrence of a mandatory trigger event." No dividends on the Preferred Stock will be declared or paid or set apart for payment if prohibited by applicable law or regulation.

***Redemption.*** The Preferred Stock is not redeemable prior to February 15, 2013. From and after that date, the Preferred Stock is redeemable at our option in whole or in part at a redemption price equal to $2,500.00 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, including, if applicable, a *pro rata* portion of any declared and unpaid dividends for the then-current dividend period to the redemption date, without regard to any undeclared dividends. The Preferred Stock will not be subject to any sinking fund or other obligation to redeem, repurchase or retire the Preferred Stock.

Our right to redeem or repurchase shares of the Preferred Stock is subject to important limitations, including the following:

- We may not redeem the Preferred Stock unless we have received the prior approval of the SEC, in its capacity as the regulator of Lehman Brothers.
- We are making a replacement capital covenant in favor of certain debtholders limiting, among other things, our right to redeem or purchase shares of Preferred Stock, as described below under "Our Replacement Capital Covenant."

If the replacement capital covenant terminates at any time when any depositary shares or Preferred Stock remains outstanding, we intend, to the extent that the Preferred Stock provides us with rating agency equity credit at the time of any redemption or purchase of the depositary shares or Preferred Stock, to redeem or purchase (or cause such action with respect to) the depositary shares or Preferred Stock with net proceeds received by us from the exchange, sale or issuance of securities, during the 6 months prior to the date of notice of such action, only to the extent that such securities would provide at least as much equity credit to us as the Preferred Stock at that time.

***Ranking.*** The Preferred Stock:

- will rank senior to Lehman Brothers Holdings' common stock, and any other capital stock of Lehman Brothers Holdings ranking junior to the Preferred Stock, with respect to the payment of dividends and distributions upon liquidation, dissolution or winding-up; and

- will rank equally with each other series of parity stock that Lehman Brothers Holdings has issued or may issue with respect to the payment of dividends and distributions upon liquidation, dissolution or winding-up.

The Preferred Stock ranks on an equal basis as to dividends and upon liquidation, dissolution or winding up with our 5.94% Cumulative Preferred Stock, Series C, 5.67% Cumulative Preferred Stock, Series D, 6.50% Cumulative Preferred Stock, Series F, and Floating Rate Cumulative Preferred Stock, Series G, which are currently outstanding, and will rank on an equal basis with our Non-Cumulative Perpetual Preferred Stock, Series H, and Non-Cumulative Perpetual Preferred Stock, Series I, when they are issued. We may from time to time, without notice to or consent from the holders of the depositary shares or the Preferred Stock, create and issue additional shares of preferred stock ranking on an equal basis to the Preferred Stock as to dividends and upon liquidation, dissolution or winding up. Any redemption of the depositary shares or Preferred Stock will be subject to the limitations described below under "Our Replacement Capital Covenant."

*Voting Rights.* Holders of the Preferred Stock will have no voting rights, except as provided below or as otherwise provided by applicable law.

Whenever dividends payable on the shares of Preferred Stock have not been paid for six or more dividend periods, whether or not consecutive, the authorized number of our directors will automatically be increased by two. The holders of the Preferred Stock will have the right, with holders of any other equally ranked series of preferred stock that have similar voting rights and on which dividends likewise have not been paid, voting together as a class, to elect two directors to fill such newly created directorships at our next annual meeting of stockholders and at each of our subsequent annual meetings until full dividends have been paid on the Preferred Stock for at least four consecutive dividend periods. At that point the right to elect directors terminates, and the terms of office of the two directors so elected will terminate immediately.

Additionally, so long as any shares of the Preferred Stock remain outstanding, we will not, without the affirmative vote of the holders of at least two-thirds of the Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class):

- authorize, create or issue any of our capital stock ranking, as to dividends or upon liquidation, dissolution or winding-up, senior to the Preferred Stock, or reclassify any of our authorized capital stock into any such shares of such capital stock, or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or

- amend, alter or repeal the certificate of designation for the Preferred Stock or our restated certificate of incorporation, whether by merger, consolidation or otherwise, so as to adversely affect the powers, preferences or special rights of the Preferred Stock.

Any

- increase in the amount of authorized common or preferred stock; or

- increase or decrease in the number of shares of any series of preferred stock; or

- authorization and issuance of other classes or series of stock;

in each case ranking equally with or junior to the Preferred Stock, will not be deemed to adversely affect such powers, preferences or special rights.

Each share of Preferred Stock will have ten votes (equivalent to 1/10th of a vote per depositary share) whenever it is entitled to voting rights.

***Liquidation.*** Upon our voluntary or involuntary liquidation, dissolution or winding-up, holders of the Preferred Stock are entitled to receive out of our assets that are available for distribution to stockholders, before any distribution is made to holders of common stock or other junior stock, a liquidation distribution in the amount of $2,500.00 per share of Preferred Stock (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, including, if applicable, a *pro rata* portion of any declared and unpaid dividends for the then-current dividend period to the date of liquidation, without regard for any undeclared dividends. Distributions will be made *pro rata* as to the Preferred Stock and any other parity stock and only to the extent of our assets, if any, that are available after satisfaction of all liabilities to our creditors.

## The Depositary Shares

Each depositary share will represent 1/100th of a share of Preferred Stock. We will deposit shares of Preferred Stock and depositary receipts evidencing the depositary shares will be issued pursuant to a deposit agreement among us, Computershare Trust Company N.A., as depositary, and the holders from time to time of the depositary receipts. Subject to the terms of the deposit agreement, the depositary shares will be entitled to all the rights and preferences of the Preferred Stock in proportion to the applicable fraction of a share of Preferred Stock represented by such depositary share.

***Distributions.*** The depositary will distribute all dividends and other cash distributions received on the Preferred Stock to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder. The obligation of the depositary to distribute dividends and distributions is subject to the payment of certain charges and expenses of the depositary.

***Redemption.*** If we redeem the Preferred Stock, in whole or in part, the corresponding depositary shares will also be redeemed. The redemption price per depositary share will be equal to 1/100th of the redemption price per share of Preferred Stock. If less than all the depositary shares are redeemed, we will select either by lot or *pro rata* those depositary shares to be redeemed. Any shares redeemed will be subject to rounding to prevent fractional depositary shares. The depositary will mail notice of redemption to record holders of the depositary receipts not less than 20 and not more than 60 days prior to the date fixed for redemption of the Preferred Stock and depositary shares. Any redemption of the depositary shares or Preferred Stock will be subject to the limitations described below under "Our Replacement Capital Covenant."

***Voting Rights.*** Because each depositary share represents ownership of 1/100th of a share of Preferred Stock, and each share of Preferred Stock is entitled to ten votes per share under the limited circumstances described above, holders of depositary receipts will be entitled to 1/10th of a vote per depositary share under such limited circumstances.

## Our Replacement Capital Covenant

At or prior to the initial issuance of the Preferred Stock, we will enter into a replacement capital covenant relating to the depositary shares and the Preferred Stock. The replacement capital covenant only benefits holders of covered debt, as defined under the "Certain Terms of the Replacement Capital Covenant," and is not enforceable by holders of the depositary shares or the Preferred Stock. However, the replacement capital covenant could preclude us from redeeming or purchasing depositary shares or shares of Preferred Stock at a time we might otherwise wish to do so.

In the replacement capital covenant, we covenant not to redeem or purchase, and to cause our subsidiaries not to redeem or purchase, the depositary shares or shares of Preferred Stock before February 15, 2023 (or such later date as we may determine if we decide to extend the term of the replacement capital covenant) except to the extent (i) during the 6 months prior to such redemption or purchase, we have

received net proceeds in the amount specified in the replacement capital covenant from the sale of securities that have equity-like characteristics that are the same or more equity-like than the applicable characteristics of the depositary shares and the Preferred Stock at the time of such redemption or purchase (any such securities, "replacement capital securities") or (ii) the depositary shares and the Preferred Stock are exchanged for consideration that includes common stock with a market value of at least 75% of the aggregate liquidation preference of the Preferred Stock or at least an equal aggregate liquidation preference or principal amount of replacement capital securities other than common stock, or a combination thereof.

See "Description of the Preferred Stock—Redemption or Repurchase Subject to Restrictions" for further information about redemptions or repurchases of the depository shares or shares of Preferred Stock.

### Certain United States Federal Income Tax Consequences Related to the Depositary Shares

Any dividend on the depositary shares that we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) will constitute a dividend for United States federal income tax purposes and will be includible in income by you. Any such dividend will be eligible for the dividends received deduction if you are an otherwise qualifying corporate United States holder (as defined in "Certain United States Federal Income Tax Consequences") that meets the holding period and other requirements for the dividends received deduction. Dividends paid to non-corporate United States holders in taxable years beginning before January 1, 2011 are generally subject to a maximum federal income tax rate of 15% if the holder holds its depositary shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets certain other requirements. A sale, exchange, redemption or other disposition of depositary shares will generally result in gain or loss equal to the difference between the amount realized upon the disposition and your adjusted tax basis in the depositary shares.

### Use of Proceeds

We expect to receive net proceeds from this offering of approximately $1,606 million (or at least approximately $1,845 million, if the underwriters exercise their option to purchase additional depositary shares in full), after deducting expenses and underwriting commissions.

We intend to use the net proceeds from this offering for general corporate purposes. We expect that the SEC will treat the Preferred Stock as the equivalent of "Tier 1" capital in an amount equal to the amount of this offering for purposes of its capital guidelines applicable to consolidated supervisory entities such as Lehman Brothers. See "Regulatory Capital."

## RISK FACTORS

*Your investment in the Preferred Stock will involve several risks. You should carefully consider the following discussion of risks and the other information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K for the year ended November 30, 2007, before deciding whether an investment in the Preferred Stock is suitable for you.*

### Risks Relating to the Preferred Stock

***Dividends on the Preferred Stock are non-cumulative.***

Dividends on the Preferred Stock are non-cumulative. Consequently, if our board of directors does not authorize and declare a dividend for any dividend period, holders of the Preferred Stock would not be entitled to receive any such dividend, and such unpaid dividend will cease to accumulate and be payable. We will have no obligation to pay dividends accumulated for a dividend period after the dividend payment date for such period if our board of directors has not declared such dividend before the related dividend payment date, whether or not dividends are declared for any subsequent dividend period with respect to the Preferred Stock or any other preferred stock we may issue.

***Certain of our existing securities may prevent us from paying dividends on the Preferred Stock upon the occurrence of a mandatory trigger event.***

If the mandatory deferral event described below occurs, our existing enhanced capital advantaged preferred securities ("ECAPS"[SM]) prohibit us from making distributions on the ECAPS other than with the proceeds from issuances of our common stock and perpetual deferrable preferred stock. If we are unable to pay distributions on the ECAPS in full, the dividend restrictions on the ECAPS would prohibit us from, among other things, paying any dividends on any of our capital stock, including the Preferred Stock. Since the ECAPS require us to pay distributions upon the occurrence of a mandatory deferral event only out of the proceeds of the sale of our common stock or perpetual deferrable preferred stock, our ability to pay dividends on the Preferred Stock will depend on our ability to issue our common stock or non-cumulative perpetual preferred stock to fully pay all distributions due on the ECAPS. We will trigger a mandatory deferral event pursuant to the terms of the ECAPS if at any time we have both a consolidated net loss over a two-quarter period and our tangible common stockholders' equity has decreased by 10% over the prior year, and we have failed to cure either of those events within the following two quarters.

***Investors should not expect us to redeem the Preferred Stock on the date it first becomes redeemable or on any particular date after it becomes redeemable.***

The Preferred Stock is a perpetual equity security. The Preferred Stock has no maturity or mandatory redemption date and is not redeemable at the option of investors. By its terms, the Preferred Stock may be redeemed by us at our option either in whole or in part on any dividend payment date occurring on or after February 15, 2013. Any decision we may make at any time to propose a redemption of the Preferred Stock will depend, among other things, upon our evaluation of the overall level and quality of our capital components, considered in light of our risk exposures, earnings and growth strategy, as well as general market conditions at such time. Our right to redeem the Preferred Stock once issued is subject to two important limitations. Accordingly, investors should not expect us to redeem the Preferred Stock on the date it first becomes redeemable or on any particular date thereafter.

First, any redemption of the Preferred Stock is subject to prior approval of the SEC. There can be no assurance that the SEC will approve any redemption of the Preferred Stock that we may propose. There also can be no assurance that, if we propose to redeem the Preferred Stock without replacing the Preferred Stock with replacement capital securities, the SEC will authorize such redemption. We understand that the factors that the SEC will consider in evaluating a proposed redemption, or a request that we be permitted to redeem

the Preferred Stock without replacing it with replacement capital securities, include its evaluation of the overall level and quality of our capital components, considered in light of our risk exposures, earnings and growth strategy, and other supervisory considerations.

Second, at or prior to initial issuance of the Preferred Stock, we are entering into the replacement capital covenant, which will limit our right to redeem or purchase the Preferred Stock. In the replacement capital covenant, we covenant not to redeem or purchase, and to cause our subsidiaries not to redeem or purchase, the depositary shares or shares of Preferred Stock before February 15, 2023 (or such later date as we may determine if we decide to extend the term of the replacement capital covenant) except to the extent (i) during the 6 months prior to such redemption or purchase, we have received net proceeds in the amount specified in the replacement capital covenant from the sale of replacement capital securities or (ii) the depositary shares and the Preferred Stock are exchanged for common stock with a market value of at least 75% of the aggregate liquidation preference of the Preferred Stock or at least an equal aggregate liquidation preference or principal amount of replacement capital securities other than common stock, or a combination thereof.

Our ability to raise proceeds from replacement capital securities during the 6 months prior to a proposed redemption or purchase will depend on, among other things, market conditions at such time as well as the acceptability to prospective investors of the terms of such replacement capital securities. Accordingly, there could be circumstances where we would wish to redeem or purchase some or all of the Preferred Stock and sufficient cash is available for that purpose, but we are restricted from doing so because we have not been able to obtain proceeds from replacement capital securities sufficient for that purpose.

*The Preferred Stock is equity and is subordinate to our existing and future indebtedness.*

Shares of Preferred Stock are equity interests in Lehman Brothers Holdings and do not constitute indebtedness. As such, shares of Preferred Stock will rank junior to all indebtedness and other non-equity claims on Lehman Brothers Holdings with respect to assets available to satisfy claims on Lehman Brothers Holdings, including in a liquidation of Lehman Brothers Holdings. Additionally, unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of preferred stock like the Preferred Stock (1) dividends are payable only if declared by our board of directors and (2) as a corporation, we are subject to restrictions on payments of dividends and redemption price out of lawfully available funds.

Also, as a consolidated supervisory entity, our ability to declare and pay dividends is dependent on certain federal regulatory considerations. Lehman Brothers Holdings has issued and outstanding debt securities under which we may defer interest payments from time to time, but in that case we would not be permitted to pay dividends on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our capital stock, including the Preferred Stock, during the deferral period. In addition, Lehman Brothers Holdings has issued and outstanding debt securities under which, if we are aware of any event that would be an event of default under the indenture governing those debt securities, we would not be permitted to pay dividends on, or redeem, purchase, acquire or making a liquidation payment with respect to, any of our capital stock, including the Preferred Stock.

*We are a holding company and our ability to pay dividends on the Preferred Stock will depend on distributions from our subsidiaries.*

The dividends on the Preferred Stock will be solely our obligations, and no other entity will have any obligation, contingent or otherwise, to make any dividends in respect of the Preferred Stock. Because we are a holding company whose primary assets consist of shares of stock or other equity interests in or amounts due from subsidiaries, almost all of our income is derived from those subsidiaries. Accordingly, we will be dependent on dividends and other distributions or loans from our subsidiaries for funds with which to make dividend payments on the Preferred Stock. Due to covenants contained in certain of our debt agreements and

regulations relating to capital requirements affecting certain of our more significant subsidiaries, the ability of certain subsidiaries to pay dividends and other distributions and make loans to us is restricted. At November 30, 2007, approximately $10.1 billion of net assets of our subsidiaries were restricted as to the payment of dividends to us. Additionally, as an equity holder, our ability to participate in any distribution of assets of any subsidiary is subordinate to the claims of creditors of the subsidiary, except to the extent that any claims we may have as a creditor of the subsidiary are judicially recognized. If these sources are not adequate, we may be unable to make dividend payments in respect of the Preferred Stock.

*Holders of the Preferred Stock will have limited voting rights.*

Holders of the Preferred Stock have no voting rights with respect to matters that generally require the approval of voting stockholders, except as required by law.

*An active trading market may not develop for the Preferred Stock.*

The Preferred Stock is a new issue of securities. There is no active public trading market for the Preferred Stock. We intend to apply for listing of the Preferred Stock on the New York Stock Exchange. However, a market may not develop for the Preferred Stock, and there can be no assurance as to the liquidity of any market that may develop for the Preferred Stock. The underwriters have advised us that they intend to make a market in the Preferred Stock. However, the underwriters are not obligated to make a market in the Preferred Stock and may discontinue market making activities at any time. If an active, liquid market does not develop for the Preferred Stock, the market price and liquidity of the Preferred Stock may adversely be affected.

## USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $1,606 million (or at least approximately $1,845 million, if the underwriters exercise their option to purchase additional depositary shares in full), after deducting expenses and underwriting commissions.

We intend to use the net proceeds from this offering for general corporate purposes. We expect that the SEC will treat the Preferred Stock as the equivalent of "Tier 1" capital in an amount equal to the amount of this offering for purposes of its capital guidelines applicable to consolidated supervisory entities such as Lehman Brothers. See "Regulatory Capital."

## RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

| | Year Ended November 30, | | | | |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 | 2003 |
| Ratio of earnings to combined fixed charges and preferred stock dividends | 1.15 | 1.20 | 1.27 | 1.34 | 1.26 |

For purposes of calculating the ratio of earnings to combined fixed charges and preferred stock dividends, earnings are the sum of:

- pre-tax earnings from continuing operations and
- fixed charges (excluding capitalized interest);

and fixed charges are the sum of:

- interest cost, including capitalized interest; and
- that portion of rent expense estimated to be representative of the interest factor.

The preferred stock dividend amounts represent pre-tax earnings required to cover dividends on preferred stock.

## REGULATORY CAPITAL

### Regulatory Considerations

As of December 1, 2005, Lehman Brothers became regulated by the SEC as a consolidated supervisory entity ("CSE"). As such, Lehman Brothers is subject to group-wide supervision and examination by the SEC and, accordingly, we are subject to minimum capital requirements on a consolidated basis, and must comply with CSE rules on capital requirements that are generally consistent with the standards of the Basel Committee of Banking Supervision.

For a discussion of the material elements of the regulatory framework applicable to Lehman Brothers and its subsidiaries which are subject to various securities, commodities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate, and specific information relevant to Lehman Brothers, please refer to Lehman Brothers' annual report on Form 10-K for the fiscal year ended November 30, 2007, and any subsequent reports we file with the SEC.

Lehman Brothers' earnings are also affected by general economic conditions, our management policies and legislative action.

There are numerous governmental requirements and regulations that affect our business activities. A change in applicable statutes, regulations or regulatory policy may have a substantive effect on Lehman Brothers' business and regulatory capital treatment.

### Regulatory Capital Treatment

We expect that the SEC will treat the Preferred Stock as the equivalent of "Tier 1" capital in an amount equal to the amount of this offering for purposes of its capital guidelines applicable to CSEs such as Lehman Brothers.

## DESCRIPTION OF THE PREFERRED STOCK

*The following is a summary of some of the terms of the Preferred Stock. This summary contains a description of the material terms of the Preferred Stock but is not necessarily complete. We refer you to the documents referred to in the following description, copies of which are available upon request as described under "Where You Can Find More Information."*

### General

As of the date of this prospectus supplement, our authorized capital stock includes 24,999,000 shares of preferred stock. After this offering, 660,000 shares of Preferred Stock (or 759,000 shares of Preferred Stock, if the underwriters exercise their option to purchase additional depositary shares in full) will be issued and outstanding.

Prior to the issuance of the Preferred Stock, our board of directors will adopt resolutions creating and designating the Preferred Stock as a series of preferred stock and the resolutions will be filed in a certificate of designation as an amendment to the certificate of incorporation. The term "our board of directors" includes any duly authorized committee of our board of directors.

The rights of holders of the Preferred Stock offered may be adversely affected by the rights of holders of any shares of preferred stock that may be issued in the future, provided that the future issuances are first approved by the holders of the class(es) or series of preferred stock adversely affected to the extent required by applicable law. The board of directors may cause shares of preferred stock to be issued in public or private transactions for any proper corporate purpose. Examples of proper corporate purposes include issuances to obtain additional financing in connection with acquisitions or otherwise, and issuances to our and our subsidiaries' officers, directors and employees pursuant to benefit plans or otherwise. Shares of preferred stock issued by us may have the effect of rendering more difficult or discouraging an acquisition of us deemed undesirable by our board of directors.

The Preferred Stock will be, when issued, fully paid and nonassessable. Holders of Preferred Stock will not have any preemptive or subscription rights to acquire more of our stock.

Computershare Trust Company N.A. is the registrar, transfer agent and dividend disbursing agent for the Preferred Stock and also will serve as the depositary.

### Ranking

The Preferred Stock will rank on an equal basis with each other series of preferred stock and prior to the common stock as to dividends and distributions of assets.

The Preferred Stock ranks on an equal basis as to dividends and upon liquidation, dissolution or winding up with our 5.94% Cumulative Preferred Stock, Series C, 5.67% Cumulative Preferred Stock, Series D, 6.50% Cumulative Preferred Stock, Series F, and Floating Rate Cumulative Preferred Stock, Series G, which are currently outstanding, and will rank on an equal basis with our Non-Cumulative Perpetual Preferred Stock, Series H, and Non-Cumulative Perpetual Preferred Stock, Series I, when they are issued. We may from time to time, without notice to or consent from the holders of the depositary shares or the Preferred Stock, create and issue additional shares of Preferred Stock or preferred stock ranking on an equal basis to the Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

### Dividends

Holders of Preferred Stock will receive, if declared by our board of directors, out of funds legally available for payment of dividends under Delaware law, non-cumulative cash dividends at an annual rate equal to 7.95%. We may, and will if so directed by the SEC, skip a dividend on the Preferred Stock at any time or pay a partial dividend.

To the extent that any dividends payable on the Preferred Stock on any dividend payment date are not declared and paid, in full or otherwise, on such dividend payment date, then such unpaid dividends shall not cumulate and shall cease to be payable. We have no obligation to pay dividends for such dividend period after

the dividend payment date for such dividend period or to pay interest with respect to such dividends, whether or not we declare dividends on the Preferred Stock for any subsequent dividend period.

The term "dividend period" means the period from and including each dividend payment date (or, in the case of the initial dividend period, the issue date) to but excluding the next succeeding dividend payment date.

We will pay dividends on the Preferred Stock quarterly in arrears, if declared by our board of directors, on each February 15, May 15, August 15 and November 15, commencing on May 15, 2008, each a "dividend payment date". If any date on which dividends would otherwise be payable is not a business day, then the dividend payment date will be the next succeeding business day. "Business day" means any day that is not a Saturday or Sunday and that, in New York City, is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed. See "Description of Depositary Shares—Dividends and Other Distributions" about the deferral of distribution of amounts that are fractions of one cent.

We will pay dividends to holders of record as of the close of business on the first day of the month in which the dividend payment date is scheduled. This day is also called the record date for payment of dividends.

We will calculate dividends on the Preferred Stock on the basis of a 360-day year consisting of 12 30-day months.

We may not declare, set apart for payment or pay dividends on any of our stock that ranks equally with the Preferred Stock unless we have declared and paid, or set apart for payment, dividends on the Preferred Stock for the dividend period ending on or before the dividend payment date of that other stock, ratably with dividends on that other stock, in proportion to the respective amounts of (A) the full amount of dividends payable on the Preferred Stock for such dividend period and (B) the accumulated and unpaid dividends, or the full amount of dividends payable in the case of non-cumulative preferred stock, on that other stock.

Except as set forth above, unless full dividends on the Preferred Stock have been declared and paid or set aside for payment for the most recently completed dividend period:

- we may not declare, set apart for payment or pay dividends on our Junior or Parity Stock; and
- we may not, and may not permit our subsidiaries to, redeem, purchase or otherwise acquire (or make payment to or available for any sinking fund with respect to) any of our Junior or Parity Stock, except that money previously deposited in a sinking fund may be applied to a redemption or purchase;

other than any:

(1) purchase, redemption or other acquisition of Junior or Parity Stock in connection with the satisfaction of our obligations pursuant to any contract entered into prior to the beginning of the then-current dividend period;

(2) purchase, redemption or other acquisition of Junior or Parity Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more of our employees, officers, directors, consultants or independent contractors;

(3) exchange, redemption or conversion of Junior or Parity Stock for Junior or Parity Stock;

(4) purchase, redemption or other acquisition of Junior or Parity Stock with the proceeds of a substantially contemporaneous sale of any such Junior or Parity Stock; or

(5) any purchase of fractional interests in shares of the Corporation's capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged.

No dividends on the Preferred Stock will be declared by our board of directors, or paid or set apart for payment by us, at any time during which the terms and provisions of any of our agreements, including any agreement relating to our junior subordinated debentures and our other indebtedness, would prohibit a declaration, payment or setting apart for payment of a dividend or provide that such a declaration, payment or setting apart for payment would constitute a breach or a default or would not be permitted thereunder. See

"Risk Factors—Risks Relating to the Preferred Stock—Certain of our existing securities may prevent us from paying dividends on the Preferred Stock upon the occurrence of a mandatory trigger event." No dividends on the Preferred Stock will be declared or paid or set apart for payment if prohibited by applicable law or regulation. We are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The SEC may determine, under certain circumstances relating to the financial condition of a supervised investment bank holding company, such as us, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In addition, we are subject to Delaware state laws relating to the payment of dividends.

### Optional Redemption

The Preferred Stock may not be redeemed prior February 15, 2013. From and after that date (but subject to the limitations described below under "—Redemption or Repurchase Subject to Restrictions"), the Preferred Stock may be redeemable, in whole or in part, at our option. Any such redemption will be at a cash redemption price of $2,500.00 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends including, if applicable, a *pro rata* portion of any declared and unpaid dividends for the then-current dividend period to the redemption date, without regard to any undeclared dividends.

We will give written notice of redemption at least 20 days and no more than 60 days prior to the redemption date. For any shares to be redeemed, dividends will cease to be payable and all rights of holders of such shares, except the right to receive the redemption price, will cease as of the redemption date.

If fewer than all the outstanding shares of Preferred Stock are to be redeemed, we will select those to be redeemed by lot or *pro rata* or by any other method we deem appropriate.

The Preferred Stock is not subject to mandatory redemption pursuant to a sinking fund or otherwise.

Subject to the limitations described under "Certain Terms of the Replacement Capital Covenant" and the terms of any preferred stock ranking senior to the Preferred Stock or of any outstanding debt instruments, we or our affiliates may from time to time purchase any outstanding depositary shares or shares of Preferred Stock by tender, in the open market or by private agreement.

### Redemption or Repurchase Subject to Restrictions

Our right to redeem the Preferred Stock once issued is subject to two important limitations.

First, any redemption of the Preferred Stock is subject to prior approval of the SEC, in its capacity as the regulator of Lehman Brothers.

Second, at or prior to the initial issuance of the Preferred Stock, we will enter into a "replacement capital covenant," relating to the Preferred Stock. The replacement capital covenant only benefits holders of covered debt, as defined below, and is not enforceable by holders of depositary shares or Preferred Stock. However, the replacement capital covenant could preclude us from redeeming or purchasing depositary shares or shares of Preferred Stock at a time we might otherwise wish to do so. See "Certain Terms of the Replacement Capital Covenant."

If the replacement capital covenant terminates at any time when any depositary shares or Preferred Stock remains outstanding, we intend, to the extent that the Preferred Stock provides us with rating agency equity credit at the time of any redemption or purchase of the depositary shares or Preferred Stock, to redeem or purchase (or cause such action with respect to) the depositary shares or Preferred Stock with net proceeds received by us from the exchange, sale or issuance of securities, during the 6 months prior to the date of notice of such action, only to the extent that such securities would provide at least as much equity credit to us as the Preferred Stock at that time.

### Voting Rights

The Preferred Stock will have no voting rights except as provided below or as otherwise from time to time required by law.

Whenever dividends payable on the shares of Preferred Stock have not been paid for six or more dividend periods, whether or not consecutive, the authorized number of our directors will automatically be increased by two. The holders of the Preferred Stock will have the right, with holders of any other equally ranked series of preferred stock that have similar voting rights and on which dividends likewise have not been paid, voting together as a class, to elect two directors to fill such newly created directorships at our next annual meeting of stockholders and at each of our subsequent annual meetings until full dividends have been paid on the Preferred Stock for at least four consecutive dividend periods. At that point the right to elect directors terminates, and the terms of office of the two directors so elected will terminate immediately.

Holders of Preferred Stock, together with holders of such other preferred stock entitled to elect preferred directors, voting together as a class, may remove and replace either of the directors they elected. If the office of either such director becomes vacant for any reason other than removal, the remaining director may choose a successor who will hold office for the unexpired term of the vacant office.

So long as any shares of Preferred Stock remain outstanding, Lehman Brothers Holdings will not, without the vote of the holders of at least 66⅔% of the shares of the Preferred Stock:

- authorize, create or issue any of our capital stock ranking, as to dividends or upon liquidation, dissolution or winding up, senior to the Preferred Stock, or reclassify any of our authorized capital stock into any such shares of such capital stock, or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or
- amend, alter or repeal the certificate of designation for the Preferred Stock, or our certificate of incorporation, whether by merger, consolidation or otherwise, in a way that adversely affects the powers, preferences or special rights of the Preferred Stock.

Any

- increase in the amount of authorized common or preferred stock; or
- increase or decrease in the number of shares of any series of preferred stock; or
- authorization and issuance of other classes or series of stock;

in each case ranking equally with or junior to the Preferred Stock will not be deemed to adversely affect such powers, preferences or special rights.

Each share of Preferred Stock will have ten votes whenever it is entitled to voting rights.

If we redeem or call for redemption all of the outstanding shares of Preferred Stock and deposit in trust sufficient funds to effect such redemption, the above voting provisions will not apply.

Delaware law provides that the holders of preferred stock will have the right to vote separately as a class on any amendment to the rights of that preferred stock that adversely affects the rights, powers and preferences of the preferred stock. This right is in addition to any voting rights that may be provided for in the applicable certificate of designation.

### Liquidation Rights

Upon our liquidation, dissolution or winding up, the holders of the Preferred Stock will be entitled to receive out of our assets available for distribution to stockholders, $2,500.00 per share (equivalent to $25.00 per depositary share) plus all declared but unpaid dividends. If, upon any liquidation, dissolution or winding up of us, our assets, or proceeds thereof, distributable among the holders of shares of Preferred Stock or any stock ranking equally with the Preferred Stock shall be insufficient to pay in full the preferential amounts to which such stock would be entitled, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full.

Neither a consolidation nor merger of us, nor a sale, lease, exchange or transfer of all or substantially all of our assets, will be deemed to be a liquidation, dissolution or winding up under the above provisions.

As of the date of this prospectus supplement, the aggregate liquidation preference of the preferred stock we have outstanding (our 5.94% Cumulative Preferred Stock, Series C, 5.67% Cumulative Preferred Stock, Series D, 6.50% Cumulative Preferred Stock, Series F and Floating Rate Cumulative Preferred Stock, Series G) is $1.095 billion.

## DESCRIPTION OF DEPOSITARY SHARES

*The following is a summary of some of the terms of the depositary shares. This summary, together with the summary of some of the provisions of the related documents described below, contains a description of the material terms of the depositary shares but is not necessarily complete. We refer you to the documents referred to in the following description, copies of which are available upon request as described under "Where You Can Find More Information."*

Each depositary share will represent 1/100th of a share of Preferred Stock. Lehman Brothers Holdings will issue depositary receipts evidencing the depositary shares. Lehman Brothers Holdings will deposit the underlying shares of Preferred Stock pursuant to a deposit agreement among Lehman Brothers Holdings, Computershare Trust Company N.A., as depositary, and the holders from time to time of the depositary receipts. Subject to the terms of the deposit agreement, the depositary shares will be entitled to all the rights and preferences of the Preferred Stock in proportion to the applicable fraction of a share of Preferred Stock represented by such depositary share.

### Dividends and Other Distributions

The depositary will distribute all dividends and other cash distributions received on the Preferred Stock to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder. In the event of a distribution other than in cash, the depositary will distribute property received by it to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder, unless the depositary determines that it is not feasible to make such distribution, in which case the depositary may, with our approval, adopt a method of distribution that it deems practicable, including sale of the property and distribution of the net proceeds from such sale to the holders of depositary receipts. The obligation of the depositary to distribute dividends and distributions is subject to paying certain charges and expenses of the depositary.

The depositary will distribute dividends and other distributions only in an amount that can be distributed without attributing to any holder of depositary receipts a fraction of one cent. Any balance not so distributable will be held by the depositary and will be added to the next sum received by the depositary for distribution. The depositary will not be liable for interest on amounts held for later distribution.

### Taxes and Other Governmental Charges

The amount paid as dividends or otherwise distributable by the depositary with respect to the depositary shares or the underlying Preferred Stock will be reduced by any amounts required to be withheld by Lehman Brothers Holdings or the depositary on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange or withdrawal of any depositary shares or shares of Preferred Stock, until such taxes or other governmental charges are paid.

### Redemption of Depositary Shares

If Lehman Brothers Holdings redeems the Preferred Stock, in whole or in part, the corresponding depositary shares will also be redeemed. The redemption price per depositary share will be equal to 1/100th of the redemption price per share of Preferred Stock. If less than all the depositary shares will be redeemed, Lehman Brothers Holdings will select either by lot or *pro rata* those depositary shares to be redeemed. Any shares redeemed will be subject to rounding to prevent fractional depositary shares. The depositary will mail notice of redemption to record holders of the depositary receipts not less than 20 and not more than 60 days prior to the date fixed for redemption of the Preferred Stock and depositary shares. Any redemption of the depositary shares will be subject to the limitations described below under "Certain Terms of the Replacement Capital Covenant."

### Withdrawal of Preferred Stock

Underlying shares of Preferred Stock may be withdrawn from the depositary arrangement upon surrender of depositary receipts at the corporate trust office of the depositary and upon payment of the taxes, charges and fees provided for in the deposit agreement. Subject to the terms of the deposit agreement, the holder of depositary receipts will receive the appropriate number of shares of Preferred Stock and any money or property represented by such depositary shares. Only whole shares of Preferred Stock may be withdrawn; if a holder holds an amount other than a whole multiple of 100 depositary shares, the depositary will deliver along with the withdrawn shares of Preferred Stock a new depositary receipt evidencing the excess number of depositary shares. Holders of withdrawn shares of Preferred Stock will not be entitled to redeposit such shares or to receive depositary shares. See ''—Stock Exchange Listing'' below.

### Voting the Preferred Stock

Because each depositary share represents ownership of 1/100th of a share of Preferred Stock, and each share of Preferred Stock is entitled to ten votes per share under the limited circumstances described above, holders of depositary receipts will be entitled to 1/10th of a vote per depositary share under such limited circumstances.

Upon receipt of notice of any meeting at which the holders of the Preferred Stock are entitled to vote, the preferred stock depositary will mail the information contained in such notice of meeting to the record holders of the depositary shares. Each record holder of such depositary shares on the record date will be entitled to instruct the preferred stock depositary to vote the amount of the Preferred Stock represented by such holder's depositary shares. The preferred stock depositary will try to vote the amount of the Preferred Stock represented by such depositary shares in accordance with such instructions.

We will agree to take all actions that the preferred stock depositary determines as necessary to enable the preferred stock depositary to vote as instructed. The preferred stock depositary will abstain from voting shares of Preferred Stock held by it for which it does not receive specific instructions from the holders of depositary shares representing such shares.

### Stock Exchange Listing

We will apply to list the depositary shares on the New York Stock Exchange and expect, if the application is approved, trading to begin within 30 days after initial delivery of the depositary shares. We do not expect that there will be any separate public trading market for the shares of Preferred Stock except as represented by the depositary shares.

### Amendment and Termination of the Deposit Agreement

The form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement may at any time be amended by agreement between us and the preferred stock depositary. However, any amendment that materially and adversely alters any existing right of the holders of depositary shares will not be effective unless such amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. Every holder of an outstanding depositary receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such depositary receipt, to consent and agree to such amendment and to be bound by the deposit agreement, which has been amended thereby. The deposit agreement may be terminated only if:

- all outstanding depositary shares have been redeemed; or
- a final distribution in respect of the Preferred Stock has been made to the holders of depositary shares in connection with any liquidation, dissolution or winding up of us.

### Charges of Preferred Stock Depositary; Taxes and Other Governmental Charges

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will also pay charges of the depositary in connection with the initial deposit of Preferred Stock and any redemption of Preferred Stock. Holders of depositary receipts will pay other transfer and other taxes and governmental charges and such other charges, including a fee for the withdrawal of shares of Preferred Stock upon surrender of depositary receipts, as are expressly provided in the deposit agreement to be for their accounts.

### Resignation and Removal of Depositary

The preferred stock depositary may resign at any time by delivering to us notice of its intent to do so, and we may at any time remove the preferred stock depositary, any such resignation or removal to take effect upon the appointment of a successor preferred stock depositary and its acceptance of such appointment. Such successor preferred stock depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50 million.

### Miscellaneous

The preferred stock depositary will forward all reports and communications from us which are delivered to the preferred stock depositary and which we are required to furnish to the holders of the deposited Preferred Stock.

Neither the preferred stock depositary nor we will be liable if it or we are prevented or delayed by law or any circumstances beyond its or our control in performing its or our obligations under the deposit agreement. Our obligations and the obligations of the preferred stock depositary under the deposit agreement will be limited to performance in good faith of our and their duties thereunder, and neither we nor they will be obligated to prosecute or defend any legal proceeding in respect of any depositary shares, depositary receipts or shares of preferred stock unless satisfactory indemnity is furnished. We and the preferred stock depositary may rely upon written advice of counsel or accountants, or upon information provided by holders of depositary receipts or other persons believed to be competent and on documents believed to be genuine.

### Concerning the Depositary

We and certain of our subsidiaries may maintain bank accounts, borrow money and have other commercial banking, investment banking and other business relationships with the depositary and its affiliates in the ordinary course of business. The depositary or its affiliates may participate as underwriters, agents or dealers in any offering of depositary shares.

## CERTAIN TERMS OF THE REPLACEMENT CAPITAL COVENANT

*The following is a summary of some of the terms of the replacement capital covenant. This summary contains a description of the material terms of the replacement capital covenant but is not necessarily complete. We refer you to the documents referred to in the following description, copies of which are available upon request as described under "Where You Can Find More Information."*

In the replacement capital covenant, we covenant to the holders of long-term unsecured subordinated indebtedness that neither we nor any subsidiary of ours will redeem or purchase, and to cause our subsidiaries not to redeem or purchase, the depositary shares or shares of Preferred Stock before February 15, 2023 (or such later date as we may determine if we decide to extend the term of the replacement capital covenant), except to the extent

- subject to certain limitations, that the total redemption or purchase price is equal to or less than the applicable percentage specified in the replacement capital covenant (which amounts will vary based on the type of securities sold) of proceeds from the sale of replacement capital securities within the 6 months prior to the redemption or purchase date (without double counting the proceeds received) to persons other than us and our subsidiaries; or
- the depositary shares and the Preferred Stock are exchanged for consideration that includes common stock with a market value of at least 75% of the aggregate liquidation preference of the Preferred Stock or at least an equal aggregate liquidation preference or principal amount of replacement capital securities other than common stock, or a combination thereof;

*provided* that the foregoing limitations do not apply to purchases of the depositary shares or shares of Preferred Stock or any portion thereof in connection with the distribution thereof or in connection with market-making or other secondary-market activities. For the avoidance of doubt, persons covered by our dividend reinvestment plan and employee benefit plans shall be deemed not to be subsidiaries of us for purposes of this limitation.

Our ability to raise proceeds from replacement capital securities during the 6 months prior to a proposed repayment, redemption or purchase will depend on, among other things, market conditions at such times as well as the acceptability to prospective investors of the terms of such replacement capital securities.

Our covenants in the replacement capital covenant run in favor of persons that buy or hold our unsecured indebtedness during the period that such indebtedness is "covered debt," which is currently comprised of our junior subordinated debentures underlying the 6.24% Preferred Securities, Series N of Lehman Brothers Holdings Capital Trust VI (CUSIP No. 52520X208). Other debt will replace our covered debt under the replacement capital covenant on the earlier to occur of:

- the date two years prior to the maturity of the existing covered debt; or
- the date of a redemption or purchase of the existing covered debt in an amount such that the outstanding principal amount of the existing covered debt is or will become less than $100 million.

The replacement capital covenant is made for the benefit of persons that buy or hold the specified series of long-term indebtedness. It may not be enforced by the holders of depositary shares or shares of Preferred Stock. We may amend or supplement the replacement capital covenant with the consent of the holders of a majority by principal amount of the debt that at the time of the amendment or supplement is the covered debt. We may also, acting alone and without the consent of the holders of the covered debt, amend or supplement the replacement capital covenant if (i) such amendment or supplement eliminates certain securities as replacement capital securities if an accounting standards or interpretive guidance of an existing accounting standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes, (ii) such amendment or supplement is not adverse to the holders of the then-effective series of covered debt and an officer of Lehman Brothers Holdings has delivered a written

certificate stating that, in his or her determination, such amendment or supplement is not adverse to the holders of the then-effective series of covered debt, (iii) the effect of such amendment or supplement is solely to impose additional restrictions on, or eliminate certain of, the types of securities qualifying as replacement capital securities (other than the securities covered by clause (i) above), and an officer of Lehman Brothers Holdings has delivered a written certificate to that effect or (iv) the effect of such amendment or supplement is solely to impose additional restrictions on our ability to redeem or purchase depositary shares or shares of Preferred Stock in any circumstance, including extending the termination date of the replacement capital covenant.

The replacement capital covenant will remain in effect until the earliest date to occur of (i) February 15, 2023 (ii) the date, if any, on which the holders of at least a majority of the outstanding principal amount of indebtedness that qualifies as covered debt agree to the termination of our obligations under the replacement capital covenant, (iii) the date on which we have no eligible covered debt and (iv) the date on which all of the depositary shares and shares of Preferred Stock have been redeemed or purchased in full in compliance with the replacement capital covenant.

See "Description of the Preferred Stock—Redemption or Repurchase Subject to Restrictions" for further information about redemptions or repurchases of the depository shares or shares of Preferred Stock.

## DESCRIPTION OF CAPITAL STOCK

Pursuant to our restated certificate of incorporation, our authorized capital stock consists of 1,224,999,000 shares, of which:

- 1,200,000,000 shares are designated as common stock, 530,588,207 shares of which were outstanding as of December 31, 2007; and
- 24,999,000 shares are designated as preferred stock, $1.00 par value, 798,000 shares of which were outstanding as of December 31, 2007.

### Common Stock

*General*

Each holder of common stock is entitled to one vote per share for the election of directors and for all other matters to be voted on by stockholders. Except as otherwise provided by law, the holders of common stock vote as one class. Holders of common stock may not cumulate their votes in the election of directors, and are entitled to share equally in the dividends that may be declared by the board of directors, but only after payment of dividends required to be paid on outstanding shares of preferred stock.

Upon our voluntary or involuntary liquidation, dissolution or winding up, holders of common stock share ratably in the assets remaining after payments to creditors and provision for the preference of any preferred stock. There are no preemptive or other subscription rights, conversion rights or redemption or scheduled installment payment provisions relating to shares of common stock. All of the outstanding shares of common stock are fully paid and nonassessable. The transfer agent and registrar for the common stock is The Bank of New York. The common stock is listed on the New York Stock Exchange.

*Delaware Law, Certificate of Incorporation and By-Law Provisions That May Have an Antitakeover Effect*

The following discussion concerns certain provisions of Delaware law and our certificate of incorporation and by-laws that may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including offers or attempts that might result in a premium being paid over the market price for our shares.

*Delaware Law.* We are governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a ''business combination'' with an ''interested stockholder'' for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the business combination the corporation's board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the outstanding voting stock of the corporation at the time the transaction commenced, excluding for the purpose of determining the number of shares outstanding those shares owned by the corporation's officers and directors and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time, the business combination is approved by the corporation's board of directors and authorized at an annual or special meeting of its stockholders, and not by written consent, by the affirmative vote of at least 66⅔% of its outstanding voting stock which is not owned by the interested stockholder.

A ''business combination'' includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An ''interested stockholder'' is a person who, together with affiliates and associates, owns (or within three years did own) 15% or more of the corporation's voting stock.

*Certificate of Incorporation and By-Laws.* Our certificate of incorporation provides that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting and may not be taken by written consent.

Our by-laws provide that special meetings of stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, the President in the absence or disability of the Chairman of the Board and the Chief Executive Officer, or the Secretary at the request of the board of directors. Notice of a special meeting stating the place, date and hour of the meeting and the purposes for which the meeting is called must be given between 10 and 60 days before the date of the meeting, and only business specified in the notice may come before the meeting. In addition, our by-laws provide that directors be elected by a majority of votes in an uncontested election and a plurality of votes in a contested election at an annual meeting and does not include a provision for cumulative voting for directors. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors.

*Preferred Stock.* The issuance of preferred stock could adversely affect holders of common stock. The potential issuance of preferred stock may have the effect of discouraging, delaying or preventing a change of control of Lehman Brothers Holdings, may discourage bids for the common stock at a premium over market price of the common stock and may adversely affect the market price of the common stock.

## Preferred Stock

Under our restated certificate of incorporation, as amended, we have authority to issue up to 24,999,000 shares of preferred stock with $1.00 par value per share (including the Preferred Stock).

Under our restated certificate of incorporation, our board of directors is empowered to authorize the issuance of shares of preferred stock in one or more classes or series. Prior to the issuance of any series of preferred stock, our board of directors will adopt resolutions creating and designating the series as a series of preferred stock, and the resolutions will be filed in a certificate of designation as an amendment to the certificate of incorporation.

Set forth below is specific information concerning the various series of preferred stock that we have issued and that are currently outstanding or, in the case of our Series H and Series I non-cumulative preferred stock, that we have designated and have agreed issue in the future.

| Title of Series | Number of Shares Outstanding | Dividends per Year | Redemption Price per Share | Date Next Redeemable by Lehman Brothers Holdings | General Voting Rights |
|---|---|---|---|---|---|
| 5.94% Cumulative Preferred Stock, Series C | 500,000 | $ 29.70 | $ 500.00 | 5/31/08 | No |
| 5.67% Cumulative Preferred Stock, Series D | 40,000 | $ 283.50 | $ 5,000.00 | 8/31/08 | No |
| 6.50% Cumulative Preferred Stock, Series F | 138,000 | $ 162.50 | $ 2,500.00 | 8/31/08 | No |
| Floating Rate Cumulative Preferred Stock, Series G | 120,000 | Variable(1) | $ 2,500.00 | 2/15/09 | No |
| Non-Cumulative Perpetual Preferred Stock, Series H | 0(2) | Variable(3) | $100,000.00 | 5/31/12(2) | No |
| Non-Cumulative Preferred Stock, Series I | 0(4) | Variable(5) | $100,000.00 | 5/31/12(4) | No |

(1) Dividends on the Series G preferred stock are payable at a floating rate per annum of one-month LIBOR plus 0.75%, with a floor of 3.0% per annum.

(2) A component of our outstanding 5.857% Mandatory Capital Advantaged Preferred Securities is a stock purchase contract, pursuant to which we have agreed to issue 10,000 shares of Series H preferred stock on a "Stock Purchase Date," which we expect to be May 31, 2012 but may in certain circumstances be an earlier date or be deferred for quarterly periods until as late as May 31, 2013. The Series H preferred stock may be redeemed beginning on the later of May 31, 2012 and the Stock Purchase Date.

(3) Dividends on the Series H Preferred Stock will be payable, if, as and when declared by our board of directors, at a rate per annum of the greater of (i) three-month LIBOR plus 0.84% and (ii) 4.00%, *provided* that if the Series H Preferred Stock is issued prior to May 31, 2012, such rate per annum will be equal to 5.875% until May 31, 2012.

(4) A component of our outstanding Floating Rate Mandatory Capital Advantaged Preferred Securities is a stock purchase contract, pursuant to which we have agreed to issue 5,000 shares of Series I preferred stock on the Stock Purchase Date. The Series I preferred stock may be redeemed beginning on the later of May 31, 2012 and the Stock Purchase Date.

(5) Dividends on the Series I Preferred Stock will be payable, if, as and when declared by our board of directors, at a floating rate per annum of the greater of (i) three-month LIBOR plus 0.83% and (ii) 4.00%, *provided* that if the Series I Preferred Stock is issued prior to May 31, 2012, such floating rate per annum will be equal to three-month LIBOR plus 0.83% until May 31, 2012.

Where the above table indicates that the holders of the specified series of preferred stock have no general voting rights, this means that they do not vote on matters submitted to a vote of the common stockholders. However, the holders of these series of preferred stock do have other special voting rights:

- that are required by law,
- that apply if dividends are not paid in full for the equivalent of six calendar quarters, and
- when Lehman Brothers Holdings wants to create any class of stock having a preference as to dividends or distributions of assets over such series or alter or change the provisions of the certificate of incorporation so as to adversely affect the powers, preferences or rights of the holders of such series.

Some or all of these special voting rights apply to each series of preferred stock listed above. In the event of a default in paying dividends for the equivalent of six calendar quarters, the holders of any of our preferred stock described above that is then outstanding will have the right collectively to elect two additional directors to Lehman Brothers Holdings' board of directors until such dividends are paid, together with the holders of the Preferred Stock.

## BOOK-ENTRY SYSTEM

The Depository Trust Company, which we refer to along with its successors in this capacity as "DTC," will act as securities depositary for the depositary shares. The depositary shares will be issued only as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully registered global security certificates, representing the total aggregate number of depositary shares, will be issued and will be deposited with DTC and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants in DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants"). The rules applicable to DTC and its participants are on file with the SEC.

Purchases of depositary shares within the DTC system must be made by or through participants, which will receive a credit for the depositary shares on DTC's records. The ownership interest of each actual purchaser of depositary shares ("beneficial owner") is in turn to be recorded on the participants' and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the participants or indirect participants through which the beneficial owners purchased depositary shares. Transfers of ownership interests in the depositary shares are to be accomplished by entries made on the books of participants and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in depositary shares, except in the event that use of the book-entry system for depositary shares is discontinued.

DTC has no knowledge of the actual beneficial owners of the depositary shares; DTC's records reflect only the identity of the participants to whose accounts such depositary shares are credited, which may or may not be the beneficial owners. The participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as DTC, or its nominee, is the registered owner or holder of a global security, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the depositary shares represented thereby for all purposes under our certificate of incorporation. No beneficial owner of an interest in a global security will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under our certificate of incorporation.

DTC has advised us that it will take any action permitted to be taken by a holder depositary shares only at the direction of one or more participants to whose account the DTC interests in the global securities are credited and only in respect of such portion of the aggregate liquidation amount of depositary shares as to which such participant or participants has or have given such direction

Conveyance of notices and other communications by DTC to participants, by participants to indirect participants, and by participants and indirect participants to beneficial owners will be governed by

arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices in respect of the depositary shares held in book-entry form will be sent to Cede & Co. If less than all of the depositary shares are being redeemed, DTC will determine the amount of the interest of each participant to be redeemed in accordance with its procedures.

Although voting with respect to the depositary shares is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to depositary shares. Under its usual procedures, DTC would mail an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those participants to whose accounts the depositary shares are allocated on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions on the depositary shares held in book-entry form will be made to DTC in immediately available funds. DTC's practice is to credit participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by participants and indirect participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participants and indirect participants and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of any distributions to DTC is the responsibility of us, disbursement of such payments to participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of participants and indirect participants.

Except as provided in this prospectus supplement, a beneficial owner of an interest in a global security will not be entitled to receive physical delivery of depositary shares. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the depositary shares.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the global securities among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. We will not have any responsibility for the performance by DTC or its participants or indirect participants under the rules and procedures governing DTC. DTC may discontinue providing its services as securities depository with respect to the depositary shares at any time by giving notice to us. Under such circumstances, in the event that a successor securities depository is not obtained, certificates of the depositary shares are required to be printed and delivered to the preferred stock depositary. Additionally, we may decide to discontinue use of the system of book-entry transfers through DTC or any successor depository. In that event, certificates for the depositary shares will be printed and delivered to the preferred stock depositary. In each of the above circumstances, we will appoint a paying agent with respect to the depositary shares.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in the global depositary shares as represented by a global security.

### Clearstream and Euroclear

Links have been established among DTC, Clearstream Banking S.A., Luxembourg (''Clearstream Banking SA'') and Euroclear Bank (''Euroclear'') (two international clearing systems that perform functions similar to those that DTC performs in the U.S.), to facilitate the initial issuance of book-entry securities and cross-market transfers of book-entry securities associated with secondary market trading.

Although DTC, Clearstream Banking SA and Euroclear have agreed to the procedures provided below in order to facilitate transfers, they are under no obligation to perform such procedures, and the procedures may be modified or discontinued at any time.

Clearstream Banking SA and Euroclear will record the ownership interests of their participants in much the same way as DTC, and DTC will record the aggregate ownership of each of the U.S. agents of Clearstream Banking SA and Euroclear, as participants in DTC.

When book-entry securities are to be transferred from the account of a DTC participant to the account of a Clearstream Banking SA participant or a Euroclear participant, the purchaser must send instructions to Clearstream Banking SA or Euroclear through a participant at least one business day prior to settlement. Clearstream Banking SA or Euroclear, as the case may be, will instruct its U.S. agent to receive book-entry securities against payment. After settlement, Clearstream Banking SA or Euroclear will credit its participant's account. Credit for the book-entry securities will appear on the next day (European time).

Because settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending book-entry securities to the relevant U.S. agent acting for the benefit of Clearstream Banking SA or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

When a Clearstream Banking SA or Euroclear participant wishes to transfer book-entry securities to a DTC participant, the seller must send instructions to Clearstream Banking SA or Euroclear through a participant at least one business day prior to settlement. In these cases, Clearstream Banking SA or Euroclear will instruct its U.S. agent to transfer the book-entry securities against payment. The payment will then be reflected in the account of the Clearstream Banking SA or Euroclear participant the following day, with the proceeds back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), proceeds credited to the Clearstream Banking SA or Euroclear participant's account would instead be valued as of the actual settlement date.

### Payment

Payments in respect of the depositary shares represented by the global securities will be made to DTC, which shall credit the relevant accounts at DTC on the payment dates or, in the case of certificated securities, if any, such payments will be made by check mailed to the address of the holder entitled thereto as such address shall appear on the register. The paying agent is permitted to resign as paying agent upon 30 days' written notice to us. In the event that the preferred stock depositary shall no longer be the paying agent, we will appoint a successor to act as paying agent (which must be a bank or trust company).

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following describes the United States federal income tax considerations related to the ownership of depositary shares representing 1/100th of a share of Preferred Stock as of the date hereof. For United States federal income tax purposes, holders of depositary shares will generally be treated as if they own an interest in the underlying Preferred Stock. Except where noted, it deals only with depositary shares purchased in this offering and held as a capital asset and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding the depositary shares as a part of a hedging, integrated or conversion transaction, a constructive sale or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax, investors in partnerships or other pass-through entities for United States federal income tax purposes, United States holders (as defined below) whose "functional currency" is not the United States dollar or United States expatriates. Furthermore, this discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below possibly with retroactive effect. In addition, this discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction. Persons considering the purchase, ownership or disposition of the depositary shares should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

For purposes of this discussion, "United States holder" means a holder of depositary shares that is for United States federal income tax purposes (1) an individual citizen or resident of the United States, (2) a corporation (or other entity treated as a corporation) created or organized in or under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to United States federal income taxation without regard to its source, or (4) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and at least one United States person has the authority to control all substantial decisions of the trust or (y) it has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

As used herein, the term "non-United States Holder" means a holder of depositary shares that is neither a United States Holder nor a partnership (or other entity treated as a partnership for United States federal income tax purposes).

### United States Holders

The following is a summary of certain United States federal income tax consequences that will apply to you if you are a United States Holder.

**Dividends.** Dividends on the depositary shares will be dividends for United States federal income tax purposes to the extent paid out of Lehman Brothers Holdings' current or accumulated earnings and profits, as determined for United States federal income tax purposes, and will be taxable as ordinary income. Although Lehman Brothers Holdings expects that its current and accumulated earnings and profits will be such that all dividends paid with respect to the depositary shares will qualify as dividends for United States federal income tax purposes, Lehman Brothers Holdings cannot guarantee that result. Lehman Brothers Holdings' accumulated earnings and profits and its current earnings and profits in future years will depend in significant part on its future profits or losses, which it cannot accurately predict. To the extent that the amount of any dividend paid on a depositary share exceeds Lehman Brothers Holdings' current and accumulated earnings and profits attributable to that share, the dividend will be treated first as a return of capital and will be applied against and reduce your adjusted tax basis (but not below zero) in that depositary share. This reduction in basis would increase any gain, or reduce any loss realized by you on the subsequent sale, redemption or other disposition of that depositary share. The amount of any such dividend in excess of

your adjusted tax basis will then be taxed as capital gain. For purposes of the remainder of this discussion, it is assumed that dividends paid on the depositary shares will constitute dividends for United States federal income tax purposes.

If you are a corporation, dividends that are received by you will generally be eligible for a 70% dividends-received deduction under the Code. However, the Code disallows this dividends-received deduction in its entirety if the depositary share with respect to which the dividend is paid is held by you for less than 46 days during the 91-day period beginning on the date which is 45 days before the date on which the depositary share becomes ex-dividend with respect to such dividend. A 91-day minimum holding period applies to certain dividend arrearages.

Under current law, if you are an individual or other non-corporate holder, dividends received by you generally will be subject to a reduced maximum tax rate of 15% for taxable years beginning before January 1, 2011, after which the rate applicable to dividends is scheduled to return to the tax rate generally applicable to ordinary income. The rate reduction will not apply to dividends received to the extent that you elect to treat the dividends as "investment income," which may be offset by investment expense. Furthermore, the rate reduction will also not apply to dividends that are paid to you with respect to depositary shares that are held by you for less than 61 days during the 121-day period beginning on the date which is 60 days before the date on which the depositary shares become ex-dividend with respect to such dividend. A 91-day minimum holding period applies to certain dividend arrearages.

In general, for purposes of meeting the holding period requirements for both the dividends-received deduction and the reduced maximum tax rate on dividends described above, you may not count towards your holding period any period in which you (a) have the option to sell, are under a contractual obligation to sell, or have made (and not closed) a short sale of depositary shares or substantially identical stock or securities, (b) are the grantor of an option to buy depositary shares or substantially identical stock or securities or (c) otherwise have diminished your risk of loss by holding one or more other positions with respect to substantially similar or related property. The United States Treasury regulations provide that a taxpayer has diminished its risk of loss on stock by holding a position in substantially similar or related property if the taxpayer is the beneficiary of a guarantee, surety agreement, or similar arrangement that provides for payments that will substantially offset decreases in the fair market value of the stock. In addition, the Code disallows the dividends-received deduction as well as the reduced maximum tax rate on dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You are advised to consult your own tax advisor regarding the implications of these rules in light of your particular circumstances.

If you are a corporation, you should consider the effect of section 246A of the Code, which reduces the dividends-received deduction allowed with respect to "debt-financed portfolio stock." The Code also imposes a 20% alternative minimum tax on corporations. In some circumstances, the portion of dividends subject to the dividends-received deduction will serve to increase a corporation's minimum tax base for purposes of the determination of the alternative minimum tax. In addition, a corporate shareholder may be required to reduce its basis in stock with respect to certain "extraordinary dividends", as provided under section 1059 of the Code. You should consult your own tax advisor in determining the application of these rules in light of your particular circumstances.

**Dispositions, including Redemptions.** A sale, exchange, redemption or other disposition of depositary shares will generally result in gain or loss equal to the difference between the amount realized upon the disposition of and your adjusted tax basis in the depositary shares. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if your holding period for the depositary shares exceeds one year. Amounts received in redemption of the depositary shares that are attributable to declared and unpaid dividends will be taxed as described above under "United States Holders—Dividends." Under current law, if you are an individual or other non-corporate holder, net long-term capital gain realized by you is subject to a

reduced maximum tax rate of 15%. For taxable years beginning on or after January 1, 2011, the maximum rate is scheduled to return to the previously effective 20% rate. The deduction of capital losses is subject to limitations.

**Information Reporting and Backup Withholding.** In general, information reporting will apply to dividends paid on the depositary shares, and the proceeds from the sale, exchange, redemption or other disposition of depositary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient such as a corporation. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

### Non-United States Holders

The following is a summary of certain United States federal income tax consequences that will apply to you if you are a non-United States Holder.

**Dividends.** Dividends paid to you on our depositary shares generally will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by you within the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to United States federal income tax on a net income basis in the same manner as if you were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If you wish to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends on our depositary shares, you will be required (a) to complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalty of perjury that you are not a United States person as defined under the Code and are eligible for treaty benefits or (b) if our depositary shares are held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain non-United States Holders that are pass-through entities rather than corporations or individuals.

If you are eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

**Dispositions, Including Redemptions.** Any gain realized on the sale, exchange, redemption or other disposition of our depositary shares generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with a trade or business conducted by you in the United States (and, if required by an applicable income tax treaty, is attributable to your United States permanent establishment);
- you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- we are or have been a "United States real property holding corporation" for United States federal income tax purposes.

If you are an individual described in the first bullet point immediately above, you will be subject to tax on the net gain derived from the sale under regular graduated United States federal income tax rates. If you are an individual described in the second bullet point immediately above, you will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by United States source capital losses, even though you are not considered a resident of the United States. If you are a foreign corporation that falls under the first bullet point immediately above, you will be subject to tax on your net gain in the same manner as if you were a United States person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% of your effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

Amounts received in redemption of the depositary shares that are attributable to declared and unpaid dividends will be taxed as described above under "non-United States Holders—Dividends."

We believe we are not and do not anticipate becoming a "United States real property holding corporation" for United States federal income tax purposes.

**Information Reporting and Backup Withholding.** We must report annually to the Internal Revenue Service and to you the amount of dividends paid to you and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

You will be subject to backup withholding for dividends paid to you unless you certify under penalty of perjury that you are a non-United States Holder (and the payor does not have actual knowledge or reason to know that you are a United States person as defined under the Code), or you otherwise establish an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our depositary shares within the United States or conducted through certain United States-related financial intermediaries, unless you certify under penalty of perjury that you are a non-United States Holder (and the payor does not have actual knowledge or reason to know that you are a United States person as defined under the Code), or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the depositary shares by employee benefit plans to which Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, which we refer to as ERISA, applies; plans, individual retirement accounts and other arrangements to which Section 4975 of the Code or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, which we collectively refer to as Similar Laws, apply; and entities whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement (each of which we call a Plan).

Each fiduciary of a Plan should consider the fiduciary standards of ERISA or any applicable Similar Laws in the context of the Plan's particular circumstances before authorizing an investment in the depositary shares. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA or any applicable Similar Laws and would be consistent with the documents and instruments governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans subject to such provisions, which we call ERISA Plans, from engaging in certain transactions involving "plan assets" with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the ERISA Plans. A violation of these "prohibited transaction" rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons unless exemptive relief is available under an applicable class, statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code, but may be subject to Similar Laws.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code could arise if the depositary shares were acquired by an ERISA Plan with respect to which we or any of our affiliates are a party in interest or a disqualified person. For example, if we are a party in interest or disqualified person with respect to an investing ERISA Plan (either directly or by reason of our ownership of our subsidiaries), an extension of credit prohibited by Section 406(a)(1)(B) of ERISA and Section 4975(c)(1)(B) of the Code between the investing ERISA Plan and us may be deemed to occur, unless exemptive relief were available under an applicable exemption. In this regard, the United States Department of Labor has issued prohibited transaction class exemptions, or PTCEs, that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase, holding or disposition of the shares of Preferred Stock. Those class exemptions include:

- PTCE 96-23—for certain transactions determined by in-house asset managers;
- PTCE 95-60—for certain transactions involving insurance company general accounts;
- PTCE 91-38—for certain transactions involving bank collective investment funds;
- PTCE 90-1—for certain transactions involving insurance company separate accounts; and
- PTCE 84-14—for certain transactions determined by independent qualified professional asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than adequate consideration in connection with the transaction (the so-called "service provider exemption").

No assurance can be made that all of the conditions of any such exemptions will be satisfied.

Because of the possibility that direct or indirect prohibited transactions or similar violations of Similar Laws could occur as a result of the purchase of the depositary shares by a Plan, the depositary shares may not be purchased by any Plan, or any person investing the assets of any Plan, unless its purchase and holding of the depositary shares will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or similar violation of any applicable Similar Laws. Any purchaser or holder of the depositary shares or any interest in the depositary shares will be deemed to have represented by its purchase and holding of the shares of Preferred Stock that either:

- it is not a Plan and is not purchasing the depositary shares or interest in the depositary shares on behalf of or with the assets of any Plan; or
- its purchase and holding of the depositary shares or interest in the depositary shares will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or a similar violation of any applicable Similar Laws.

Due to the complexity of these rules and the penalties imposed upon persons involved in non-exempt prohibited transactions, it is important that any person considering the purchase of depositary shares on behalf of or with the assets of any Plan consult with its counsel regarding the consequences under ERISA, the Code and any applicable Similar Laws of the acquisition, ownership and disposition of depositary shares, whether any exemption would be applicable, and whether all conditions of such exemption have been satisfied such that the acquisition and holding of the depositary shares by the Plan are entitled to full exemptive relief thereunder.

Nothing herein shall be construed as, and the sale of depositary shares to a Plan is in no respect, a representation by us or the underwriters that any investment in the depositary shares would meet any or all of the relevant legal requirements with respect to investment by, or is appropriate for, Plans generally or any particular Plan.

## UNDERWRITING

Subject to the terms and conditions of the underwriting agreement under which the depositary shares are being offered and sold, we have agreed to sell to each of the underwriters named below, and each of the underwriters has agreed severally to purchase, the number of depositary shares set forth opposite its name:

| Underwriters | Number of Depositary Shares |
|---|---|
| Lehman Brothers Inc. | 8,118,528 |
| Citigroup Global Markets Inc. | 8,112,456 |
| Banc of America Securities LLC | 8,039,988 |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | 8,040,120 |
| Morgan Stanley & Co. Incorporated | 8,039,988 |
| UBS Securities LLC | 8,039,988 |
| Wachovia Capital Markets, LLC | 8,039,988 |
| RBC Dain Rauscher Inc. | 990,000 |
| SunTrust Robinson Humphrey, Inc. | 990,000 |
| Wells Fargo Securities, LLC | 990,000 |
| ABN AMRO Incorporated | 274,956 |
| BNY Capital Markets, Inc. | 274,956 |
| Charles Schwab & Co. Inc. | 274,956 |
| Credit Suisse Securities (USA) LLC | 274,956 |
| Fidelity Capital Markets Services, a division of National Financial Services LLC | 274,956 |
| H&R Block Financial Advisors, Inc. | 274,956 |
| HSBC Securities (USA) Inc. | 274,956 |
| Jackson Securities, LLC | 274,956 |
| Janney Montgomery Scott LLC | 274,956 |
| KeyBanc Capital Markets Inc. | 274,956 |
| Morgan Keegan & Company, Inc. | 274,956 |
| Oppenheimer & Co. Inc. | 274,956 |
| Piper Jaffray & Co. | 274,956 |
| Raymond James & Associates, Inc. | 274,956 |
| Robert W. Baird & Co. Incorporated | 274,956 |
| Stifel, Nicolaus & Company, Incorporated | 274,956 |
| Zions Direct, Inc. | 274,956 |
| B.C. Ziegler and Company | 137,478 |
| BB&T Capital Markets, a Division of Scott & Stringfellow | 137,478 |
| D. A. Davidson & Co. | 137,478 |
| Davenport & Company LLC | 137,478 |
| Ferris, Baker Watts, Incorporated | 137,478 |
| Fifth Third Securities, Inc. | 137,478 |
| Fixed Income Securities, Inc. | 137,478 |
| Keefe, Bruyette & Woods, Inc. | 137,478 |
| Maxim Group LLC | 137,478 |
| Mesirow Financial, Inc. | 137,478 |
| SMH Capital Inc. | 137,478 |
| Stone & Youngberg LLC | 137,478 |
| TD Ameritrade Holding Corporation | 137,478 |
| Vining-Sparks IBG, Limited Partnership | 137,478 |
| Total | 66,000,000 |

Under the terms and conditions of the underwriting agreement, the underwriters are committed to take and pay for all of the depositary shares being offered, if any are taken, other than those covered by the option to purchase additional depositary shares described below. The conditions contained in the underwriting agreement include requirements that:

- the representations and warranties made by us to the underwriters are true;
- there has been no material adverse change in our financial condition or in the financial markets; and
- we deliver the customary closing documents to the underwriters.

The underwriters propose to offer the depositary shares initially at a public offering price equal to the issue price set forth above and may offer the depositary shares to certain dealers at such price less a concession not in excess of $0.50 per depositary share. After the initial public offering, the public offering price and other selling terms may from time to time be varied by the underwriters.

The following table summarizes the underwriting discount to be paid by us to the underwriters:

| | Without underwriters' option exercise | With full underwriters' option exercise |
|---|---|---|
| Per depositary share (1) | $ 0.7875 | $ 0.7875 |
| Total (1) | $51,975,000 | $59,771,250 |

(1) The underwriting discount will be $0.50 per depositary share with respect to any depositary share sold to certain institutions, which decreases the total underwriting discounts without underwriters' option exercise by $7,939,600 and the total underwriting discount with full underwriters' option exercise by at least $7,939,600.

We estimate that our total expenses associated with the offer and sale of the depositary shares, excluding underwriting discounts, will be approximately $400,000.

### Indemnification and Expenses

We have agreed to indemnify the underwriters, dealers and agents, as applicable, against liabilities relating to any offering of the securities, including liabilities under the Securities Act, or to contribute to payments that the underwriters, dealers or agents may be required to make relating to these liabilities. We will reimburse the underwriters for customary legal and other expenses incurred by them in connection with the offer and sale of the depositary shares.

### Listing

We intend to list the depositary shares on the New York Stock Exchange. Trading on the New York Stock Exchange is expected to begin within 30 days of the initial delivery of the depositary shares. We do not expect that there will be any public trading market for the Preferred Stock except as represented by the depositary shares.

### Option to Purchase Additional Shares

We have granted the underwriters an option to purchase up to 9,900,000 additional depositary shares at the initial public offering price, less the underwriting discounts shown on the cover page of this prospectus supplement.

The underwriters may exercise this option at any time, and from time to time, for 30 days from the date of this prospectus supplement. To the extent that the option is exercised, the underwriters will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of

additional depositary shares approximately proportionate to that underwriter's commitment as indicated in the table above.

### Market-Making

The depositary shares will not have an established trading market when issued. We will, however, apply to list the depositary shares on the New York Stock Exchange. If approved for listing, we expect the depositary shares will begin trading on the New York Stock Exchange within 30 days after they are first issued. The underwriters may make a market in the depositary shares, but no underwriter is obligated to do so. The underwriters may discontinue any market-making at any time without notice, at their sole discretion. There can be no assurance of the existence or liquidity of a secondary market for any depositary shares, or that the maximum amount of depositary shares will be sold.

This prospectus supplement may also be used by Lehman Brothers Inc. and our other affiliates in connection with offers and sales of the offered securities in market-making transactions at negotiated prices related to prevailing market prices at the time of sale. Such affiliates may act as principals or agents in such transactions, and may receive compensation in the form of discounts or commissions. Such affiliates have no obligation to make a market in any of the offered securities and may discontinue any market-making activities at any time without notice, in their sole discretion.

If the depositary shares are sold in a market-making transaction after their initial sale, information about the purchase price and the date of the sale will be provided in a separate confirmation of sale.

### Clear Market

We have agreed, during the period beginning on the date of the underwriting agreement and continuing to and including the closing date for the purchase of the 66,000,000 depositary shares, not to offer, sell, contract to sell or otherwise dispose of any shares of our preferred stock, or sell or grant options, rights or warrants with respect to shares of our preferred stock, substantially similar to the Preferred Stock, except with the prior written consent of Lehman Brothers Inc.

### Stabilization, Short Positions and Penalty Bids

The underwriters may engage in stabilizing transactions, over-allotment, syndicate covering transactions and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the depositary shares, in accordance with Regulation M.

- Stabilizing transactions permit bids to purchase the depositary shares so long as the stabilizing bids do not exceed a specific maximum.
- Over-allotment transactions involve sales by the underwriters of depositary shares in excess of the number of depositary shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of depositary shares over-allotted by the underwriters is not greater than the number of depositary shares that they may purchase in the over-allotment option. In a naked short position, the number of depositary shares involved is greater than the number of depositary shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option, in whole or in part, and/or purchasing depositary shares in the open market.
- Syndicate covering transactions involve purchases of depositary shares in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of depositary shares to close out the short position, the underwriters will consider, among other things, the price of depositary shares available for purchase in the open market as compared to the price at which they may purchase depositary shares through the over-allotment option. If the

underwriters sell more depositary shares than could be covered by the over-allotment option, creating a naked short position, the position can only be closed out by buying depositary shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of depositary shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the depositary shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These transactions may have the effect of raising or maintaining the market price of the depositary shares or preventing or retarding a decline in the market price of the depositary shares. As a result, the price of the depositary shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the depositary shares. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in these transactions or that any transaction, once commenced, will not be discontinued without notice.

### Other Relationships with Underwriters

Lehman Brothers Inc., our principal U.S. broker-dealer subsidiary, is a member of the Financial Industry Regulatory Authority (“FINRA”) and may participate in distributions of the offered securities. Accordingly, offerings of offered securities in which Lehman Brothers Inc. or any other U.S. broker-dealer subsidiary participates will conform to the requirements set forth in Rule 2720 of the Conduct Rules of the FINRA. Under Rule 2720, none of the named underwriters is permitted to sell depositary shares in this offering to an account over which it exercises discretionary authority without the prior written approval of the customer to which the account relates. Certain of the underwriters and their affiliates have in the past provided, and may in the future from time to time provide, investment banking and/or general financing and/or banking services to us and our affiliates, for which they have in the past received, and may in the future receive, customary fees.

### Electronic Distribution

This prospectus supplement may be made available in electronic format on the Internet sites of, or through online services maintained by, the underwriters, dealers, agents and/or selling group members participating in connection with any offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, dealer, agent or selling group member, prospective investors may be allowed to place orders online. The underwriters, dealers or agents may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters, dealers or agents on the same basis as other allocations.

Other than the prospectus in electronic format, the information on the underwriters’, dealers’, agents’ or any selling group member’s web site and any information contained in any other web site maintained by the underwriters, dealers, agents or any selling group member is not part of this prospectus supplement or the registration statement of which this prospectus supplement forms a part, has not been approved and/or endorsed by us or the underwriters, dealers, agents or any selling group member in its capacity as underwriter, dealer, agent or selling group member and should not be relied upon by investors.

### Miscellaneous

Certain of the underwriters may not be U.S. registered broker-dealers and accordingly will not effect any sales within the United States except in compliance with applicable U.S. laws and regulations, including the rules of the FINRA.

It is expected that delivery of the depositary shares will be made against payment therefor on or about February 12, 2008, which is the fifth business day following the date of pricing of the depositary shares. Under Rule 15c6-1 of the Exchange Act, 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 the depositary shares on the date of pricing or the next business day will be required, by virtue of the fact that the Preferred Stock will settle in T+5, to specify alternative payment arrangements to prevent a failed settlement.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the underwriters have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") has not made and will not make an offer of depositary shares to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of depositary shares to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those depositary shares which 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 and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which 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

(d) at any time in any other circumstances which do not require the publication by Lehman Brothers Holdings Inc. of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of depositary shares to the public" in relation to any depositary shares 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 depositary shares to be offered so as to enable an investor to decide to purchase or subscribe the depositary shares, as the same 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.

### United Kingdom

The underwriters have represented and agreed that:

(a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any depositary

shares in circumstances in which Section 21(1) of the FSMA does not apply to Lehman Brothers Holdings Inc.; and

(c) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any depositary shares in, from or otherwise involving the United Kingdom.

The underwriters have agreed that, to the best of their knowledge after due inquiry, they will comply with all applicable laws and regulations in force in any jurisdiction in which it offers or sells the depositary shares or possesses or distributes the prospectus supplement, the accompanying prospectus or any other offering material and will obtain any consent, approval or permission required by it for the offer or sale by it of the depositary shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers or sales.

### Stamp Taxes

Purchasers of the depositary shares offered by this prospectus supplement may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus supplement. Accordingly, we urge you to consult a tax advisor with respect to whether you may be required to pay those taxes or charges, as well as any other tax consequences that may arise under the laws of the country of purchase.

## WHERE YOU CAN FIND MORE INFORMATION

As required by the Securities Act of 1933, as amended (the "Securities Act"), we filed a registration statement relating to the securities offered by this prospectus supplement with the SEC. This prospectus supplement and the accompanying prospectus are a part of that registration statement, which includes additional information.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of the documents, upon payment of a duplicating fee, by writing the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. These SEC filings are also available to the public from the SEC's web site at http://www.sec.gov.

Our common stock, par value $0.10 per share, is listed on the New York Stock Exchange, Inc. under the symbol "LEH." You may inspect reports, proxy statements and other information concerning us and our consolidated subsidiaries at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. For further information in obtaining copies of our public filings at the New York Stock Exchange, Inc., you should call 212-656-5060.

The SEC allows us to "incorporate by reference" the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Exchange Act (other than information in the documents or filings that is deemed to have been furnished and not filed), until the completion of the distribution of the securities:

- Annual Report on Form 10-K for the year ended November 30, 2007; and
- Current Reports on Form 8-K filed with the SEC on December 3, December 4 (three filings), December 5, December 6, December 7, December 10, December 11, December 13(three filings), December 17 (two filings), December 20, December 21 and December 28, 2007 and January 4, January 15, January 16, January 17, January 23, January 29, February 4 (two filings) and February 5, 2008.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Controller's Office
Lehman Brothers Holdings Inc.
745 Seventh Avenue
New York, New York 10019
(212) 526-7000

## LEGAL MATTERS

Barrett S. DiPaolo, Associate General Counsel of Lehman Brothers Holdings, has acted as legal counsel to Lehman Brothers Holdings. Mr. DiPaolo beneficially owns, or has rights to acquire under Lehman Brothers Holdings' employee benefit plans, an aggregate of less than 1% of Lehman Brothers Holdings' common stock. Simpson Thacher & Bartlett LLP, New York, New York, has acted as legal counsel to the underwriters. Simpson Thacher & Bartlett LLP from time to time acts as counsel for Lehman Brothers Holdings and its subsidiaries.

## EXPERTS

The consolidated financial statements and financial statement schedule of Lehman Brothers Holdings Inc. appearing in Lehman Brothers Holdings Inc.'s Annual Report (Form 10-K) for the year ended November 30, 2007, and the effectiveness of internal control over financial reporting as of November 30, 2007 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated by reference herein. Such consolidated financial statements are incorporated herein by reference in reliance upon the reports of Ernst & Young LLP pertaining to such consolidated financial statements given on the authority of such firm as experts in accounting and auditing.

PROSPECTUS

# LEHMAN BROTHERS HOLDINGS INC.

**May Offer—**

DEBT SECURITIES
WARRANTS
PURCHASE CONTRACTS
PREFERRED STOCK
DEPOSITARY SHARES
COMMON STOCK
UNITS

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We, Lehman Brothers Holdings Inc., may offer from time to time:

- debt securities, which may be senior or subordinated;
- warrants;
- purchase contracts;
- preferred stock;
- depositary shares representing fractional interests in preferred stock;
- common stock; and
- units, comprised of two or more of any of the securities referred to above, in any combination.

The debt securities, warrants, purchase contracts and preferred stock may be convertible into or exercisable or exchangeable for, or the amount payable thereon at maturity or redemption or repurchase, or interest or dividends payable thereon, may be determined in whole or in part by reference to:

- securities of one or more issuers, including us;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and
- one or more indices or baskets of the items described above.

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the accompanying prospectus supplement or supplements carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement or supplements.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or any accompanying prospectus supplement or supplements are truthful or complete. Any representation to the contrary is a criminal offense.

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Lehman Brothers Inc. and other affiliates of ours may use this prospectus in connection with offers and sales in market-making transactions.

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# LEHMAN BROTHERS

May 30, 2006

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**You should only rely on the information contained or incorporated by reference in this prospectus and the accompanying prospectus supplement or supplements, or free writing prospectus. Any free writing prospectus should be read in connection with this prospectus and the accompanying prospectus supplement or supplements. We have not, and no underwriter, agent or dealer has, 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. We are not, and no underwriter, agent or dealer is, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the accompanying prospectus supplement or supplements, as well as information we have filed or will file with the Securities and Exchange Commission and incorporated by reference, is accurate as of the date of the applicable document or other date referred to in the document. Our business, financial condition, results of operations and prospects may have changed since that date.**

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## PROSPECTUS SUMMARY

This summary provides a brief overview of the key aspects of our business and all material terms of the offered securities that are known as of the date of this prospectus. For a more complete understanding of the terms of a particular issuance of offered securities, before making your investment decision, you should carefully read:

- this prospectus, which explains the general terms of the securities that we may offer;
- the accompanying prospectus supplement or supplements for such issuance, which explain the specific terms of the securities being offered and which may update or change information in this prospectus; and
- the documents referred to in "Where You Can Find More Information" on page 58 for information about us, including our financial statements.

### Lehman Brothers Holdings Inc.

Lehman Brothers Holdings Inc. ("we," "us," "our" or "Lehman Brothers Holdings") and subsidiaries (collectively, "Lehman Brothers"), an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients and individuals worldwide. Lehman Brothers provides a full array of equities and fixed income sales, trading and research, investment banking services and investment management and advisory services. Lehman Brothers' global headquarters in New York and regional headquarters in London and Tokyo are complemented by offices in additional locations in North America, Europe, the Middle East, Latin America and the Asia Pacific region. Lehman Brothers, through predecessor entities, was founded in 1850.

Lehman Brothers operates in three business segments: Investment Banking, Capital Markets and Investment Management.

The Investment Banking business segment provides advice to corporate, institutional and government clients throughout the world on mergers, acquisitions and other financial matters. Investment Banking also raises capital for clients by underwriting public and private offerings of debt and equity securities. Investment Banking is made up of Advisory Services and Global Finance and is organized into global industry, product and geographic coverage groups. Advisory Services consists of mergers and acquisitions and restructuring. Global Finance includes underwriting, private placements, and leveraged finance associated with debt and equity products. Product groups are partnered with relationship managers in the global industry groups to provide comprehensive financial solutions for clients.

The Capital Markets business segment includes institutional customer flow activities, prime brokerage, research, secondary-trading and financing activities in fixed income and equity products. These products include a wide range of cash, derivative, secured financing and structured instruments and investments. Lehman Brothers is a leading global market-maker in numerous equity and fixed income products, including U.S., European and Asian equities, government and agency securities, money market products, corporate high grade, high yield and emerging market securities, mortgage- and asset-backed securities, preferred stock, municipal securities, bank loans, foreign exchange, financing and derivative products. Lehman Brothers is one of the largest investment banks in terms of U.S. and pan-European listed equities trading volume and maintains a major presence in over-the-counter U.S. stocks, major Asian large capitalization stocks, warrants, convertible debentures and preferred issues. In addition, the secured financing business manages Lehman Brothers' equity and fixed income matched book activities, supplies secured financing to institutional clients and customers, and provides secured funding for Lehman Brothers' inventory of equity and fixed income products. The

Capital Markets segment also includes proprietary activities, such as investing in real estate and private equity.

The Investment Management business segment consists of Lehman Brothers' global Private Investment Management and Asset Management businesses. Private Investment Management provides comprehensive investment, wealth advisory and capital markets execution services to high-net-worth individuals and businesses. Asset Management provides proprietary asset management products across traditional and alternative asset classes, through a variety of distribution channels, to individuals and institutions; it includes both the Neuberger Berman and Lehman Brothers Asset Management brands as well as our Private Equity business.

Lehman Brothers Holdings Inc. was incorporated in Delaware on December 29, 1983. Our principal executive office is at 745 Seventh Avenue, New York, New York 10019, and our telephone number is (212) 526-7000.

## The Securities We May Offer

We may use this prospectus to offer an indeterminate aggregate initial offering price (or the equivalent thereof in one or more other currencies, currency units or composite currencies) or number of:

- debt securities, which may be senior or subordinated;
- warrants;
- purchase contracts;
- preferred stock;
- depositary shares representing fractional interests in preferred stock;
- common stock; and
- units, comprised of two or more of any of the securities referred to above, in any combination.

A prospectus supplement or supplements will describe the specific types, amounts, prices, and detailed terms and manner of offering of any of these offered securities.

Since we are primarily a holding company, our cash flow and consequent ability to satisfy our obligations under the offered securities are dependent upon the earnings of our subsidiaries and the distribution of those earnings or loans or other payments by those subsidiaries to us. Our subsidiaries will have no obligation to pay any amount in respect of the offered securities or to make any funds available therefor. Several of our principal subsidiaries are subject to various capital adequacy requirements promulgated by the regulatory, banking and exchange authorities of the countries in which they operate and/or to capital targets established by various ratings agencies. These regulatory rules, and certain covenants contained in various debt agreements, may restrict our ability to withdraw capital from our subsidiaries by dividends, loans or other payments. Further information about these requirements and restrictions is contained or incorporated by reference in our most recent Annual Report on Form 10-K. Additionally, our ability to participate as an equity holder in any distribution of assets of any subsidiary is generally subordinate to the claims of creditors of the subsidiary.

### Debt Securities

Debt securities are our unsecured general obligations in the form of senior or subordinated debt. Subordinated debt, so designated at the time it is issued, would not be entitled to interest, principal and other payments if payments on senior debt were not made. Senior debt includes our notes and

guarantees and any other debt for money borrowed, capitalized leases and deferred purchase obligations that are not subordinated.

Debt securities may bear interest at a fixed or a floating rate and may be convertible into, or exchangeable for, or provide that the amount payable at maturity or upon redemption or repurchase, and/or the amount of interest payable on an interest payment date, will be determined in whole or in part by reference to the performance, level or value of one or more of the following:

- securities of one or more issuers, including our own securities;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and/or
- one or more indices or baskets of the items described above.

For any particular debt securities we offer, the prospectus supplement or supplements will describe the specific designation, the aggregate principal or face amount and the purchase price; the ranking, whether senior or subordinated; the stated maturity; the redemption terms, if any; the conversion terms, if any; the rate or manner of calculating the rate and the payment dates for interest, if any; the amount or manner of calculating the amount payable at maturity and whether that amount may be paid by delivering cash, securities or other property; and any other specific terms. We will issue senior and subordinated debt under separate indentures between us and a trustee, and may issue debt securities under a unit agreement described below.

**Warrants**

We may offer warrants to purchase or sell, or whose cash value is determined in whole or in part by reference to the performance, level or value of, one or more of the following:

- our own securities or the securities of one or more other issuers;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and
- one or more indices or baskets of the items described above.

For any particular warrants we offer, the prospectus supplement or supplements will describe the underlying property; the expiration date; the exercise price or the manner of determining the exercise price; the amount and kind, or the manner of determining the amount and kind, of property or cash to be delivered by you or us upon exercise; and any other specific terms. We will issue the warrants under warrant agreements between us and one or more warrant agents, and may issue warrants under a unit agreement described below.

**Purchase Contracts**

We may offer purchase contracts for the purchase or sale of, or whose cash value is determined in whole or in part by reference to the performance, level or value of, one or more of the following:

- securities of one or more issuers, including our own securities;
- one or more currencies;

- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and
- one or more indices or baskets of the items described above.

For any particular purchase contracts we offer, the prospectus supplement or supplements will describe the underlying property; the settlement date; the purchase price or manner of determining the purchase price and whether it must be paid when the purchase contract is issued or at a later date; the amount and kind, or the manner of determining the amount and kind, of property or cash to be delivered at settlement; whether the holder will pledge property to secure the performance of any obligations the holder may have under the purchase contract; and any other specific terms. We will issue prepaid purchase contracts under an indenture for debt securities described above and may issue purchase contracts under a unit agreement described below.

**Preferred Stock**

We may issue preferred stock with various terms to be established by our board of directors or a committee of directors designated by the board. For any particular series of preferred stock we offer, the prospectus supplement or supplements will describe the designation; number of shares offered; dividend rights, if any; redemption provisions; rights in the event of our liquidation, dissolution or winding up; voting rights; and conversion rights.

Generally, each series of preferred stock will rank on an equal basis with each other series of preferred stock and will rank prior to our common stock in respect of dividend and liquidation rights. The prospectus supplement or supplements will also describe how and when dividends will be paid on the series of preferred stock. We may issue preferred stock under a unit agreement described below.

**Depositary Shares**

We may issue depositary shares representing fractional shares of preferred stock. Each particular series of depositary shares will be more fully described in the prospectus supplement or supplements that will accompany this prospectus. Depositary shares will be evidenced by depositary receipts and issued under a deposit agreement between us and a bank or trust company. We may issue depositary shares under a unit agreement described below.

**Common Stock**

We may issue shares of our common stock. Holders of our common stock are entitled to receive dividends when, as and if declared by the board of directors. Each holder of common stock is entitled to one vote per share. The holders of our common stock have no cumulative voting or preemptive rights. Our common stock is listed on the New York Stock Exchange under the symbol "LEH". We may issue common stock under a unit agreement described below.

**Units**

We may offer units, comprised of two or more of any of the securities described above in any combination. For any particular units we offer, the prospectus supplement or supplements will describe the particular securities comprising each unit; the terms, if any, on which those securities will be separable; whether the holder will pledge property to secure the performance of any obligations the holder may have under the unit; and any other specific terms of the units. We may issue the units under unit agreements between us and one or more unit agents.

**Form of Securities**

We will generally issue the securities in book-entry form through one or more depositaries, such as The Depository Trust Company, Euroclear Bank or Clearstream Banking S.A., Luxembourg. Each sale of a security in book-entry form will settle in immediately available funds through the depositary, unless otherwise stated. In this prospectus, references to "holders" mean those who own securities registered in their own names, on the books that we, a trustee or an agent of ours maintains for this purpose, and not those who own beneficial interests in securities registered in street name or in securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the securities should read the section included in this prospectus entitled "Book-Entry Procedures and Settlement."

We will issue the securities only in registered form, without coupons.

**Payment Currencies**

Amounts payable in respect of the securities, including the purchase price, will be payable in U.S. dollars, unless the prospectus supplement or supplements state otherwise.

**Listing**

If any securities are to be listed or quoted on a securities exchange or quotation system, the applicable prospectus supplement or supplements will so state. The listing or quotation of securities on an exchange or quotation system will not necessarily ensure that a liquid trading market will be available.

**Tax Consequences**

This prospectus contains, and the prospectus supplement or supplements may contain, information about certain U.S. federal income tax considerations relating to the offered securities.

**Market-Making by Our Affiliates**

Following the initial distribution of an offering of our securities, Lehman Brothers Inc. and other affiliates of ours or other underwriters may make a market in such securities, but they will not be obligated to do so and may discontinue any market-making at any time without notice. Such market-making by our affiliates will be subject, in the case of common stock, preferred stock and depositary shares, to obtaining any necessary approval of the New York Stock Exchange, Inc. Lehman Brothers Inc. and other affiliates of ours may act as a principal or agent in these transactions. This prospectus and the applicable prospectus supplement or supplements will also be used in connection with those transactions by Lehman Brothers Inc. or our other affiliates. Sales in any of those transactions will be made at varying prices related to prevailing market prices and other circumstances at the time of sale. No assurance can be given that there will be a market for the securities.

If you purchase securities in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale.

## GENERAL INFORMATION

Please note that in this prospectus references to Lehman Brothers Holdings, "we", "us" and "our" refer only to Lehman Brothers Holdings and not to its consolidated subsidiaries.

Also, in this prospectus, references to "holders" mean those who own securities registered in their own names, on the books that we, the trustee or our agent maintains for this purpose, and not those who own beneficial interests in securities registered in street name or in securities issued in book-entry form through one or more depositaries. We anticipate that most of the offered securities will be issued in book-entry form only. Owners of beneficial interests in the securities should read the section entitled "Book-Entry Procedures and Settlement."

As you read this prospectus, please remember that the specific terms of the securities as described in the prospectus supplement or supplements will supplement and, if applicable, modify or replace the general terms described in this prospectus. You should read carefully the particular terms of the securities, which will be described in more detail in the prospectus supplement or supplements. If there are differences between the prospectus supplement or supplements and this prospectus, the prospectus supplement or supplements will control. Thus, the statements made in this prospectus may not apply to the securities.

Investing in the offered securities involves risks. You should reach a decision to purchase a security only after you have carefully reviewed the risk factors and other information in this prospectus and the applicable prospectus supplement or supplements and considered with your advisors the suitability of an investment in the security in light of your particular circumstances.

This prospectus contains summaries of provisions of certain documents that are described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under "Where You Can Find More Information."

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have included or incorporated by reference in this prospectus statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. It is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements.

Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward-looking statements is contained in our most recent Annual Report on Form 10-K, which is incorporated in this prospectus by reference. See "Where You Can Find More Information" in this prospectus for information about how to obtain a copy of this annual report.

## USE OF PROCEEDS

Unless otherwise specified in the applicable prospectus supplement or pricing supplement, we will use the proceeds we receive from the sale of the offered securities for general corporate purposes, principally to:

- fund the business of our operating units;
- fund investments in, or extensions of credit or capital contributions to, our subsidiaries; and
- lengthen the average maturity of liabilities, by reducing short-term liabilities or re-funding maturing indebtedness.

We expect to incur additional indebtedness in the future to fund our businesses.

We or our subsidiaries may also use all or some of the proceeds received from the sale of offered securities to hedge our risk under any offered securities, including by purchasing or maintaining long or short positions in the offered securities themselves and/or the securities, currencies, commodities, indices or other assets or measures to which any offered securities may be linked. Our hedging activities could have a material impact on the price or value of such securities, currencies, commodities, indices or other assets or measures.

## RATIOS OF EARNINGS TO FIXED CHARGES AND OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

| | Year Ended November 30, | | | | | Three Months Ended February 28, 2006 |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | |
| Ratio of earnings to fixed charges | 1.11 | 1.13 | 1.29 | 1.36 | 1.28 | 1.26 |
| Ratio of earnings to combined fixed charges and preferred stock dividends | 1.10 | 1.11 | 1.26 | 1.34 | 1.27 | 1.26 |

For purposes of calculating both ratios, earnings are the sum of:

- pre-tax earnings from continuing operations and
- fixed charges (excluding capitalized interest);

and fixed charges are the sum of:

- interest cost, including capitalized interest, and
- that portion of rent expense estimated to be representative of the interest factor.

The preferred stock dividend amounts represent pre-tax earnings required to cover dividends on preferred stock.

## DESCRIPTION OF DEBT SECURITIES

### General

The debt securities offered by this prospectus will be our unsecured obligations and will be either senior or subordinated debt. Senior debt and subordinated debt will be issued under separate indentures. We have summarized certain general terms and provisions of the indentures and the debt securities below. The summary is not complete. You should read the more detailed provisions of the applicable indenture and the form of your debt security for a complete description and for provisions that might be important to you. The indentures (including all amendments and a separate related document containing standard multiple series indenture provisions) have been filed with the SEC and are incorporated by reference in the registration statement of which this prospectus forms a part.

A form of each debt security, reflecting the particular terms and provisions of a series of offered debt securities, has been filed with the SEC or will be filed with the SEC in connection with the offering and incorporated by reference in the registration statement of which this prospectus forms a part. You can obtain a copy of the indentures and any form of debt security that has been filed by following the directions on page 58 or by contacting the applicable indenture trustee.

Unless otherwise provided for a particular issuance in an accompanying prospectus supplement or supplements, the trustee under the senior debt indenture will be Citibank, N.A., and the trustee under the subordinated debt indenture will be JPMorgan Chase Bank, N.A.

Neither indenture limits the amount of debt securities that may be issued thereunder or the amount of indebtedness we or our subsidiaries can incur. The indentures provide that senior or subordinated debt securities may be issued from time to time in one or more series, with different terms. We also have the right to "reopen" a previous issue of a series of debt securities by issuing additional debt securities of such series.

### Types of Debt Securities

We may issue fixed rate debt securities, floating rate debt securities or indexed debt securities.

*Fixed and Floating Rate Debt Securities*

Fixed rate debt securities will bear interest at a fixed rate described in the prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are usually issued at a price lower than the principal amount. U.S. federal income tax consequences and other special considerations applicable to any debt securities issued by us at a discount will be described in the applicable prospectus supplement or supplements.

Floating rate debt securities will bear interest at a floating rate per annum determined pursuant to the formula specified in the prospectus supplement or supplements. Generally, the interest rate on a floating rate debt security will be equal to an interest rate determined by reference to an interest rate index specified in the prospectus supplement or supplements plus or minus a spread, if any, and/or multiplied by a spread multiplier, if any, and may be subject to a minimum and/or maximum rate or rates in one or more interest periods.

Upon the request of the holder of any floating rate debt security, the calculation agent will provide the interest rate then in effect for that debt security, and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

In determining the base rate that applies to a floating rate debt security during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the prospectus supplement or supplements. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant floating rate debt securities and its affiliates, and they may include our affiliates.

Unless otherwise specified in the accompanying prospectus supplement or supplements, all percentages resulting from any interest rate calculation relating to a debt security will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, and all amounts used in or resulting from any currency calculation relating to a debt security will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

*Indexed Debt Securities*

We may also offer indexed debt securities, which may be fixed or floating rate debt securities or bear no interest. An indexed debt security will be convertible into, or exchangeable for, or provide that the amount payable at maturity or upon earlier redemption or repurchase, and/or the amount of interest (if any) payable on an interest payment date, will be determined in whole or in part by reference to the performance level or value of one or more of the following:

- securities of one or more issuers, including our securities;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, which may include any credit event (as defined in the prospectus supplement) relating to any company or companies or other entity or entities (which may include a government or governmental agency) other than us; and/or
- one or more indices or baskets of the items described above.

Each instrument, measure or event described above is referred to as an "index property". If you are a holder of an indexed debt security, you may receive an amount at maturity that is greater than or less than the face amount of or the amount you paid for your debt security, depending upon the value of the applicable index property at maturity. The value of the applicable index property will fluctuate over time.

An indexed debt security may provide either for cash settlement or for physical settlement by delivery of the index property or another property of the type listed above. An indexed debt security may also provide that the form of settlement may be determined at our option or at the holder's option. Some indexed debt securities may be convertible into or exchangeable for, at our option or the holder's option, our other securities or securities of another issuer.

If you purchase an indexed debt security, the prospectus supplement or supplements will include information about the relevant index property, about how amounts that are to become payable will be determined by reference to the price or value of that index property and about the terms on which the security may be settled physically or in cash.

No holder of an indexed debt security will, as such, have any rights of a holder of the index property referenced in the debt security or deliverable upon settlement, including any right to receive interest, dividends, distributions or other payments thereunder.

**Information in the Prospectus Supplement**

The prospectus supplement or supplements for any offered series of debt securities will describe the following terms, as applicable:

- the title;
- whether senior or subordinated debt;
- the total principal amount offered;
- the percentage of the principal amount at which the securities will be sold and, if applicable, the method of determining the price;
- the maturity date or dates;
- whether the debt securities are fixed rate debt securities, floating rate debt securities or indexed debt securities;
- if the debt securities are fixed rate debt securities, the yearly rate at which the debt security will bear interest, if any, and the interest payment dates;
- if the debt security is an original issue discount debt security, the yield to maturity;
- if the debt securities are floating rate debt securities, the interest rate basis; any applicable index currency or maturity, spread or spread multiplier or initial, maximum or minimum rate; the interest reset, determination, calculation and payment dates; and the day count used to calculate interest payments for any period;
- the date or dates from which any interest will accrue, or how such date or dates will be determined, and the interest payment dates and any related record dates;
- if the debt securities are indexed debt securities, the amount we will pay you at maturity or upon redemption or repurchase, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and the terms on which your debt security will be convertible into or exchangeable for or payable in cash, securities or other property;
- if the index property is an index or a basket of securities, a description of the index or basket of securities;
- if the index property is an index, the method of providing for a substitute index or indices or otherwise determining the amount payable if any index changes or ceases to be made available by its publisher;
- any securities exchange or quotation system on which the debt securities may be listed;
- if other than in United States dollars, the currency or currency unit in which payment will be made;
- any provisions for the payment of additional amounts for taxes;
- the denominations in which the currency or currency unit of the securities will be issuable if other than denominations of $1,000 and integral multiples thereof;
- the terms and conditions on which the securities may be redeemed at our option;

- any obligation of ours to redeem, purchase or repay the securities at the option of a holder upon the happening of any event and the terms and conditions of redemption, purchase or repayment;
- any addition to, or modification or deletion of, any event of default or any of our covenants with respect to the debt securities;
- any provisions for the discharge of our obligations relating to the securities by deposit of funds or United States government obligations;
- the names and duties of any co-trustees, depositaries, authenticating agents, calculation agents, paying agents, transfer agents or registrars for the debt securities;
- any material provisions of the applicable indenture described in this prospectus that do not apply to the securities; and
- any other specific terms of the securities and any terms required by or advisable under applicable laws or regulations.

The terms on which a series of debt securities may be convertible into or exchangeable for other securities of ours or those of any other entity will be set forth in the prospectus supplement or supplements relating to such series. Such terms will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. The terms may include provisions pursuant to which the number of other securities to be received by the holders of such series of debt securities may be adjusted in certain events.

The debt securities will be issued only in registered form. As currently anticipated, debt securities of a series will trade in book-entry form only, and will be issued in physical (paper) form only as global notes to a depositary, as described below under "Book-Entry Procedures and Settlement." Unless otherwise provided in the accompanying prospectus supplement or supplements, debt securities denominated in United States dollars will be issued only in denominations of $1,000 and integral multiples thereof. The prospectus supplement or supplements relating to offered securities denominated in a foreign or composite currency will specify the denomination of the offered securities.

The debt securities in global form may be presented for exchange, and debt securities other than a global security may be presented for registration of transfer, by the registered holder at the principal corporate trust office of the relevant trustee in New York City. Holders will not have to pay any service charge for any registration of transfer or exchange of debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with such registration of transfer.

**Payment and Paying Agents**

We will pay the principal or other amount payable at maturity or redemption, premium and interest due in respect of the global notes at the principal corporate office of the relevant trustee in New York City in immediately available funds.

If definitive notes are issued, we will make all payments of principal or any other amount payable at maturity or upon redemption or repurchase, premium and interest on the notes in accordance with wire transfer instructions given to us by any holder. All other payments on the notes will be made at the office or agency of the paying agent and registrar within the City and State of New York, unless we elect to make interest payments by check mailed to the holders at their address set forth in the register of holders. Payments in any other manner will be specified in the prospectus supplement or supplements.

**Calculation Agents**

Calculations relating to floating rate debt securities and indexed debt securities will be made by the calculation agent, an institution that we appoint as our agent for this purpose. That institution may be an affiliate of ours, such as Lehman Brothers Inc. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change. The initial calculation agent will be identified in the prospectus supplement or supplements.

**Senior Debt**

The senior debt securities will be issued under the senior debt indenture and will rank on an equal basis with all our other unsecured debt except debt that pursuant to its terms is subordinated to the senior debt securities.

**Subordinated Debt**

The subordinated debt securities will be issued under the subordinated debt indenture and will rank subordinated and junior in right of payment, to the extent set forth in the subordinated debt indenture, to all our "senior debt" (as defined below). The subordinated debt indenture does not limit our ability to issue senior debt.

If we default in the payment of any principal of, or premium, if any, or interest on any senior debt when it becomes due and payable after any applicable grace period, then, unless and until the default is cured or waived or ceases to exist, we cannot make a payment on account of or redeem or otherwise acquire the subordinated debt securities.

If there is any insolvency, bankruptcy, liquidation or other similar proceeding relating to us, our creditors or our property, then all senior debt must be paid in full before any payment may be made to any holders of subordinated debt securities.

Furthermore, if we default in the payment of the principal of and accrued interest on any subordinated debt securities that are declared due and payable upon an event of default under the subordinated debt indenture, holders of all senior debt will first be entitled to receive payment in full in cash before holders of such subordinated debt securities can receive any payments.

"Senior debt" means:

(1) the principal, premium, if any, and interest in respect of (A) our indebtedness for money borrowed and (B) indebtedness evidenced by securities, notes, debentures, bonds or other similar instruments issued by us, including the senior debt securities;

(2) all our capitalized lease obligations;

(3) all our obligations representing the deferred purchase price of property; and

(4) all deferrals, renewals, extensions and refundings of obligations of the type referred to in clauses (1) through (3);

but senior debt does not include:

(a) subordinated debt securities;

(b) any indebtedness that by its terms is subordinated to, or ranks on an equal basis with, subordinated debt securities;

(c) indebtedness for goods or materials purchased in the ordinary course of business or for services obtained in the ordinary course of business or indebtedness consisting of trade payables; and

(d) indebtedness that is subordinated to our obligations of the type specified in clauses (1) through (4) above.

The effect of clause (d) is that we may not issue, assume or guarantee any indebtedness for money borrowed which is junior to the senior debt securities and senior to the subordinated debt securities.

**Limitations on Liens**

The indentures provide that we will not, and will not permit any designated subsidiary to, incur, issue, assume or guarantee any indebtedness for money borrowed if such indebtedness is secured by a pledge of, lien on, or security interest in any shares of common stock of any designated subsidiary, without providing that each series of debt securities and, at our option, any other indebtedness ranking equally and ratably with such indebtedness, is secured equally and ratably with (or prior to) such other secured indebtedness. "Designated subsidiary" means any of our subsidiaries the consolidated net worth of which represents at least 5% of our consolidated net worth.

**Limitations on Mergers and Sales of Assets**

The indentures provide that we will not merge or consolidate or transfer or lease all or substantially all of our assets, and another person may not transfer or lease all or substantially all of its assets to us, unless:

- either (1) we are the continuing corporation, or (2) the successor corporation, if other than us, is a U.S. corporation and expressly assumes by supplemental indenture the obligations evidenced by the securities issued pursuant to the indenture and
- immediately after the transaction, there would not be any default in the performance of any covenant or condition of the indenture.

Other than the restrictions described above, the indentures do not contain any covenants or provisions that would protect holders of the debt securities in the event of a highly leveraged transaction.

**Defaults**

Each indenture provides that events of default regarding any series of debt securities will be:

- failure to pay required interest on any debt security of such series for 30 days;
- failure to pay principal or premium, if any, on any debt security of such series when due;
- failure to make any required scheduled installment payment for 30 days on debt securities of such series;
- failure to perform for 90 days after notice any other covenant in the relevant indenture other than a covenant included in the relevant indenture solely for the benefit of a series of debt securities other than such series; and
- certain events of bankruptcy or insolvency, whether voluntary or not.

If an event of default regarding debt securities of any series issued under the indentures should occur and be continuing, either the trustee or the holders of 25% in the principal amount of outstanding debt securities of such series may declare each debt security of that series due and payable. Unless otherwise specified in the applicable prospectus supplement or supplements, if the principal of

any original issue discount, or OID, note, other than an indexed note, is declared to be due and payable immediately as a result of the acceleration of stated maturity, the amount of principal due and payable relating to the note will be limited to the aggregate principal amount of the note multiplied by the sum, expressed as a percentage of the aggregate principal amount, of (1) its issue price plus (2) the original issue discount amortized from the date of issue to the date of declaration. Amortization will be calculated using the interest method, computed in accordance with generally accepted accounting principles in effect on the date of declaration. The amortized face amount of a note will never exceed its stated principal amount.

We are required to file annually with the trustee a statement of an officer as to the fulfillment by us of our obligations under the indenture during the preceding year.

No event of default regarding one series of debt securities issued under an indenture is necessarily an event of default regarding any other series of debt securities.

Holders of a majority in principal amount of the outstanding debt securities of any series will be entitled to control certain actions of the trustee under the indentures and to waive past defaults regarding such series.

Before any holder of any series of debt securities may institute action for any remedy, except payment on such holder's debt security when due, the holders of not less than 25% in principal amount of the debt securities of that series outstanding must request the trustee to take action. Holders must also offer and give the satisfactory security and indemnity against liabilities incurred by the trustee for taking such action.

If an event of default occurs and is continuing regarding a series of debt securities, the trustee may use any sums that it holds under the relevant indenture for its own reasonable compensation and expenses incurred prior to paying the holders of debt securities of such series.

**Modification of the Indentures**

Under the indentures, we and the relevant trustee can enter into supplemental indentures to establish the form and terms of any new series of debt securities without obtaining the consent of any holder of debt securities. In addition, we and the trustee may amend the indenture without the consent of any holder:

- to cure any ambiguity;
- to correct or supplement any defective or inconsistent provision; or
- to make any other change that we believe is necessary or desirable and will not adversely affect the interests of the affected holders in any material respect.

We and the trustee may, with the consent of the holders of at least 66⅔% in aggregate principal amount of the debt securities of a series, modify the applicable indenture or the rights of the holders of the securities of such series to be affected.

No such modification may, without the consent of the holder of each security so affected:

- extend the fixed maturity of any such securities;
- reduce the rate or change the time of payment of interest on such securities;
- reduce the principal amount of such securities or the premium, if any, on such securities;
- change any of our obligations to pay additional amounts;
- reduce the amount of the principal payable on acceleration of any securities issued originally at a discount;

- adversely affect the right of repayment or repurchase at the option of the holder;
- reduce or postpone any sinking fund or similar provision;
- change the currency or currency unit in which any such securities are payable or the right of selection thereof;
- impair the right to sue for the enforcement of any such payment on or after the maturity of such securities;
- reduce the percentage of securities referred to above whose holders need to consent to the modification or a waiver without the consent of such holders; and
- change any of our obligations to maintain an office or agency.

**Defeasance**

Except as may otherwise be set forth in an accompanying prospectus supplement or supplements, after we have deposited with the trustee, cash or government securities, in trust for the benefit of the holders, sufficient to pay the principal of, premium, if any, and interest on the debt securities of such series when due, then:

- if the terms of the debt securities so provide, we will be deemed to have paid and satisfied our obligations on all outstanding debt securities of such series, which is known as "defeasance and discharge"; or
- we will cease to be under any obligation, other than to pay when due the principal of, premium, if any, and interest on such debt securities, relating to the debt securities of such series, which is known as "covenant defeasance".

When there is a defeasance and discharge, (1) the applicable indenture will no longer govern the debt securities of such series, (2) we will no longer be liable for payment and (3) the holders of such debt securities will be entitled only to the deposited funds. When there is a covenant defeasance, however, we will continue to be obligated to make payments when due if the deposited funds are not sufficient.

For a discussion of the principal United States federal income tax consequences of covenant defeasance and defeasance and discharge, see "United States Federal Income Tax Consequences—Tax Consequences of Defeasance" below.

**Payment of Additional Amounts**

If so noted in the applicable prospectus supplement or supplements for a particular issuance, we will pay to the holder of any debt security who is a "United States Alien" (as defined below) such additional amounts as may be necessary so that every net payment of principal of and interest on the debt security, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon the holder by the United States or any taxing authority thereof or therein, will not be less than the amount provided in such debt security to be then due and payable. We will not be required, however, to make any payment of additional amounts for or on account of:

- any tax, assessment or other governmental charge that would not have been imposed but for (1) the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary of, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation) and the United States including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor), being or having been a citizen or resident or treated as a resident of

the United States or being or having been engaged in trade or business or present in the United States, or (2) the presentation of a debt security for payment after 10 days;

- any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, assessment or other governmental charge;
- any tax, assessment or other governmental charge imposed by reason of such holder's past or present status as a passive foreign investment company, a controlled foreign corporation, a personal holding company or foreign personal holding company with respect to the United States, or as a corporation which accumulates earnings to avoid United States federal income tax;
- any tax, assessment or other governmental charge which is payable otherwise than by withholding from payment of principal of, or interest on, such debt security;
- any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of, or interest on, any debt security if such payment can be made without withholding by any other paying agent;
- any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the United States of the holder or beneficial owner of such debt security, if such compliance is required by statute or by regulation of the United States Treasury Department as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- any tax, assessment or other governmental charge imposed on interest received by (1) a 10% shareholder (as defined in Section 871(h)(3)(B) of the Code and the regulations that may be promulgated thereunder) of us, or (2) a controlled foreign corporation with respect to us within the meaning of the Code; or
- any combinations of items identified in the bullet points above.

In addition, we will not be required to pay any additional amounts to any holder who is a fiduciary or partnership or other than the sole beneficial owner of such debt security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof would not have been entitled to the payment of such additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the debt security.

The term "United States Alien" means any corporation, partnership, individual or fiduciary that is, as to the United States, a foreign corporation, a nonresident alien individual, a nonresident fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, as to the United States, a foreign corporation, a nonresident alien individual or a nonresident fiduciary of a foreign estate or trust.

**Optional Redemption, Repayment and Repurchase**

The prospectus supplement or supplements relating to each note will indicate whether a debt security will be redeemable at our option, in whole or in part. If so, the prospectus supplement or supplements will also indicate (1) the optional redemption date or dates on which the debt security may be redeemed and (2) the redemption price at which, together with accrued interest to the optional redemption date, the debt security may be redeemed on each such optional redemption date.

Unless otherwise specified in the applicable prospectus supplement or supplements, not more than 60 nor less than 30 days prior to the date of redemption, the trustee will mail notice of redemption to the holder of the debt security. In the event of redemption of a debt security in part only, a new debt

security for the unredeemed portion of the debt security will be issued to the holder of the debt security upon the cancellation of the debt security. Unless otherwise specified in the applicable prospectus supplement or supplements, if less than all of the debt securities are redeemed the trustee will select the debt securities to be redeemed by lot or by the method the trustee deems fair and appropriate.

The prospectus supplement or supplements relating to each debt security will also indicate whether the holder of the debt security will have the option to elect repayment of the debt security by us prior to its stated maturity. If so, the prospectus supplement or supplements will specify (1) the optional repayment date or dates on which the debt security may be repaid and (2) the optional repayment price, or the method by which such price will be determined. The optional repayment price is the price at which, together with accrued interest to the optional repayment date, the debt security may be repaid at the holder's option on each such optional repayment date.

Any tender of a debt security by the holder for repayment, except pursuant to the prescribed notice, will be irrevocable. The repayment option may be exercised by the holder of a debt security for less than the entire principal amount of the debt security, provided that the principal amount of the debt security remaining outstanding after repayment is an authorized denomination. Upon such partial repayment, the debt security will be canceled and a new debt security for the remaining principal amount will be issued in the name of the holder of the repaid debt security.

If a debt security is represented by a global security, the nominee of The Depository Trust Company ("DTC"), a securities depository, will be the holder of the debt security and, therefore, will be the only entity that can exercise a right to repayment. In order to ensure that DTC's nominee will timely exercise a right to repayment relating to a particular debt security, the beneficial owner of the debt security must instruct the broker or other direct or indirect participant through which it holds an interest in the debt security to notify DTC of its desire to exercise a right to repayment. Different firms have different cut-off times for accepting instructions from their customers. Accordingly, each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in a debt security in order to ascertain the cut-off time by which such an instruction must be given for timely notice to be delivered to DTC.

Unless otherwise specified in the applicable prospectus supplement or supplements, if we redeem or repay a note that is an OID note other than an indexed debt security prior to its stated maturity, then we will pay the amortized face amount of the debt security as of the date of redemption or repayment regardless of anything else stated in this prospectus.

We may at any time purchase debt securities at any price in the open market or otherwise. Debt securities so purchased by us may, at our discretion, be held, resold or surrendered to the trustee for cancellation.

**Redemption Upon a Tax Event**

If so noted in the applicable prospectus supplement or supplements for a particular issuance, the debt securities may be redeemed at our option in whole, but not in part, on not more than 60 days' and not less than 30 days' notice, at a redemption price equal to 100% of their principal amount, or such other price as may be specified in the applicable prospectus supplement or supplements, if we determine that as a result of a "change in tax law" (as defined below):

- we have or will become obligated to pay additional amounts as described under the heading "— Payment of Additional Amounts" on any debt security, or
- there is a substantial possibility that we will be required to pay such additional amounts.

A "change in tax law" that would trigger the provisions of the preceding paragraph is any change in or amendment to the laws, treaties, regulations or rulings of the United States or any political subdivision or taxing authority thereof, or any proposed change in the laws, treaties, regulations or rulings, or any change in the official application, enforcement or interpretation of the laws, treaties, regulations or rulings (including a holding by a court of competent jurisdiction in the United States) or any other action (other than an action predicated on law generally known on or before the date of the applicable prospectus supplement for the particular issuance of debt securities to which this section applies except for proposals before the Congress prior to that date) taken by any taxing authority or a court of competent jurisdiction in the United States, or the official proposal of the action, whether or not the action or proposal was taken or made with respect to us.

Prior to the publication of any notice of redemption, we shall deliver to the Trustee (1) an officers' certificate stating that we are entitled to effect the aforementioned redemption and setting forth a statement of facts showing that the conditions precedent to our right so to redeem have occurred, and (2) an opinion of counsel to such effect based on such statement of facts.

**Governing Law**

Unless otherwise stated in the prospectus supplement or supplements, the debt securities and the indentures will be governed by New York law.

**Concerning the Trustees**

We and certain of our subsidiaries may maintain bank accounts, borrow money and have other commercial banking, investment banking and other business relationships with the trustees and their affiliates in the ordinary course of business. The trustees or their affiliates may participate as underwriters, agents or dealers in any offering of debt securities.

## DESCRIPTION OF WARRANTS

### General

We may issue warrants from time to time in such amounts and in as many distinct series as we wish. In addition we may issue a warrant separately or as part of a unit as described below in "Description of Units".

The warrants of a series will be issued under a separate warrant agreement to be entered into between us and one or more banks or trust companies, as warrant agent, as set forth in the prospectus supplement or supplements, and, if part of a unit, may be issued under a unit agreement as described below under "Description of Units". We may add, replace or terminate warrant agents from time to time. We may also act as our own warrant agent.

You should read the more detailed provisions of the applicable warrant agreement (and unit agreement, if applicable) and warrant certificate for a complete description and for provisions that might be important to you. A form of the warrant agreement, including a form of warrant certificate representing each warrant, reflecting the particular terms and provisions of a series of offered warrants, will be filed with the SEC in connection with the offering and incorporated by reference in the registration statement of which this prospectus forms a part. You can obtain a copy of any form of warrant agreement that has been filed by following the directions on page 58 or by contacting the applicable warrant agent.

We may issue warrants, on terms to be determined at the time of sale, for the purchase or sale of, or whose cash value is determined in whole or in part by reference to the performance, level or value of, one or more of the following:

- our securities or the securities of one or more other issuers;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, which may include any credit event (as defined in the applicable prospectus supplement) relating to any company or companies or other entity or entities (which may include a government or governmental agency) other than us; and/or
- one or more indices or baskets of the items described above.

Each instrument, measure or event described above is referred to as a "warrant property".

We may satisfy our obligations, if any, with respect to any warrants by delivering:

- the warrant property;
- the cash value (as defined in the applicable prospectus supplement) of the warrant property; or
- the cash value of the warrants determined by reference to the performance, level or value of the warrant property.

The prospectus supplement or supplements will describe what we may deliver to satisfy our obligations with respect to any warrants.

No holder of a warrant will, as such, have any rights of a holder of the warrant property purchasable under or referenced in the warrant, including any right to receive interest, dividends, distributions or other payments thereunder. Any securities deliverable by us with respect to any warrants will be freely transferable by the holder.

The following briefly summarizes the material provisions of the warrant agreements and the warrants that generally apply to all warrants. Most of the financial and other specific terms of your warrant will be described in the prospectus supplement or supplements.

**Information in the Prospectus Supplement**

The prospectus supplement or supplements for any offered series of warrants will contain, where applicable, the following information about your warrants:

- the specific designation and aggregate number of, and the price at which we will issue, the warrants;
- the currency or currency unit with which the warrants may be purchased and in which any payments due to or from the holder upon exercise must be made;
- the date on which the right to exercise the warrants will begin and the date on which that right will expire or, if you may not continuously exercise the warrants throughout that period, the specific date or dates on which you may exercise the warrants;
- whether and under what circumstances the warrants may be cancelled by us prior to their expiration date, in which case the holders will be entitled to receive only the applicable cancellation amount, which may be either a fixed amount or an amount that varies during the term of the warrants in accordance with a schedule or formula;
- whether the warrants are put warrants (entitling the holder to sell the warrant property or receive the cash value of the right to sell the warrant property), call warrants (entitling the holder to buy the warrant property or receive the cash value of the right to buy the warrant property), or spread warrants (entitling the holder to receive a cash value determined by reference to the amount, if any, by which a specified reference value of the warrant property at the time of exercise exceeds a specified base value of the warrant property);
- the warrant property or cash value, and the amount or method for determining the amount of warrant property or cash value, deliverable upon exercise of each warrant;
- the price at which and the currency with which the warrant property may be purchased or sold upon the exercise of each warrant, or the method of determining that price;
- whether the exercise price may be paid in cash, by the exchange of any warrants or other securities or both, and the method of exercising the warrants;
- whether the exercise of the warrants is to be settled in cash or by delivery of the warrant property or both and whether settlement will occur on a net basis or a gross basis;
- the minimum number, if any, of warrants that must be exercised at any one time, other than upon automatic exercise;
- the maximum number, if any, of warrants that may, subject to election by us, be exercised by all owners (or by any person or entity) on any day;
- any provisions for the automatic exercise of the warrants at expiration or otherwise;
- if the warrant property is an index or a basket of securities, a description of the index or basket of securities;
- if the warrant property is an index, the method of providing for a substitute index or indices or otherwise determining the amount payable if any index changes or ceases to be made available by its publisher;

- whether, following the occurrence of a market disruption event or force majeure event (as defined in the applicable prospectus supplement), the cash settlement value of a warrant will be determined on a different basis than under normal circumstances;
- the identities of the warrant agent, any depositaries and any paying, transfer, calculation or other agents for the warrants;
- any securities exchange or quotation system on which the warrants or any securities deliverable upon exercise of the warrants may be listed; and
- any other terms of the warrants and any terms required by or advisable under applicable laws or regulations.

The warrants will be issued only in registered form. As currently anticipated, warrants will trade in book-entry form only, and will be issued in physical (paper) form only as global security to a depositary, as described below under "Book-Entry Procedures and Settlement."

The warrants in global form may be presented for exchange, and warrants other than a global security may be presented for registration of transfer, by the registered holder at the principal office of the warrant agent in New York City. Holders will not have to pay any service charge for any registration of transfer or exchange of warrants, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with such registration of transfer.

**Calculation Agents**

Calculations relating to the warrants will be made by the calculation agent, an institution that we appoint as our agent for this purpose. That institution may be an affiliate of ours, such as Lehman Brothers Inc. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the warrant without your consent and without notifying you of the change. The initial calculation agent will be identified in the prospectus supplement or supplements.

**Modifications**

We and the warrant agent may amend the warrant agreement without the consent of any holder:

- to cure any ambiguity;
- to correct or supplement any defective or inconsistent provision; or
- to make any other change that we believe is necessary or desirable and will not adversely affect the interests of the affected holders in any material respect.

We and the relevant warrant agent also may, with the consent of the holders of at least a majority in number of the outstanding unexercised warrants affected, modify or amend the warrant agreement and the terms of the warrants.

No such modification or amendment may, without the consent of the holders of each warrant affected:

- reduce the amount receivable upon exercise, cancellation or expiration,
- shorten the period of time during which the warrants may be exercised,
- otherwise materially and adversely affect the exercise rights of the beneficial owners of the warrants, or
- reduce the percentage of outstanding warrants whose holders must consent to modification or amendment of the applicable warrant agreement or the terms of the warrants.

**Limitation on Mergers and Sales of Assets; No Restrictive Covenants or Events of Default**

Warrant agreements will not restrict our ability to merge or consolidate with, or sell our assets to, another firm or to engage in any other transactions. If at any time we merge or consolidate with, or sell our assets substantially as an entirety to, another firm, the successor company will succeed to and assume our obligations under the warrant agreement and the warrants. We will then be relieved of any further obligation under the warrant agreement and the warrants and, in the event of any such merger, consolidation or sale, we as the predecessor company, may at any time thereafter be dissolved, wound up or liquidated.

Warrant Agreements will not include any restrictions on our ability to put liens on our assets, including our interests in our subsidiaries, nor will they provide for any events of default or remedies upon the occurrence of any events of default.

**Warrant Agreements Will Not Generally be Qualified Under Trust Indenture Act**

Warrant agreements will not generally be qualified as indentures, and warrant agents will not generally be required to qualify as trustees, under the Trust Indenture Act. Therefore, holders of warrants issued under a warrant agreement may not have the protection of the Trust Indenture Act with respect to their warrants.

**Enforceability of Rights by Holders**

In the case of any warrants issued under warrant agreements that are not qualified as indentures under the Trust Indenture Act, each warrant agent will act solely as our agent in connection with the issuance and exercise of the applicable warrants and will not assume any obligation or relationship of agency or trust for or with any registered holder of or owner of a beneficial interest in any warrant. A warrant agent will not be obligated to take any action on behalf of those holders or owners to protect their rights under the warrants.

Holders may, without the consent of the applicable warrant agent, enforce by appropriate legal action, on their own behalf, their right to exercise their warrants, to receive debt securities, in the case of debt warrants, and to receive delivery of warrant property or payment, if any, for their warrants, in the case of universal warrants.

**Governing Law**

Unless otherwise stated in the prospectus supplement or supplements, the warrants and each warrant agreement will be governed by New York law.

**Concerning the Warrant Agent**

We and certain of our subsidiaries may maintain bank accounts, borrow money and have other commercial banking, investment banking and other business relationships with the warrant agent and its affiliates in the ordinary course of business. The warrant agent or its affiliates may participate as underwriters, agents or dealers in any offering of warrants.

## DESCRIPTION OF PURCHASE CONTRACTS

### General

We may issue purchase contracts from time to time in such amounts and in as many distinct series as we wish. In addition, we may issue a purchase contract separately or as part of a unit, as described below under "Description of Units".

The following describes the general terms applicable to all purchase contracts. You should read the more detailed provisions of the applicable purchase contract for a complete description and for provisions that might be important to you. A form of the purchase contract reflecting the particular terms and provisions of a series of offered purchase contracts will be filed with the SEC in connection with the offering and incorporated by reference in the registration statement of which this prospectus forms a part. You can obtain a copy of any form of purchase contract when it has been filed by following the directions on page 58. Most of the financial and other specific terms of your purchase contract will be described in the prospectus supplement or supplements.

### Purchase Contract Property

We may offer purchase contracts for the purchase or sale of, or whose cash value is determined in whole or in part by reference to the performance, level or value of, one or more of the following:

- securities of one or more issuers, including our securities,
- one or more currencies,
- one or more commodities,
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, which may include any credit event (as defined in the applicable prospectus supplement) relating to any company or companies or other entity or entities (which may include a government or governmental agency) other than us, and/or
- one or more indices or baskets of the items described above.

Each instrument, measure or event described above is referred to as a "purchase contract property".

Each purchase contract will obligate:

- the holder to purchase or sell, and us to sell or purchase, on specified dates, one or more purchase contract properties at a specified price or prices, or
- the holder or us to settle the purchase contract with a cash payment determined by reference to the value, performance or level of one or more purchase contract properties, on specified dates and at a specified price or prices.

Some purchase contracts may include multiple obligations to purchase or sell different purchase contract properties, and both we and the holder may be sellers or buyers under the same purchase contract.

No holder of a purchase contract will, as such, have any rights of a holder of the purchase contract property purchasable under or referenced in the contract, including any right to receive interest, dividends, distributions or other payments on that property. Any securities deliverable by us with respect to any purchase contracts will be freely transferrable by the holder.

### Information in the Prospectus Supplement

The prospectus supplement or supplements may contain, where applicable, the following information about your purchase contract:

- the purchase date or dates;

- if other than United States dollars, the currency or currency unit in which payment will be made;
- the specific designation and aggregate number of, and the price at which we will issue, the purchase contracts;
- whether the purchase contract obligates the holder to purchase or sell, or both purchase and sell, one or more purchase contract properties and the nature and amount of each of those properties, or the method of determining those amounts;
- the purchase contract property or cash value, and the amount or method for determining the amount of purchase contract property or cash value, deliverable pursuant to each purchase contract;
- whether the purchase contract is to be prepaid or not and the governing document for the contract;
- the price at which the purchase contract is settled, and whether the purchase contract is to be settled by delivery of, or by reference or linkage to the value, performance or level of, the purchase contract properties;
- any acceleration, cancellation, termination or other provisions relating to the settlement of the purchase contract;
- if the purchase contract property is an index, the method of providing for a substitute index or indices or otherwise determining the amount payable;
- if the purchase contract property is an index or a basket of securities, a description of the index or basket of securities;
- whether, following the occurrence of a market disruption event or force majeure event (as defined in the applicable prospectus supplement), the settlement delivery obligation or cash settlement value of a purchase contract will be determined on a different basis than under normal circumstances;
- whether the purchase contract will be subject to a security interest in our favor as described below;
- the identities of any depositaries and any paying, transfer, calculation or other agents for the purchase contracts;
- any securities exchange or quotation system on which the purchase contracts or any securities deliverable in settlement of the purchase contracts may be listed; and
- any other terms of the purchase contracts and any terms required by or advisable under applicable laws or regulations.

**Prepaid Purchase Contracts; Applicability of Indenture**

Some purchase contracts may require the holders to satisfy their obligations under the contracts at the time the contracts are issued. Those contracts are referred to as "prepaid purchase contracts". Our obligation to settle a prepaid purchase contract on the relevant settlement date will be one of our senior debt securities or subordinated debt securities, which are described above under "Description of Debt Securities". Prepaid purchase contracts will be issued under the applicable indenture, and the provisions of that indenture will govern those contracts, including the rights and duties of the holders, the trustee and us with respect to those contracts.

**Non-Prepaid Purchase Contracts; No Trust Indenture Act Protection**

Some purchase contracts do not require the holders to satisfy their obligations under the contracts until settlement. Those contracts are referred to as "non-prepaid purchase contracts". The holder of a non-prepaid purchase contract may remain obligated to perform under the contract for a substantial period of time.

Non-prepaid purchase contracts will be issued under a unit agreement, if they are issued in units, or under some other document, if they are not. Unit agreements generally are described under "Description of Units" below. The particular governing document that applies to your non-prepaid purchase contracts will be described in the prospectus supplement or supplements.

Non-prepaid purchase contracts will not be senior debt securities or subordinated debt securities and will not be issued under one of our indentures, unless stated otherwise in the applicable prospectus supplement or supplements. Consequently, no governing documents for non-prepaid purchase contracts will be qualified as indentures, and no third party will be required to qualify as a trustee under the Trust Indenture Act. Holders of non-prepaid purchase contracts will not have the protection of the Trust Indenture Act with respect to their contracts.

When the holder of a unit issued under a non-prepaid unit agreement transfers the unit to a new holder, the new holder will assume the obligations of the prior holder with respect to each non-prepaid purchase contract included in the unit, and the prior holder will be released from those obligations. Under the non-prepaid unit agreement, we will consent to the transfer of the unit, to the assumption of those obligations by the new holder and to the release of the prior holder, if the transfer is made in accordance with the provisions of that agreement.

**Pledge by Holders to Secure Performance**

If provided in the prospectus supplement or supplements, the holder's obligations under the purchase contract and governing document will be secured by collateral. In that case, the holder, acting through the unit agent as its attorney-in-fact, if applicable, will pledge the items described below to a collateral agent named in the prospectus supplement or supplements, which will hold them, for our benefit, as collateral to secure the holder's obligations. This is referred to as the "pledge" and all the items described below as the "pledged items". Unless otherwise provided in the applicable prospectus supplement or supplements, the pledge will create a security interest in the holder's entire interest in and to:

- any other securities included in the unit, if the purchase contract is part of a unit, or any other property specified in the applicable prospectus supplement or supplements,
- all additions to and substitutions for the pledged items,
- all income, proceeds and collections received in respect of the pledged items, and
- all powers and rights owned or acquired later with respect to the pledged items.

The collateral agent will forward all payments from the pledged items to us, unless the payments have been released from the pledge in accordance with the purchase contract and the governing document. We will use the payments from the pledged items to satisfy the holder's obligations under the purchase contract.

**Settlement of Purchase Contracts that are Part of Units**

If so provided in the prospectus supplement or supplements, the following will apply to a non-prepaid purchase contract that is issued together with any of our debt securities as part of a unit. If the holder fails to satisfy its obligations under the purchase contract, the unit agent may apply the principal and interest payments on the debt securities to satisfy those obligations as provided in the governing document. If the holder is permitted to settle its obligations by cash payment, the holder may

be permitted to do so by delivering the debt securities in the unit to the unit agent as described in the applicable prospectus or prospectus supplements.

Book-entry and other indirect owners should consult their banks or brokers for information on how to settle their purchase contracts. See "Book-Entry Procedures and Settlement."

**Failure of Holder to Perform Obligations**

If the holder fails to settle its obligations under a non-prepaid purchase contract as required, the holder will not receive the purchase contract property or other consideration to be delivered at settlement. Holders that fail to make timely settlement may also be obligated to pay interest or other amounts.

**Limitation on Mergers and Sales of Assets; No Restrictive Covenants or Events of Default**

Purchase contracts that are not prepaid will not restrict our ability to merge or consolidate with, or sell our assets to, another firm or to engage in any other transactions. If at any time we merge or consolidate with, or sell our assets substantially as an entirety to, another firm, the successor company will succeed to and assume our obligations under these purchase contracts. We will then be relieved of any further obligation under these purchase contracts and, in the event of any such merger, consolidation or sale, we as the predecessor company may at any time thereafter be dissolved, wound up or liquidated.

Purchase contracts that are not prepaid will not include any restrictions on our ability to put liens on our assets, including our interests in our subsidiaries. These purchase contracts also will not provide for any events of default or remedies upon the occurrence of any events of default.

**Calculation Agents**

Calculations relating to purchase contracts will be made by the calculation agent, an institution that we appoint as our agent for this purpose. That institution may be our affiliate, such as Lehman Brothers Inc. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the purchase contract without your consent and without notifying you of the change. The initial calculation agent will be identified in the prospectus supplement or supplements.

**Governing Law**

Unless stated otherwise in the prospectus supplement or supplements, the purchase contracts and any governing documents will be governed by New York law.

## DESCRIPTION OF PREFERRED STOCK

As of the date of this Prospectus, our authorized capital stock includes 38 million shares of preferred stock, par value $1.00 per share. The following briefly summarizes the general terms of our preferred stock. You should read the more detailed provisions of the certificate of designation relating to a particular series of preferred stock for a complete description and for provisions that might be important to you. The certificate of designations will be filed with the SEC in connection with the offering and incorporated by reference in the registration statement of which this prospectus forms a part. You can obtain a copy of this document by following the directions on page 58.

### General

Under our certificate of incorporation, our board of directors is empowered to authorize the issuance of shares of preferred stock in one or more classes or series. The term "our board of directors" includes any duly authorized committee of our board of directors. Prior to the issuance of any series of preferred stock, our board of directors will adopt resolutions creating and designating the series as a series of preferred stock, and the resolutions will be filed in a certificate of designation as an amendment to the certificate of incorporation. The certificate of designations will specify, and the prospectus supplement or supplements will describe:

- the number of shares to be included in the series;
- the designation, powers, preferences and rights of the shares of the series; and
- the qualifications, limitations or restrictions of such series,

in each case, except as otherwise stated in the certificate of incorporation.

The prospectus supplement or supplements will also describe:

- the price at which we will issue the preferred stock;
- any securities exchange or quotation system on which the preferred stock may be listed; and
- any other terms of the preferred stock.

The rights of holders of the preferred stock offered may be adversely affected by the rights of holders of any shares of preferred stock that may be issued in the future. The board of directors may cause shares of preferred stock to be issued in public or private transactions for any proper corporate purpose. Examples of proper corporate purposes include issuances to obtain additional financing in connection with acquisitions or otherwise, and issuances to our officers, directors and employees and those of our subsidiaries pursuant to benefit plans or otherwise. Shares of preferred stock that we issue may have the effect of discouraging, delaying or preventing a change of control of Lehman Brothers Holdings (whether or not deemed desirable by our board of directors), may discourage bids for our common stock at a premium over market price of the common stock and may adversely affect the market price of our common stock.

The preferred stock will be, when issued, fully paid and nonassessable. Holders of preferred stock will not have any preemptive or subscription rights to acquire more of our stock.

We will have the right to "reopen" a previous issue of a series of preferred stock by issuing additional preferred stock of such series.

The transfer agent, registrar, dividend disbursing agent and redemption agent for shares of each series of preferred stock will be named in the prospectus supplement or supplements relating to such series.

**Rank**

Unless otherwise specified for a particular series of preferred stock in an accompanying prospectus supplement or supplements, each series will rank on an equal basis with each other series of preferred stock and prior to the common stock as to dividends and distributions of assets.

**Dividends**

Holders of each series of preferred stock will be entitled to receive cash dividends, when, as and if declared by our board of directors out of funds legally available for dividends. The rates and dates of payment of dividends will be set forth in the prospectus supplement or supplements relating to each series of preferred stock. Dividends will be payable to holders of record of preferred stock as they appear on our books or, if applicable, the records of the depositary referred to below under "Description of Depositary Shares," on the record dates fixed by the board of directors. Dividends on any series of preferred stock may be cumulative or non-cumulative.

We may not declare, pay or set apart for payment dividends on the preferred stock unless full dividends on any other series of preferred stock that ranks on an equal or senior basis have been paid or sufficient funds have been set apart for payment for

- all prior dividend periods of the other series of preferred stock that pay dividends on a cumulative basis; or
- the immediately preceding dividend period of the other series of preferred stock that pay dividends on a noncumulative basis.

Partial dividends declared on shares of one series of preferred stock and any other series of preferred stock ranking on an equal basis as to dividends will be declared pro rata. A pro rata declaration means that the ratio of dividends declared per share to accrued dividends per share will be the same for all such series of preferred stock.

Similarly, we may not declare, pay or set apart for payment dividends (other than in common stock) or make other payments on our common stock or any other of our stock ranking junior to the preferred stock until full dividends on the preferred stock have been paid or set apart for payment for

- all prior dividend periods if the preferred stock pays dividends on a cumulative basis; or
- the immediately preceding dividend period if the preferred stock pays dividends on a noncumulative basis.

**Conversion and Exchange**

The prospectus supplement or supplements for any series of preferred stock will state the terms, if any, on which shares of that series are convertible into or exchangeable for shares of our common stock or other securities of ours, or the stock or securities of any other entity.

**Redemption**

If so specified in the applicable prospectus supplement or supplements, a series of preferred stock may be redeemable at any time, in whole or in part, at our option or the option of the holder thereof and/or may be subject to mandatory redemption on a specified date or dates.

Any partial redemptions of preferred stock will be made in a way that the board of directors decides is equitable.

Unless we default in the payment of the redemption price, dividends will cease to accrue after the redemption date on shares of preferred stock called for redemption, and all rights of holders of such shares will terminate except for the right to receive the redemption price.

**Liquidation Preference**

Upon any voluntary or involuntary liquidation, dissolution or winding up of Lehman Brothers Holdings, holders of each series of preferred stock will be entitled to receive distributions upon liquidation in the amount set forth in the prospectus supplement or supplements relating to such series of preferred stock, plus an amount equal to any accrued and unpaid dividends. Such distributions will be made before any distribution is made on any securities ranking junior relating to liquidation, including common stock.

If the liquidation amounts payable relating to the preferred stock of any series and any other securities ranking on a parity regarding liquidation rights are not paid in full, the holders of the preferred stock of such series and such other securities will share in any such distribution of our available assets on a ratable basis in proportion to the full liquidation preferences on all such securities. Holders of such series of preferred stock will not be entitled to any other amounts from us after they have received their full liquidation preference.

Neither a consolidation or merger of Lehman Brothers Holdings with or into any other corporation, nor a consolidation or merger of any other corporation with or into us, nor a sale, lease, exchange or transfer of all or part of our assets will be considered a liquidation, dissolution or winding up for this purpose.

**Voting Rights**

The holders of shares of preferred stock will have no voting rights, except:

- as otherwise stated in the prospectus supplement or supplements and in the certificate of designation establishing such series; or
- as required by applicable law.

Where holders of the preferred stock have no general voting rights, this means that they do not vote on matters submitted to a vote of the common stockholders. However, the holders of such preferred stock may have other special voting rights:

- that apply if there is a default in paying dividends for a specified period; and
- if we propose to create any class of stock having a preference as to dividends or distributions of assets over such series or alter or change the provisions of the certificate of designations or the certificate of incorporation so as to adversely affect the powers, preferences or rights of the holders of such series. Any increase in the amount of authorized common stock or other authorized preferred stock, or any increase or decrease in the number of shares of any series of preferred stock or the authorization, creation and issuance of other classes or series of common stock or other stock, in each case ranking on a parity with or junior to such series of preferred stock, will not be deemed to adversely affect such powers, preferences or special rights.

## DESCRIPTION OF DEPOSITARY SHARES

The following briefly summarizes the material provisions of the deposit agreement and of the depositary shares and depositary receipts. You should read the particular terms of any depositary shares and any depositary receipts that are offered by us and any deposit agreement relating to a particular series of preferred stock which will be described in more detail in a prospectus supplement or supplements.

A copy of the form of deposit agreement, including the form of depositary receipt, is incorporated by reference as an exhibit in the registration statement of which this prospectus forms a part. You can obtain copies of these documents by following the directions on page 58.

### General

We may, at our option, elect to offer fractional shares of preferred stock, rather than full shares of preferred stock. In such event, we will issue receipts for depositary shares, each of which will represent a fraction of a share of a particular series of preferred stock.

The shares of any series of preferred stock represented by depositary shares will be deposited under a deposit agreement between us and a bank or trust company selected by us having its principal office in the United States and having a combined capital and surplus of at least $50,000,000, as preferred stock depositary. Each owner of a depositary share will be entitled to all the rights and preferences of the underlying preferred stock, including dividend, voting, redemption, conversion and liquidation rights, in proportion to the applicable fraction of a share of preferred stock represented by such depositary share.

The depositary shares will be evidenced by depositary receipts issued pursuant to the deposit agreement. Depositary receipts will be distributed to the registered holder purchasing the fractional shares of preferred stock in accordance with the terms of the applicable prospectus supplement.

### Dividends and Other Distributions

The preferred stock depositary will distribute all cash dividends or other cash distributions received in respect of the deposited preferred stock to the record holders of depositary shares relating to such preferred stock in proportion to the number of such depositary shares owned by such holders.

The preferred stock depositary will distribute any property received by it other than cash to the record holders of depositary shares entitled thereto. If the preferred stock depositary determines that it is not feasible to make such distribution, it may, with our approval, sell such property and distribute the net proceeds from such sale to such holders.

### Redemption of Preferred Stock

If a series of preferred stock represented by depositary shares is to be redeemed, the depositary shares will be redeemed from the proceeds received by the preferred stock depositary resulting from the redemption, in whole or in part, of such series of preferred stock. The depositary shares will be redeemed by the preferred stock depositary at a price per depositary share equal to the applicable fraction of the redemption price per share payable in respect of the shares of preferred stock so redeemed.

Whenever we redeem shares of preferred stock held by the preferred stock depositary, the preferred stock depositary will redeem as of the same date the number of depositary shares representing shares of preferred stock so redeemed. If fewer than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected by the preferred stock depositary by lot or ratably or by such other equitable method as the preferred stock depositary may decide.

**Voting Deposited Preferred Stock**

Upon receipt of notice of any meeting at which the holders of any series of deposited preferred stock are entitled to vote, the preferred stock depositary will mail the information contained in such notice of meeting to the record holders of the depositary shares relating to such series of preferred stock. Each record holder of such depositary shares on the record date will be entitled to instruct the preferred stock depositary to vote the amount of the preferred stock represented by such holder's depositary shares. The preferred stock depositary will endeavor, as practicable, to vote the amount of such series of preferred stock represented by such depositary shares in accordance with such instructions.

We will agree to take all actions that the preferred stock depositary may deem necessary to enable the preferred stock depositary to vote as instructed. The preferred stock depositary will abstain from voting shares of any series of preferred stock held by it for which it does not receive specific instructions from the holders of depositary shares representing such shares.

**Amendment and Termination of the Deposit Agreement**

The form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement may at any time be amended by agreement between us and the preferred stock depositary. However, any amendment that materially and adversely alters any existing right of the holders of depositary shares will not be effective unless such amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. Every holder of an outstanding depositary receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such depositary receipt, to consent and agree to such amendment and to be bound by the deposit agreement, which has been amended thereby. The deposit agreement may be terminated only if:

- all outstanding depositary shares have been redeemed; or
- a final distribution in respect of the preferred stock has been made to the holders of depositary shares in connection with any liquidation, dissolution or winding up of us.

**Charges of Preferred Stock Depositary; Taxes and Other Governmental Charges**

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We also will pay charges of the depositary in connection with the deposit of preferred stock and any redemption of preferred stock. Holders of depositary receipts will pay other transfer and other taxes and governmental charges and such other charges, including a fee for the withdrawal of shares of preferred stock upon surrender of depositary receipts, as are expressly provided in the deposit agreement to be for their accounts.

**Resignation and Removal of Depositary**

The preferred stock depositary may resign at any time by delivering to us notice of its intent to do so, and we may at any time remove the preferred stock depositary, any such resignation or removal to take effect upon the appointment of a successor preferred stock depositary and its acceptance of such appointment. Such successor preferred stock depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50,000,000.

**Miscellaneous**

The preferred stock depositary will forward all reports and communications from us which are delivered to the preferred stock depositary and which we are required to furnish to the holders of the deposited preferred stock.

Neither the preferred stock depositary nor we will be liable if it or we are prevented or delayed by law or any circumstances beyond its or our control in performing its or our obligations under the deposit agreement. Our obligations and the obligations of the preferred stock depositary under the deposit agreement will be limited to performance in good faith of our and their duties thereunder, and neither we nor they will be obligated to prosecute or defend any legal proceeding in respect of any depositary shares, depositary receipts or shares of preferred stock unless satisfactory indemnity is furnished. We and the preferred stock depositary may rely upon written advice of counsel or accountants, or upon information provided by holders of depositary receipts or other persons believed to be competent and on documents believed to be genuine.

**Concerning the Depositary**

We and certain of our subsidiaries may maintain bank accounts, borrow money and have other commercial banking, investment banking and other business relationships with the depositary and its affiliates in the ordinary course of business. The depositary or its affiliates may participate as underwriters, agents or dealers in any offering of depositary shares.

## DESCRIPTION OF COMMON STOCK

As of the date of this prospectus, our authorized capital stock includes 1.2 billion shares of common stock, par value $0.10 per share. The following briefly summarizes the material terms of our common stock. You should read the more detailed provisions of our certificate of incorporation and by-laws for provisions that may be important to you. You can obtain copies of these documents by following the directions on page 58.

**General**

Each holder of common stock is entitled to one vote per share for the election of directors and for all other matters to be voted on by stockholders. Except as otherwise provided by law, the holders of common stock vote as one class. Holders of common stock may not cumulate their votes in the election of directors, and are entitled to share equally in the dividends that may be declared by the board of directors, but only after payment of dividends required to be paid on outstanding shares of preferred stock.

Upon our voluntary or involuntary liquidation, dissolution or winding up, holders of common stock share ratably in the assets remaining after payments to creditors and provision for the preference of any preferred stock. There are no preemptive or other subscription rights, conversion rights or redemption or scheduled installment payment provisions relating to shares of common stock. All of the outstanding shares of common stock are fully paid and nonassessable. The transfer agent and registrar for the common stock is The Bank of New York. The common stock is listed on the New York Stock Exchange and the Pacific Exchange.

**Delaware Law, Certificate of Incorporation and By-Law Provisions That May Have an Antitakeover Effect**

The following discussion concerns certain provisions of Delaware law and our certificate of incorporation and by-laws that may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including offers or attempts that might result in a premium being paid over the market price for our shares.

*Delaware Law.* We are governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the business combination the corporation's board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the outstanding voting stock of the corporation at the time the transaction commenced, excluding for the purpose of determining the number of shares outstanding those shares owned by the corporation's officers and directors and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time, the business combination is approved by the corporation's board of directors and authorized at an annual or special meeting of its stockholders, and not by written consent, by the affirmative vote of at least 66⅔% of its outstanding voting stock which is not owned by the interested stockholder.

A "business combination" includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years did own) 15% or more of the corporation's voting stock.

*Certificate of Incorporation and By-Laws.* Our certificate of incorporation provides that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting and may not be taken by written consent.

Our by-laws provide that special meetings of stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, the President in the absence or disability of the Chairman of the Board and the Chief Executive Officer, or the Secretary at the request of the board of directors. Notice of a special meeting stating the place, date and hour of the meeting and the purposes for which the meeting is called must be given between 10 and 60 days before the date of the meeting, and only business specified in the notice may come before the meeting. In addition, our by-laws provide that directors be elected by a plurality of votes cast at an annual meeting and does not include a provision for cumulative voting for directors. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors.

*Preferred Stock.* The issuance of preferred stock could adversely affect holders of common stock. The potential issuance of preferred stock may have the effect of discouraging, delaying or preventing a change of control of Lehman Brothers Holdings, may discourage bids for the common stock at a premium over market price of the common stock and may adversely affect the market price of the common stock.

## DESCRIPTION OF UNITS

### General

We may issue units from time to time in such amounts and in as many distinct series as we wish.

The units of a series may be issued under a separate unit agreement to be entered into between us and one or more banks or trust companies, as unit agent, as set forth in the prospectus supplement or supplements. We may add, replace or terminate unit agents from time to time. We may also choose to act as our own unit agent.

The following describes the general terms applicable to all units. You should read the more detailed provisions of the applicable unit agreement for a complete description and for provisions that might be important to you. A form of any unit agreement, including a form of unit certificate representing each unit, reflecting the particular terms and provisions of a series of offered units will be filed with the SEC in connection with the offering and incorporated by reference in the registration statement of which this prospectus forms a part. You can obtain a copy of any form of unit agreement when it has been filed by following the directions on page 58 or by contacting the applicable unit agent. Most of the financial and other specific terms of your series will be described in the prospectus supplement or supplements.

We may issue units comprised of two or more securities described in this prospectus in any combination. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. In addition, we have the right to "reopen" a previous issue of a series of units by issuing additional units of such series. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

### Information in the Prospectus Supplement

The prospectus supplement or supplements may contain, where applicable, the following information about your units:

- the designation and aggregate number of, and the price at which we will issue, the units;
- the terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;
- any provisions of the governing unit agreement that differ from those described below;
- the identities of the unit agent, any depositaries and any paying, transfer, calculation or other agents for the units;
- any securities exchange or quotation system on which the units and the securities separable therefrom may be listed; and
- any other terms of the units and any other terms required by or advisable under applicable laws or regulations.

If we issue a particular security as part of a unit, the prospectus supplement or supplements will state whether the security will be separable from the other securities in the unit before such security's settlement date.

The applicable provisions described in this section, as well as those described under the applicable descriptions of the securities that comprise part of the units in this prospectus, will apply to each unit and to any security included in each unit, respectively.

**Unit Agreements: Prepaid, Non-Prepaid and Other**

If a unit includes one or more purchase contracts, and all those purchase contracts are prepaid purchase contracts, we will issue the unit under a "prepaid unit agreement". Prepaid unit agreements will reflect the fact that the holders of the related units have no further obligations under the purchase contracts included in their units. If a unit includes one or more non-prepaid purchase contracts, we will issue the unit under a "non-prepaid unit agreement". Non-prepaid unit agreements will reflect the fact that the holders have payment or other obligations under one or more of the purchase contracts comprising their units. We may also issue units under other kinds of unit agreements, which will be described in the applicable prospectus supplement or supplements. In some cases, we may issue units under one of our indentures.

Each holder of units issued under a non-prepaid unit agreement will:

- be bound by the terms of each non-prepaid purchase contract included in the holder's units and by the terms of the unit agreement with respect to those contracts; and
- appoint the unit agent as its authorized agent to execute, deliver and perform on the holder's behalf each non-prepaid purchase contract included in the holder's units.

Any unit agreement for a unit that includes a non-prepaid purchase contract will also include provisions regarding the holder's pledge of collateral and special settlement provisions. These are described above under "Description of Purchase Contracts."

When the holder of a unit issued under a non-prepaid unit agreement transfers the unit to a new holder, the new holder will assume the obligations of the prior holder with respect to each non-prepaid purchase contract included in the unit, and the prior holder will be released from those obligations. Under the non-prepaid unit agreement, we will consent to the transfer of the unit, to the assumption of those obligations by the new holder and to the release of the prior holder, if the transfer is made in accordance with the provisions of that agreement.

A unit agreement may also serve as the governing document for a security included in a unit. For example, a non-prepaid purchase contract that is part of a unit may be issued under and governed by the relevant unit agreement.

**Modifications**

We and the applicable unit agent may amend any unit or unit agreement without the consent of any holder:

- to cure any ambiguity,
- to correct or supplement any defective or inconsistent provision, or
- to make any other change that we believe is necessary or desirable and will not adversely affect the interests of the affected holders in any material respect.

We and the applicable unit agent also may, with the consent of the holders of at least a majority in number of the units, modify or amend the applicable unit agreement and the terms of the unit. If the change affects only the units of a particular series issued under that agreement, the change must be approved by the holders of a majority of the outstanding units of that series.

We may not amend any particular unit or a unit agreement with respect to any particular unit unless we obtain the consent of the holder of that unit, if the amendment would:

- impair any right of the holder to exercise or enforce any right under a security included in the unit if the terms of that security require the consent of the holder to any changes that would impair the exercise or enforcement of that right,

- impair the right of the holder to purchase or sell, as the case may be, the purchase contract property under any non-prepaid purchase contract issued under the unit agreement, or to require delivery of or payment for that property when due, or
- reduce the percentage of outstanding units of any series or class the consent of whose holders is required to amend that series or class, or the applicable unit agreement with respect to that series or class, as described below.

These provisions regarding amendments to any unit agreement also apply to changes affecting any securities issued under a unit agreement, as the governing document.

**Limitation on Mergers and Sales of Assets; No Restrictive Covenants or Events of Default**

The unit agreements will not restrict our ability to merge or consolidate with, or sell our assets to, another firm or to engage in any other transactions. If at any time we merge or consolidate with, or sell our assets substantially as an entirety to, another firm, the successor company will succeed to and assume our obligations under the unit agreements. We will then be relieved of any further obligation under these agreements and, in the event of any such merger, consolidation or sale, we as the predecessor corporation may at any time thereafter be dissolved, wound up or liquidated.

The unit agreements will not include any restrictions on our ability to put liens on our assets, including our interests in our subsidiaries. The unit agreements also will not provide for any events of default or remedies upon the occurrence of any events of default.

**Unit Agreements Will Not be Qualified Under the Trust Indenture Act**

No unit agreement will be qualified as an indenture, and no unit agent will be required to qualify as a trustee, under the Trust Indenture Act. Therefore, holders of units issued under unit agreements will not have the protections of the Trust Indenture Act with respect to their units.

**Enforceability of Rights by Holders**

Each unit agent will act solely as our agent in connection with the units issued under that agreement and will not assume any obligation or relationship of agency or trust for or with any registered holder of or owner of a beneficial interest in any unit or of any security comprising a unit. The unit agent will not be obligated to take any action on behalf of those holders or owners to enforce or protect their rights under the units or the included securities.

Except as indicated in the next paragraph, a holder of a unit may, without the consent of the unit agent or any other holder, enforce its rights as holder under any security included in the unit, in accordance with the terms of that security and the indenture, warrant agreement or other agreement under which that security is issued. Those terms are described elsewhere in this prospectus under the sections relating to the relevant securities.

Notwithstanding the foregoing, a unit agreement may limit or otherwise affect the ability of a holder of units issued under that agreement to enforce its rights, including any right to bring a legal action, with respect to those units or any securities, other than debt securities and prepaid purchase contracts, that are included in those units. Limitations of this kind will be described in the prospectus supplement or supplements.

**Governing Law**

Unless otherwise stated in the prospectus supplement or supplements, the unit agreements and the units will be governed by New York law.

**Concerning the Unit Agent**

We and certain of our subsidiaries may maintain bank accounts, borrow money and have other commercial banking, investment banking and other business relationships with the unit agent and its affiliates in the ordinary course of business. The unit agent or its affiliates may participate as underwriters, agents or dealers in any offering of units.

## FORM, EXCHANGE AND TRANSFER

Securities will only be issued in registered form; no securities will be issued in bearer form. We will issue each security other than common stock in book-entry form only, unless otherwise specified in the applicable prospectus supplement or supplements. Common stock will be issued in both certificated and book-entry form, unless otherwise specified in the applicable prospectus supplement or supplements. Securities in book-entry form will be represented by a global security registered in the name of a depositary, which will be the holder of all the securities represented by the global security. Those who own beneficial interests in a global security will do so through participants in the depositary's system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depositary and its participants. Only the depositary will be entitled to transfer or exchange a security in global form, or vote, make elections or take other actions thereon, since it will be the sole holder of the security. These book-entry securities are described below under "Book-Entry Procedures and Settlement."

If any securities are issued in non-global form or cease to be book-entry securities (in the circumstances described in the next section), the following will apply to them:

- The securities will be issued in fully registered form in denominations stated in the prospectus supplement or supplements. Holders may exchange their securities for securities of the same series in smaller permitted denominations or combined into fewer securities of the same series of larger permitted denominations, as long as the total amount is not changed.
- Holders may exchange, transfer, present for payment or exercise their securities at the office of the relevant trustee or agent indicated in the prospectus supplement or supplements. They may also replace lost, stolen, destroyed or mutilated securities at that office. We may appoint another entity to perform these functions or may perform them ourselves.
- Holders will not be required to pay a service charge to transfer or exchange their securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may also require an indemnity before replacing any securities.
- If we have the right to redeem, accelerate or settle any securities before their maturity or expiration, and we exercise that right as to less than all those securities, we may block the transfer or exchange of those securities during the period beginning 15 days before the day we mail the notice of exercise and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers of or exchange any security selected for early settlement, except that we will continue to permit transfers and exchanges of the unsettled portion of any security being partially settled.
- If fewer than all of the securities represented by a certificate that are payable or exercisable in part are presented for payment or exercise, a new certificate will be issued for the remaining amount of securities.

## BOOK-ENTRY PROCEDURES AND SETTLEMENT

Most offered securities will be book-entry (global) securities. Upon issuance, all book-entry securities will be represented by one or more fully registered global securities, without coupons. Each global security will be deposited with, or on behalf of, The Depository Trust Company ("DTC"), a securities depository, and will be registered in the name of DTC or a nominee of DTC. DTC will thus be the only registered holder of these securities.

Purchasers of securities may only hold interests in the global securities through DTC if they are participants in the DTC system. Purchasers may also hold interests through a securities intermediary—banks, brokerage houses and other institutions that maintain securities accounts for customers—that has an account with DTC or its nominee. DTC will maintain accounts showing the security holdings of its participants, and these participants will in turn maintain accounts showing the security holdings of their customers. Some of these customers may themselves be securities intermediaries holding securities for their customers. Thus, each beneficial owner of a book-entry security will hold that security indirectly through various intermediaries.

The securities of each beneficial owner of a book-entry security will be evidenced solely by entries on the books of the beneficial owner's securities intermediary. The actual purchaser of the securities will generally not be entitled to have the securities represented by the global securities registered in its name and will not be considered the owner under the terms of the securities and their governing documents. That means that we and any trustee, issuing and paying agent, registrar or other agent of ours for the securities will be entitled to treat the registered holder, DTC, as the holder of the securities for all purposes. In most cases, a beneficial owner will also not be able to obtain a paper certificate evidencing the holder's ownership of securities. The book-entry system for holding securities eliminates the need for physical movement of certificates and is the system through which most publicly traded securities are held in the United States. However, the laws of some jurisdictions require some purchasers of securities to take physical delivery of their securities in definitive form. These laws may impair the ability to own, transfer or pledge beneficial interests in book-entry securities.

A beneficial owner of book-entry securities represented by a global security may exchange the securities for definitive (paper) securities only if:

- DTC is unwilling or unable to continue as depositary for such global security and we do not appoint a qualified replacement for DTC within 90 days; or
- we in our sole discretion decide to allow some or all book-entry securities to be exchangeable for definitive securities in registered form.

Unless we indicate otherwise, any global security that is so exchangeable will be exchangeable in whole for definitive securities in registered form, with the same terms and of an equal aggregate amount. Definitive securities will be registered in the name or names of the person or persons specified by DTC in a written instruction to the registrar of the securities. DTC may base its written instruction upon directions that it receives from its participants.

In this prospectus, for book-entry securities, references to actions taken by security holders will mean actions taken by DTC upon instructions from its participants, and references to payments and notices of redemption to security holders will mean payments and notices of redemption to DTC as the registered holder of the securities for distribution to participants in accordance with DTC's procedures. Each sale of a book-entry security will settle in immediately available funds through DTC unless otherwise stated.

We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interest in the book-entry securities or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

**Clearstream and Euroclear**

Links have been established among DTC, Clearstream Banking S.A., Luxembourg ("Clearstream Banking SA") and Euroclear Bank ("Euroclear") (two international clearing systems that perform functions similar to those that DTC performs in the U.S.), to facilitate the initial issuance of book-entry securities and cross-market transfers of book-entry securities associated with secondary market trading.

Although DTC, Clearstream Banking SA and Euroclear have agreed to the procedures provided below in order to facilitate transfers, they are under no obligation to perform such procedures, and the procedures may be modified or discontinued at any time.

Clearstream Banking SA and Euroclear will record the ownership interests of their participants in much the same way as DTC, and DTC will record the aggregate ownership of each of the U.S. agents of Clearstream Banking SA and Euroclear, as participants in DTC.

When book-entry securities are to be transferred from the account of a DTC participant to the account of a Clearstream Banking SA participant or a Euroclear participant, the purchaser must send instructions to Clearstream Banking SA or Euroclear through a participant at least one business day prior to settlement. Clearstream Banking SA or Euroclear, as the case may be, will instruct its U.S. agent to receive book-entry securities against payment. After settlement, Clearstream Banking SA or Euroclear will credit its participant's account. Credit for the book-entry securities will appear on the next day (European time).

Because settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending book-entry securities to the relevant U.S. agent acting for the benefit of Clearstream Banking SA or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

When a Clearstream Banking SA or Euroclear participant wishes to transfer book-entry securities to a DTC participant, the seller must send instructions to Clearstream Banking SA or Euroclear through a participant at least one business day prior to settlement. In these cases, Clearstream Banking SA or Euroclear will instruct its U.S. agent to transfer the book-entry securities against payment. The payment will then be reflected in the account of the Clearstream Banking SA or Euroclear participant the following day, with the proceeds back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), proceeds credited to the Clearstream Banking SA or Euroclear participant's account would instead be valued as of the actual settlement date.

## UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

In the opinion of Simpson Thacher & Bartlett LLP, our special United States tax counsel, the following discussion is an accurate summary of certain United States federal income tax consequences of the purchase, ownership and disposition of debt securities and common and preferred stock as of the date of this prospectus. Except where noted, this summary deals only with debt securities and common and preferred stock held as capital assets by United States holders and does not deal with special situations. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment under the United States federal income tax laws, such as dealers in securities or currencies, financial institutions, tax-exempt entities, insurance companies, regulated investment companies, real estate investment trusts, persons who are investors in pass-through entities, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, or persons liable for alternative minimum tax;
- tax consequences to persons holding debt securities or common or preferred stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- tax consequences to holders of debt securities or common or preferred stock whose "functional currency" is not the U.S. dollar;
- certain expatriates who are holders of our debt securities or common or preferred stock;
- alternative minimum tax consequences, if any; or
- any state, local or foreign tax consequences.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date of this prospectus. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those discussed below. The discussion set forth below also assumes that all debt securities issued under this prospectus constitute debt for United States federal income tax purposes. If any debt security does not constitute debt for United States federal income tax purposes, the tax consequences of the ownership of such debt security could differ materially from the tax consequences described herein. Accordingly, if we intend to treat a debt security as other than debt for U.S. federal income tax consequences, we will disclose the relevant tax considerations in the applicable prospectus supplement or supplements. We will summarize any special United States federal tax considerations relevant to a particular issue of the debt securities, warrants, purchase contracts, common or preferred stock, or units in the applicable prospectus supplement or supplements. We will also summarize certain federal income tax consequences, if any, applicable to any offering of depositary shares in the applicable prospectus supplement or supplements.

If a partnership holds our debt securities or common or preferred stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our debt securities, common or preferred stock, you should consult your tax advisors.

**If you are considering the purchase of debt securities or common or preferred stock, you should consult your own tax advisors concerning the federal income tax consequences to you and any consequences arising under the laws of any other taxing jurisdiction.**

### Debt Securities

*Consequences to United States Holders*

The following is a summary of certain United States federal income tax consequences that will generally apply to you if you are a United States holder of debt securities.

Certain consequences to "non-United States holders" of debt securities, which are beneficial owners of notes (other than partnerships) who are not United States holders, are described under "—Consequences to Non-United States Holders" below.

"United States holder" means a beneficial owner of a debt security that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source;
- a trust that (x) is subject to the primary supervision of a court within the United States and the control of one or more United States persons or (y) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

*Payments of Interest*

Except as set forth below, interest on a debt security will generally be taxable to you as ordinary income from domestic sources at the time it is paid or accrued in accordance with your method of accounting for tax purposes.

*Original Issue Discount*

If you own debt securities issued with original issue discount ("OID"), you will be subject to special tax accounting rules, as described in greater detail below. In that case, you should be aware that you generally must include OID in gross income in advance of the receipt of cash attributable to that income. However, you generally will not be required to include separately in income cash payments received on the debt securities, even if denominated as interest, to the extent those payments do not constitute "qualified stated interest", as defined below. Notice will be given in the applicable prospectus supplement or supplements when we determine that a particular debt security will be an OID debt security.

A debt security with an "issue price" that is less than the "stated redemption price at maturity" (the sum of all payments to be made on the debt security other than "qualified stated interest") generally will be issued with OID if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity. The "issue price" of each debt security in a particular offering will be the first price at which a substantial amount of that particular offering is sold to the public. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, and the interest to be paid meets all of the following conditions:

- it is payable at least once per year;
- it is payable over the entire term of the debt security; and
- it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

We will give you notice in the applicable prospectus supplement or supplements when we determine that a particular debt security will bear interest that is not qualified stated interest.

If you own a debt security issued with "*de minimis*" OID, which is discount that is not OID because it is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity, you generally must include the *de minimis* OID in income at the time

principal payments on the debt securities are made in proportion to the amount paid. Any amount of *de minimis* OID that you have included in income will be treated as capital gain.

Certain of the debt securities may contain provisions permitting them to be redeemed prior to their stated maturity at our option and/or at your option. OID debt securities containing those features may be subject to rules that differ from the general rules discussed herein. If you are considering the purchase of OID debt securities with those features, you should carefully examine the applicable prospectus supplement or supplements and should consult your own tax advisors with respect to those features since the tax consequences to you with respect to OID will depend, in part, on the particular terms and features of the debt securities.

If you own OID debt securities with a maturity upon issuance of more than one year you generally must include OID in income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in the following paragraphs. This method takes into account the compounding of interest.

The amount of OID that you must include in income if you are the initial United States holder of an OID debt security is the sum of the "daily portions" of OID with respect to the debt security for each day during the taxable year or portion of the taxable year in which you held that debt security ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an OID debt security may be of any length and may vary in length over the term of the debt security, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of:

- the debt security's "adjusted issue price" at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over
- the aggregate of all qualified stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a debt security at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, determined without regard to the amortization of any acquisition or bond premium, as described below, and reduced by any payments made on the debt security (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, you will generally have to include in income increasingly greater amounts of OID in successive accrual periods. We are required to provide information returns stating the amount of OID accrued on debt securities held of record by persons other than corporations and other exempt holders.

Floating rate debt securities are subject to special OID rules. In the case of an OID debt security that is a floating rate debt security, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the debt security will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the debt security on its date of issue or, in the case of certain floating rate debt securities, the rate that reflects the yield to maturity that is reasonably expected for the debt security. Additional rules may apply if either:

- the interest on a floating rate debt security is based on more than one interest index; or
- the principal amount of the debt security is indexed in any manner.

This discussion does not address the tax rules applicable to debt securities with an indexed principal amount. If you are considering the purchase of floating rate OID debt securities or securities with indexed principal amounts, you should carefully examine the applicable prospectus supplement or supplements and should consult your own tax advisors regarding the United States federal income tax consequences to you of holding and disposing of those debt securities.

You may elect to treat all interest on any debt security as OID and calculate the amount includible in gross income under the constant yield method described above. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You must make this election for the taxable year in which you acquired the debt security, and you may not revoke the election without the consent of the Internal Revenue Service (the "IRS"). You should consult with your own tax advisors about this election.

*Short-Term Debt Securities*

In the case of debt securities having a term of one year or less, all payments, including all stated interest, will be included in the stated redemption price at maturity and will not be qualified stated interest. As a result, you will generally be taxed on the discount instead of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a short-term debt security, unless you elect to compute this discount using tax basis instead of issue price. In general, individual and certain other cash method United States holders of short-term debt securities are not required to include accrued discount in their income currently unless they elect to do so, but may be required to include stated interest in income as the income is received. United States holders that report income for United States federal income tax purposes on the accrual method and certain other United States holders are required to accrue discount on short-term debt securities (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. If you are not required, and do not elect, to include discount in income currently, any gain you realize on the sale, exchange or retirement of a short-term debt security will generally be ordinary income to you to the extent of the discount accrued by you through the date of sale, exchange or retirement. In addition, if you do not elect to currently include accrued discount in income you may be required to defer deductions for a portion of your interest expense with respect to any indebtedness attributable to the short-term debt securities.

*Market Discount*

If you purchase a debt security, other than an OID debt security, for an amount that is less than its stated redemption price at maturity, or, in the case of an OID debt security, its adjusted issue price, the amount of the difference will be treated as "market discount" for United States federal income tax purposes, unless that difference is less than a specified *de minimis* amount. Under the market discount rules, you will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a debt security as ordinary income to the extent of the market discount that you have not previously included in income and are treated as having accrued on the debt security at the time of its payment or disposition. In addition, you may be required to defer, until the maturity of the debt security or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the debt security. You may elect, on a debt security-by-debt security basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. You should consult your own tax advisors before making this election.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the debt security, unless you elect to accrue on a constant interest method. You may elect to include market discount in income currently as it accrues, on either a ratable or constant interest method, in which case the rule described above regarding deferral of interest deductions will not apply. Your election to include market discount in income currently, once made,

applies to all market discount obligations acquired by you on or after the first taxable year to which your election applies and may not be revoked without the consent of the IRS. You should consult your own tax advisor before making this election.

The market discount rules described above do not apply to contingent payment debt securities and instead, special rates apply to a contingent payment debt security purchased for an amount that is less than its adjusted issue price. You should carefully examine the applicable prospectus supplement or supplements and should consult your own tax advisor regarding the United States federal income tax consequences of purchasing a contingent payment debt security for an amount that is less than its adjusted issue price.

*Acquisition Premium, Amortizable Bond Premium*

If you purchase an OID debt security for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the debt security after the purchase date other than payments of qualified stated interest, you will be considered to have purchased that debt security at an "acquisition premium." Under the acquisition premium rules, the amount of OID that you must include in gross income with respect to the debt security for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

If you purchase a debt security (including an OID debt security) for an amount in excess of the sum of all amounts payable on the debt security after the purchase date other than qualified stated interest, you will be considered to have purchased the debt security at a "premium" and, if it is an OID debt security, you will not be required to include any OID in income. You generally may elect to amortize the premium over the remaining term of the debt security on a constant yield method as an offset to interest when includible in income under your regular accounting method. In the case of instruments that provide for alternative payment schedules, bond premium is calculated by assuming that (a) you will exercise or not exercise options in a manner that maximizes your yield, and (b) we will exercise or not exercise options in a manner that minimizes your yield (except that we will be assumed to exercise call options in a manner that maximizes your yield). If you do not elect to amortize bond premium, that premium will decrease the gain or increase the loss you would otherwise recognize on disposition of the debt security. Your election to amortize premium on a constant yield method will also apply to all debt obligations held or subsequently acquired by you on or after the first day of the first taxable year to which the election applies. You may not revoke the election without the consent of the IRS. You should consult your own tax advisor before making this election.

The premium rates described above do not apply to contingent payment debt securities and instead, special rates apply to a contingent payment debt security purchased for an amount that is greater than its adjusted issue price. You should carefully examine the applicable prospectus supplement or supplements and should consult your own tax advisor regarding the United States federal income tax consequences of purchasing a contingent payment debt security for an amount that is greater than its adjusted issue price.

*Contingent Payment Debt Securities*

The OID regulations contain special rules for determining the timing and amount of OID to be accrued with respect to certain debt securities providing for one or more contingent payments. Under these rules, you will accrue OID each year, regardless of your usual method of accounting, based on the "comparable yield" of the debt securities. The comparable yield of the debt securities will generally be the rate at which we would issue a fixed rate nonconvertible debt instrument with no contingent payments but with terms and conditions similar to the debt securities.

We are required to provide the comparable yield to you and, solely for tax purposes, are also required to provide a projected payment schedule that includes the actual interest payments on the debt securities and estimates the amount and timing of contingent payments on the debt securities. We

will give notice in the applicable prospectus supplement or supplements when we determine that a particular debt security will be treated as contingent debt.

The amount of OID on a contingent payment debt security for each accrual period is determined by multiplying the comparable yield of the contingent payment debt security (adjusted for the length of the accrual period) by the debt security's adjusted issue price at the beginning of the accrual period (determined in accordance with the rules set forth in the OID regulations relating to contingent payment debt instruments). The amount of OID so determined will then be allocated on a ratable basis to each day in the accrual period that you hold the contingent payment debt security.

If the actual contingent payments made on the contingent payment debt securities in a taxable year differ from the projected contingent payments, adjustments will be made for such differences. A positive adjustment, for the amount by which an actual payment exceeds a projected contingent payment, will be treated as additional OID. A negative adjustment, for the amount by which an actual payment is less than a projected contingent payment, will:

- first, reduce the amount of OID required to be accrued in the current year
- second, any negative adjustments that exceed the amount of OID accrued in the current year will be treated as ordinary loss to the extent that your total prior OID inclusions exceed the total amount of net negative adjustments treated as ordinary loss in prior taxable years, and
- third, any excess negative adjustments will be treated as a regular negative adjustment in the succeeding taxable year.

Gain on the sale, exchange or retirement of a contingent payment debt security generally will be treated as ordinary income. Loss from the disposition of a contingent payment debt security will be treated as ordinary loss to the extent of your prior net interest inclusions (reduced by the total net negative adjustments previously allowed as an ordinary loss). Any loss in excess of such amount will be treated as capital loss.

We and you will agree to treat any contingent payment debt securities as such for all United States tax purposes. You are generally bound by the comparable yield and projected payment schedule provided by us.

For special treatment of foreign currency debt securities that are also contingent payment debt securities, see the applicable prospectus supplement or supplements.

The rules regarding contingent payment debt securities are complex. If you are considering the purchase of debt securities providing for one or more contingent payments, you should carefully examine the applicable prospectus supplement or supplements and consult your own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such debt securities.

*Sale, Exchange and Retirement of Debt Securities*

Your tax basis in a debt security will, in general, be your cost for that debt security, increased by OID, market discount or any discount with respect to a short-term debt security that you previously included in income, and reduced by any amortized premium and any cash payments on the debt security other than qualified stated interest. Upon the sale, exchange, retirement or other disposition of a debt security, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued qualified stated interest that you did not previously include in income, which will be taxable as such) and the adjusted tax basis of the debt security. Except as described above with respect to certain short-term debt securities or with respect to market discount, with respect to gain or loss attributable to changes in exchange rates as described below with respect to foreign currency debt securities or with respect to contingent payment debt securities, that gain or loss will be capital gain or loss. Capital gains of

individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

*Tax Consequences of Defeasance*

We may discharge our obligations under the debt securities as more fully described under "Description of Debt Securities—Defeasance" above. Such a discharge would generally for United States federal income tax purposes constitute the retirement of the debt securities and the issuance of new obligations. As a result, you would realize gain or loss (if any) on this exchange, which would be recognized subject to certain possible exceptions. Furthermore, following discharge, the debt securities might be subject to withholding, backup withholding and/or information reporting and might be issued with OID.

Even though federal income tax on the deemed exchange may be imposed on you, you would not receive any cash until the maturity or an earlier redemption of the debt securities, except for any current interest payments.

Any gain realized would generally not be taxable to non-United States holders under the circumstances outlined below under "—Consequences to Non-United States Holders—United States Federal Income Tax."

Under current federal income tax law, a covenant defeasance generally would not be treated as a taxable exchange of the debt securities. You should consult your own tax advisor as to the tax consequences of a defeasance and discharge and a covenant defeasance, including the applicability and effect of tax laws other than the federal income tax law.

*Extendible Debt Securities, Renewable Debt Securities and Reset Debt Securities*

If so specified in an applicable prospectus supplement or supplements relating to a debt security, we or you may have the option to extend the maturity of a debt security. In addition, we may have the option to reset the interest rate, the spread or the spread multiplier.

The United States federal income tax treatment of a debt security with respect to which such an option has been exercised is unclear and will depend, in part, on the terms established for such debt securities by us pursuant to the exercise of the option. You may be treated for federal income tax purposes as having exchanged your debt securities for new debt securities with revised terms. If this is the case, you would realize gain or loss equal to the difference between the issue price of the new debt securities and your tax basis in the old debt securities, and the other consequences described above under "—Tax Consequences of Defeasance" would also apply.

If the exercise of the option is not treated as an exchange of old debt securities for new debt securities, you will not recognize gain or loss as a result of such exchange.

*Original Issue Discount.* The presence of such options may also affect the calculation of OID, among other things. Solely for purposes of the accrual of OID, if we issue a debt security and have an option or combination of options to extend the term of the debt security, we will be presumed to exercise such option or options in a manner that minimizes the yield on the debt security. Conversely, if you are treated as having a put option, such an option will be presumed to be exercised in a manner that maximizes the yield on the debt security. If we exercise such option or options to extend the term of the debt security, or your option to put does not occur (contrary to the assumptions made), then solely for purposes of the accrual of OID, the debt security will be treated as reissued on the date of the change in circumstances for an amount equal to its adjusted issue price on the date.

You should carefully examine the applicable prospectus supplement or supplements and should consult your own tax advisor regarding the United States federal income tax consequences of the holding and disposition of such debt securities.

*Foreign Currency Debt Securities*

*Payments of Interest.* If you receive interest payments made in a foreign currency and you use the cash basis method of accounting, you will be required to include in income the U.S. dollar value of the amount received, determined by translating the foreign currency received at the "spot rate" for such foreign currency on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period,
- the last day of the taxable year if the accrual period straddles your taxable year, or
- on the date the interest payment is received if such date is within five days of the end of the accrual period.

Upon receipt of an interest payment on such debt security (including, upon the sale of such debt security, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the foreign currency received at the "spot rate" for such foreign currency on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment.

This discussion does not address the tax consequences of owning foreign currency debt securities that are also contingent payment debt instruments. If you are considering the purchase of such securities, you should carefully examine the applicable prospectus supplement or supplements and should consult your own tax advisors regarding the United States federal income tax consequences of the holding and disposition of such debt securities.

*Original Issue Discount.* OID on a debt security that is also a foreign currency debt security will be determined for any accrual period in the applicable foreign currency and then translated into U.S. dollars, in the same manner as interest income accrued by a holder on the accrual basis, as described above. You will recognize exchange gain or loss when OID is paid (including, upon the sale of such debt security, the receipt of proceeds which include amounts attributable to OID previously included in income) to the extent of the difference between the U.S. dollar value of the accrued OID (determined in the same manner as for accrued interest) and the U.S. dollar value of such payment (determined by translating the foreign currency received at the spot rate for such foreign currency on the date such payment is received). For these purposes, all receipts on a debt security will be viewed:

- first, as the receipt of any stated interest payments called for under the terms of the debt security,
- second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and
- third, as the receipt of principal.

*Market Discount and Bond Premium.* The amount of market discount on foreign currency debt securities includible in income will generally be determined by translating the market discount determined in the foreign currency into U.S. dollars at the spot rate on the date the foreign currency

debt security is retired or otherwise disposed of. If you have elected to accrue market discount currently, then the amount which accrues is determined in the foreign currency and then translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period. You will recognize exchange gain or loss with respect to market discount which is accrued currently using the approach applicable to the accrual of interest income as described above.

Bond premium on a foreign currency debt security will be computed in the applicable foreign currency. If you have elected to amortize the premium, the amortizable bond premium will reduce interest income in the applicable foreign currency. At the time bond premium is amortized, exchange gain or loss, which is generally ordinary gain or loss, will be realized based on the difference between spot rates at such time and the time of acquisition of the foreign currency debt security.

If you elect not to amortize bond premium, you must translate the bond premium computed in the foreign currency into U.S. dollars at the spot rate on the maturity date and such bond premium will constitute a capital loss which may be offset or eliminated by exchange gain.

*Sale, Exchange or Retirement.* Upon the sale, exchange, retirement or other taxable disposition of a foreign currency debt security, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued and unpaid interest, which will be treated as a payment of interest for federal income tax purposes) and your adjusted tax basis in the foreign currency debt security. Your initial tax basis in a foreign currency debt security generally will be your U.S. dollar cost. If you purchased a foreign currency debt security with foreign currency, your cost generally will be the U.S. dollar value of the foreign currency amount paid for such foreign currency debt security determined at the time of such purchase. If your foreign currency debt security is sold, exchanged or retired for an amount denominated in foreign currency, then your amount realized generally will be based on the spot rate of the foreign currency on the date of sale, exchange or retirement. If you are a cash method taxpayer and the foreign currency debt securities are traded on an established securities market, foreign currency paid or received is translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of foreign currency debt securities traded on an established securities market, provided that the election is applied consistently.

Subject to the foreign currency rules discussed below, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other disposition, the foreign currency debt security has been held for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange or retirement of a foreign currency debt security would generally be treated as U.S. source gain or loss.

A portion of your gain or loss with respect to the principal amount of a foreign currency debt security may be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. For these purposes, the principal amount of the foreign currency debt security is your purchase price for the foreign currency debt security calculated in the foreign currency on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date of the sale, exchange, retirement or other disposition of the foreign currency debt security and (ii) the U.S. dollar value of the principal amount determined on the date you purchased the foreign currency debt security. The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the foreign currency debt security.

*Exchange Gain or Loss with Respect to Foreign Currency.* Your tax basis in the foreign currency received as interest on a foreign currency debt security will be the U.S. dollar value thereof at the spot

rate in effect on the date the foreign currency is received. Your tax basis in foreign currency received on the sale, exchange or retirement of a foreign currency debt security will be equal to the U.S. dollar value of the foreign currency, determined at the time of the sale, exchange or retirement. As discussed above, if the foreign currency debt securities are traded on an established securities market, a cash basis United States holder (or, upon election, an accrual basis United States holder) will determine the U.S. dollar value of the foreign currency by translating the foreign currency received at the spot rate of exchange on the settlement date of the sale, exchange or retirement. Accordingly, your basis in the foreign currency received would be equal to the spot rate of exchange on the settlement date.

Any gain or loss recognized by you on a sale, exchange or other disposition of the foreign currency will be ordinary income or loss and generally will be United States source gain or loss.

*Reportable Transactions.* Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency debt security to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. If you are considering the purchase of a foreign currency debt security, you should consult with your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the debt securities, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

*Consequences to Non-United States Holders*

The following is a summary of certain United States federal income and estate tax consequences that will apply to you if you are a non-United States holder of debt securities.

Special rules may apply to some non-United States holders, such as "controlled foreign corporations" and "passive foreign investment companies," that are subject to special treatment under the Code. These entities should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

*United States Federal Withholding Tax.* The 30% United States federal withholding tax will not apply to any payment of principal and, under the "portfolio interest" rule, interest, including OID, on debt securities provided that:

- interest paid on the debt securities is not effectively connected with your conduct of a trade or business in the United States;
- you do not actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable United States Treasury regulations;
- you are not a controlled foreign corporation that is related to us through stock ownership;
- you are not a bank whose receipt of interest on the debt securities is described in section 881(c)(3)(A) of the Code;
- the interest is not considered contingent interest under section 871(h)(4)(A) of the Code and the United States Treasury regulations thereunder; and
- in the case of debt securities in registered form, either (a) you provide your name and address on an IRS Form W-8BEN (or other applicable form), and certify, under penalty of perjury, that you are not a United States person or (b) you hold your debt securities through certain foreign

intermediaries, and you satisfy the certification requirements of applicable United States Treasury regulations.

Special certification rules apply to certain non-United States holders that are pass-through entities rather than corporations or individuals. If you cannot satisfy the requirements described above, payments of premium, if any, and interest, including OID, made to you will be subject to the 30% United States federal withholding tax, unless you provide us with a properly executed

- IRS Form W-8BEN (or other applicable form) claiming an exemption from, or reduction in, withholding under the benefit of an applicable income tax treaty; or
- IRS Form W-8ECI (or other applicable form) stating that interest paid on the debt securities is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States as discussed below under "—United States Federal Income Tax").

Except as discussed below, the 30% United States federal withholding tax generally will not apply to any payment of principal or gain that you realize on the sale, exchange, retirement or other disposition of debt securities.

*United States Federal Income Tax.* If you are engaged in a trade or business in the United States and premium, if any, or interest, including OID, on the debt securities is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment), then you will be subject to United States federal income tax on that premium and interest, including OID, on a net income basis (although you will be exempt from the 30% United States federal withholding tax, provided the certification requirements discussed above in "—United States Federal Withholding Tax" are satisfied) in the same manner as if you were a United States holder. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate) of your earnings and profits for the taxable year, subject to adjustments. For this purpose, any premium and interest, including OID, on debt securities will be included in your earnings and profits.

You will generally not be subject to United States federal income tax on the disposition of a debt security unless:

- the gain is effectively connected with your conduct of a trade or business in the United States and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment; or
- you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

*United States Federal Estate Tax.* Your estate will not be subject to United States federal estate tax on debt securities beneficially owned by you at the time of your death, provided that any payment to you on the debt securities, including OID, would be eligible for exemption from the 30% United States federal withholding tax under the "portfolio interest" rule described above under "—United States Federal Withholding Tax," without regard to the statement requirement described in the sixth bullet point of that section.

*Information Reporting and Backup Withholding*

*United States Holders.* In general, information reporting requirements will apply to certain payments of principal, interest, OID and premium paid on debt securities and to the proceeds of sale of a debt security made to you (unless you are an exempt recipient such as a corporation). A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number, or a certification of exempt status, or if you fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS.

*Non-United States Holders.* Generally, we must report to the IRS and to you the amount of interest (including OID) on the debt securities paid to you and the amount of tax, if any, withheld with respect to those payments if the debt securities are in registered form. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

In the case of debt securities in bearer form, in general, no information reporting or backup withholding will be required with respect to payments we make outside the United States to non-United States holders. In the case of debt securities in registered form, in general, you will not be subject to backup withholding with respect to payments on the debt securities that we make to you provided that we do not have actual knowledge or reason to know that you are a United States person, as defined under the Code, and we have received from you the statement described above in the sixth bullet point under "—United States Federal Withholding Tax."

In addition, no information reporting or backup withholding will be required regarding the proceeds of the sale of a debt security made within the United States or conducted through certain United States related financial intermediaries, if the payor receives the statement described above and does not have actual knowledge or reason to know that you are a United States person, as defined under the Code, or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS.

**Common and Preferred Stock**

*Consequences to United States Holders*

The consequences of the purchase, ownership or disposition of our stock depend on a number of factors including:

- the terms of the stock;
- any put or call option or redemption provisions with respect to the stock;
- any conversion or exchange features with respect to the stock; and
- the price at which the stock is sold.

United States holders should carefully examine the applicable prospectus supplement or supplements regarding the material United States federal income tax consequences, if any, of the holding and disposition of stock with such terms.

*Consequences to Non-United States Holders*

The following is a summary of certain United States federal tax consequences that will apply to you if you are a non-United States holder of common or preferred stock.

Special rules may apply to some non-United States holders, such as "controlled foreign corporations," "passive foreign investment companies" and that are subject to special treatment under the Code. These entities should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

*Dividends.* In general, dividends paid to you (including any deemed dividends that may arise from the excess of the redemption price over the issue price or certain adjustments to the conversion ratio of convertible instruments) will be subject to withholding of United States federal income tax at a 30% rate or a lower rate if so specified by an applicable income tax treaty. However, dividends that are effectively connected with your conduct of a trade or business within the United States and, where a tax treaty applies, are attributable to a United States permanent establishment, are not subject to the withholding tax. Instead, these dividends are subject to United States federal income tax on a net income basis at applicable graduated individual or corporate rates. You must comply with certification and disclosure requirements in order for effectively connected income to be exempt from withholding. If you are a foreign corporation, any effectively connected dividends you receive may also be subject to an additional branch profits tax at a 30% rate or a lower rate if so specified by an applicable income tax treaty.

A non-United States holder of common or preferred stock who wishes to claim the benefit of an applicable treaty rate, and avoid backup withholding as discussed below, will be required to (a) complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalty of perjury that such holder is not a United States person as defined under the Code or (b) if our common stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable United States Treasury regulations. Special rules apply to claims for treaty benefits made by non-United States persons that are entities rather than individuals and to beneficial owners of dividends paid to entities in which such beneficial owners are interest holders.

If you are eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

*Gain on Disposition of Common or Preferred Stock.* You generally will not be subject to United States federal income tax with respect to gain realized on a sale or other disposition of common or preferred stock unless:

- the gain is effectively connected with your conduct of a trade or business in the United States, and, where a tax treaty applies, is attributable to a United States permanent establishment;
- you are an individual holding the common or preferred stock as a capital asset, and are present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met; or
- we are or have been a "United States real property holding corporation" for United States federal income tax purposes.

If you are an individual non-United States holder described in the first bullet point above, you will be subject to United States federal income tax on the net gain derived from the sale under regular graduated United States federal income tax rates. If you are an individual non-United States holder described in the second bullet point above, you will be subject to a flat 30% United States federal income tax on the gain derived from the sale, which may be offset by United States source capital losses, even though you are not considered a resident of the United States. If you are a non-United States holder that is a foreign corporation and you are described in the first bullet point above, you will be subject to tax on your gain under regular graduated United States federal income tax rates and, in addition, may be subject to a branch profits tax at a 30% rate or a lower rate if so specified by an applicable income tax treaty.

We believe that we are not currently and do not anticipate becoming a "United States real property holding corporation" for United States federal income tax purposes. We will give you notice in an applicable prospectus supplement if we determine that we are or have been a "United States real property holding corporation" for United States federal income tax purposes.

*Federal Estate Tax.* If you are an individual, common or preferred stock held by you at the time of your death will be included in your gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

*Information Reporting and Backup Withholding.* We will be required to report annually to the IRS and to you the amount of dividends paid to you and the tax withheld from dividend payments made to you, regardless of whether withholding was required. We may make available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty copies of the information returns reporting the dividends and withholding.

Backup withholding generally will apply to dividends paid to you unless you certify under penalty of perjury that you are a non-U.S. holder, and we do not have actual knowledge or reason to know that you are a United States person as defined under the Code, or you otherwise establish an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the payment of the proceeds of a sale of the common or preferred stock to you within the United States or conducted through certain United States-related financial intermediaries, unless (1)(a) you certify under penalties of perjury that you are a non-United States holder and (b) the payor does not have actual knowledge or reason to know that you are a United States person or (2) you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against your United States federal income tax liability provided the required information is provided to the IRS.

**Other Securities**

If you are considering the purchase of warrants, purchase contracts, depositary shares or units, you should carefully examine the applicable prospectus supplement or supplements regarding the special United States federal income tax consequences, if any, of the holding and disposition of such securities including any tax considerations relating to the specific terms of such securities.

## PLAN OF DISTRIBUTION

We may offer the offered securities in one or more of the following ways from time to time:

- to or through underwriters or dealers;
- by ourselves directly;
- through agents; or
- through a combination of any of these methods of sale.

Any such underwriters, dealers or agents may include Lehman Brothers Inc. or our other affiliates. In addition, we may issue the securities as a dividend or distribution or in a subscription rights offering to our existing securityholders.

The securities we distribute by any of these methods may be sold to the public, in one or more transactions, either:

- at a fixed price or prices, which may be changed;
- at market prices prevailing at the time of sale;
- at prices related to prevailing market prices; or
- at negotiated prices.

The prospectus supplement or supplements relating to a particular offering of securities will set forth the terms of such offering, including:

- the securities offered;
- the price of the securities;
- the name or names of any underwriters, dealers or agents;
- the purchase price of the offered securities and the proceeds to us from such sale;
- any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation, which in the aggregate will not exceed 8 percent of the gross proceeds of the offering;
- the initial public offering price;
- any discounts or concessions to be allowed or reallowed or paid to dealers; and
- any securities exchanges on which such offered securities may be listed.

Any initial public offering prices, discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

We will bear all costs, fees and expenses incurred in connection with the registration of the offering of securities under this prospectus.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus (including securities of the same types and classes as described in this prospectus, or others) to third parties in privately negotiated transactions. If the applicable prospectus supplement or supplements so indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement or supplements, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of securities. The third party in such sale transactions will be an underwriter and, if not identified in this prospectus, will be identified in the applicable prospectus supplement or supplements (or a post-effective amendment). In addition, such third parties or their affiliates may issue securities convertible or exchangeable into, or the return of which is derived in whole or in part from the value of, our securities. If the applicable prospectus supplement indicates, this prospectus may be used in connection with the offering of such securities.

**Underwriting**

If underwriters are used in an offering of offered securities, such offered securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, either on a firm commitment basis or best-efforts basis, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be either offered to the public through underwriting syndicates represented by one or more managing underwriters or by one or more underwriters without a syndicate. Any at-the-market offering of common stock will be through an underwriter or underwriters acting as principal or agent for us. Unless otherwise set forth in the prospectus supplement or supplements, the underwriters will not be obligated to purchase offered securities unless specified conditions are satisfied, and if the underwriters do purchase any offered securities, they will purchase all offered securities. Underwriters may receive compensation in the form of discounts, concessions or commissions. The applicable prospectus supplement or supplements will include any required information about underwriting compensation we pay to underwriters, and any discounts, concessions or commissions underwriters allow to participating dealers, in connection with an offering of securities.

If we offer securities in a subscription rights offering to our existing security holders, we may enter into a standby underwriting agreement with dealers, acting as standby underwriters. We may pay the standby underwriters a commitment fee for the securities they commit to purchase on a standby basis. If we do not enter into a standby underwriting arrangement, we may retain a dealer-manager to manage a subscription rights offering for us.

**Stabilization, Short Positions and Penalty Bids**

The underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the securities being offered, in accordance with Regulation M under the Securities Exchange Act of 1934, as amended:

- Over-allotment involves sales by the underwriter of securities in excess of the securities the underwriter is obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the securities over-allotted by the underwriter is not greater than the number or amount of securities that they may purchase in the over-allotment option granted by us. In a naked short position, the number or amount of securities involved is greater than the number or amount of securities in the over-allotment option, if any. The underwriter may close out any short position by exercising its over-allotment option and/or purchasing securities in the open market.
- Stabilizing transactions permit bids to purchase any covered security so long as the stabilizing bids do not exceed a specified maximum.
- Syndicate covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of securities to close out the short position, the underwriter will consider, among other things, the price of securities available for purchase in the open market as compared to the price at which they may purchase securities through the over-allotment option, if any. If the underwriter sells more securities than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying securities in the open market. A naked short position is more likely to be created if the underwriter is concerned that there could be downward pressure on the price of the securities in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the underwriter to reclaim a selling concession from a syndicate member when securities originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the securities being offered or preventing or retarding a decline in the market price of the securities. As a result, the price of the securities may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the securities being offered. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

**Dealers, Agents and Direct Sales**

If dealers are utilized in the sale of offered securities, we will sell such offered securities to the dealers as principals. The dealers may then resell such offered securities to the public at varying prices to be determined by such dealers at the time of resale. The names of the dealers and the terms of the transaction will be set forth in the prospectus supplement or supplements relating to that transaction. Dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from purchasers for whom they may act as agents. The applicable prospectus supplement or supplements will include any required information about underwriting compensation we pay to underwriters, and any discounts, concessions or commissions underwriters allow to participating dealers, in connection with an offering of securities.

Offered securities may be sold directly by us to one or more institutional purchasers, or through agents designated by us from time to time, at a fixed price or prices, which may be changed, or at varying prices determined at the time of sale. Any such agent may be deemed to be an underwriter as that term is defined in the Securities Act. Any agent involved in the offer or sale of the offered securities in respect of which this prospectus is delivered will be named, and any commissions payable by us to such agent will be set forth, in the prospectus supplement or supplements relating to that offering. Unless otherwise indicated in such prospectus supplement or supplements, any such agent will be acting on a best efforts basis for the period of its appointment.

If so indicated in the applicable prospectus supplement or supplements, we will authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase offered securities from us at the public offering price set forth in such prospectus supplement or supplements pursuant to delayed delivery contracts or other purchase contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject only to those conditions set forth in the prospectus supplement or supplements, and the prospectus supplement or supplements will set forth the name and commission payable to the agents, underwriters or dealers for solicitation of such contracts.

Any underwriter, dealer or agent who participates in the distribution of an offering of securities may be considered by the SEC to be an "underwriter" under the Securities Act. Any discounts or commissions received by an underwriter, dealer or agent on the sale or resale of securities may be considered by the SEC to be underwriting discounts and commissions under the Securities Act.

**Other Relationships with Underwriters**

Lehman Brothers Inc., our principal U.S. broker-dealer subsidiary, is a member of the National Association of Securities Dealers, Inc. and may participate in distributions of the offered securities. Accordingly, offerings of offered securities in which Lehman Brothers Inc. or any other U.S. broker-dealer subsidiary participates will conform to the requirements set forth in Rule 2720 of the Conduct Rules of the NASD. Furthermore, any underwriters offering the offered securities will not confirm sales to any accounts over which they exercise discretionary authority without the prior written approval of

the customer. Underwriting discounts and commissions on securities sold in an initial distribution will not exceed 8% of the offering proceeds.

Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for us and our affiliates in the ordinary course of business, including acting as indenture trustee, issuing agent, paying agent, registrar or other agent of ours for the securities.

**Indemnification**

We have agreed to indemnify underwriters, dealers and agents, as applicable, against liabilities relating to any offering of the securities, including liabilities under the Securities Act, or to contribute to payments that the underwriters, dealers or agents may be required to make relating to these liabilities.

**Market-Making**

Each series of offered securities will be a new issue of securities and will have no established trading market. Any underwriters to whom offered securities are sold for public offering and sale may make a market in such offered securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The offered securities may or may not be listed on a national securities exchange. No assurance can be given that there will be a market for the offered securities.

This prospectus together with any applicable prospectus supplement or supplements may also be used by Lehman Brothers Inc. and our other affiliates in connection with offers and sales of the offered securities in market-making transactions at negotiated prices related to prevailing market prices at the time of sale, subject, in the case of common stock, preferred stock and depositary shares, to obtaining any necessary approval of the New York Stock Exchange, Inc. for any such market-making activity. Such affiliates may act as principals or agents in such transactions, and may receive compensation in the form of discounts or commissions. Such affiliates have no obligation to make a market in any of the offered securities and may discontinue any market-making activities at any time without notice, in their sole discretion.

**Electronic Distribution**

This prospectus and the accompanying prospectus supplement or supplements may be made available in electronic format on the Internet sites of, or through online services maintained by, the underwriter, dealer, agent and/or selling group members participating in connection with any offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, dealer, agent or selling group member, prospective investors may be allowed to place orders online. The underwriter, dealer or agent may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriter, dealer or agent on the same basis as other allocations.

Other than the prospectus and accompanying prospectus supplement or supplements in electronic format, the information on the underwriter's, dealer's, agent's or any selling group member's web site and any information contained in any other web site maintained by the underwriter, dealer, agent or any selling group member is not part of this prospectus, the prospectus supplement or supplements or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the underwriters, dealers, agents or any selling group member in its capacity as underwriter, dealer, agent or selling group member and should not be relied upon by investors.

## CERTAIN ERISA CONSIDERATIONS

We have subsidiaries, including Lehman Brothers Inc., that provide services to many employee benefit plans. We and any of our direct or indirect subsidiaries may each be considered a "party in interest" within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), and a "disqualified person" under corresponding provisions of the Internal Revenue Code of 1986 (the "Code"), relating to many employee benefit plans. "Prohibited transactions" within the meaning of ERISA and the Code may result if any offered securities are acquired by an employee benefit plan relating to which we or any of our direct or indirect subsidiaries is a party in interest, unless such offered securities are acquired pursuant to an applicable exemption. Any employee benefit plan or other entity subject to such provisions of ERISA or the Code proposing to acquire the offered securities should consult with its legal counsel.

## WHERE YOU CAN FIND MORE INFORMATION

As required by the Securities Act of 1933 (the "Securities Act"), we filed a registration statement relating to the securities offered by this prospectus with the Securities and Exchange Commission. This prospectus is a part of that registration statement, which includes additional information.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of the documents, upon payment of a duplicating fee, by writing the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. These SEC filings are also available to the public from the SEC's web site at http://www.sec.gov.

Our common stock, par value $0.10 per share, is listed on the New York Stock Exchange, Inc. and the Pacific Exchange, Inc. under the symbol "LEH." You may inspect reports, proxy statements and other information concerning us and our consolidated subsidiaries at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, and the Pacific Exchange, Inc., 115 Sansome Street, San Francisco, California 94104.

The SEC allows us to "incorporate by reference" the information it files with the SEC, which means that it can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. Information that we file after the date of this registration statement and prior to the effecitveness of this registration statement shall be deemed to be incorporated by reference into this prospectus and information that we file later with the SEC will automatically update information in this prospectus. In all cases, you should rely on the later information over different information included in this prospectus or the prospectus supplement or supplements. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 (other than information in the documents or filings that is deemed to have been furnished and not filed):

- Annual Report on Form 10-K for the year ended November 30, 2005;
- Quarterly Report on Form 10-Q for the quarter ended February 28, 2006;
- Current Reports on Form 8-K filed with the SEC on February 21, 2006, February 24, 2006, March 3, 2006, March 10, 2006 (two Form 8-K filings), March 15, 2006, March 16, 2006, March 24, 2006, March 28, 2006, March 31, 2006 (two Form 8-K filings), April 4, 2006, April 25, 2006, May 3, 2006 and May 24, 2006; and
- Registration Statement on Form 8-A, filed on April 29, 1994.

All documents we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the later of (1) the completion of the offering of the securities described in this prospectus and (2) the date our affiliates stop offering securities pursuant to this prospectus shall be incorporated by reference in this prospectus from the date of filing of such documents.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Controller's Office
Lehman Brothers Holdings Inc.
745 Seventh Avenue
New York, New York 10019
(212) 526-7000

## LEGAL MATTERS

Barrett S. DiPaolo, Associate General Counsel of Lehman Brothers Holdings, has rendered an opinion to us regarding the validity of the securities offered by this prospectus. Simpson Thacher & Bartlett LLP, New York, New York, has rendered an opinion to us regarding certain United States federal income tax consequences regarding certain securities offered by this prospectus. Simpson Thacher & Bartlett LLP, or other counsel identified in the applicable prospectus supplement, will act as legal counsel to the underwriters. Simpson Thacher & Bartlett LLP has from time to time acted as counsel for us and our subsidiaries and may do so in the future.

## EXPERTS

The consolidated financial statements and financial statement schedule of Lehman Brothers Holdings Inc. appearing in Lehman Brothers Holdings Inc.'s Annual Report (Form 10-K) for the year ended November 30, 2005, and management's assessment of the effectiveness of internal control over financial reporting as of November 30, 2005 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated by reference herein. Such consolidated financial statements and management's assessment are, and audited consolidated financial statements and management's assessment of internal control over financial reporting to be included in subsequently filed documents will be, incorporated herein in reliance upon the reports of Ernst & Young LLP pertaining to such consolidated financial statements and management's assessments to the extent covered by consents filed with the Securities and Exchange Commission, given on the authority of such firm as experts in accounting and auditing.

With respect to the unaudited consolidated interim financial information of Lehman Brothers Holdings Inc. for the three-month periods ended February 28, 2006 and February 28, 2005, incorporated by reference in this prospectus, Ernst & Young LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated April 10, 2006 included in Lehman Brothers Holdings Inc.'s quarterly report on Form 10-Q for the quarter ended February 28, 2006, and incorporated by reference herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Ernst & Young LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the "Act") for their report on the unaudited interim financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by Ernst & Young LLP within the meaning of Sections 7 and 11 of the Act.

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66,000,000 Shares

# Lehman Brothers Holdings Inc.

Depositary shares,
Each Representing 1/100th of a Share of
7.95% Non-Cumulative Perpetual Preferred Stock, Series J

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PROSPECTUS SUPPLEMENT

February 5, 2008

(INCLUDING PROSPECTUS DATED
May 30, 2006)

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Lehman Brothers
*Sole Structuring Coordinator and Sole Bookrunner*

Citi

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Banc of America Securities LLC
Merrill Lynch & Co.
Morgan Stanley
UBS Investment Bank
Wachovia Securities

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RBC Capital Markets
SunTrust Robinson Humphrey
Wells Fargo Securities