

UK EQUITY LINKED HIGH YIELD AUTOCALLABLE NOTE



LCF ROTHSCHILD
GROUP

- 100% CAPITAL SECURITY UNLESS INDEX FALLS BELOW 50% OF INITIAL STRIKE
- AUTOMATIC ANNUAL REDEMPTION IF INDEX ABOVE AUTOCALL LEVEL
- 8% PER ANNUM CONDITIONAL COUPON
- STERLING DENOMINATED
- FIVE YEAR MAXIMUM MATURITY
- GILT BACKED GUARANTEE

THE INVESTMENT

At each anniversary of the Bond, an observation is taken of the FTSE100 level. If, at the end of the first year, the observation level is above 100% of initial strike, the Bond automatically redeems returning initial capital plus a coupon of 8%. Thereafter, at the end of each year, the autocall level falls by 5%. So, if at the end of year two, the index is above 95% of initial strike, the Bond automatically redeems returning initial capital plus 16% ($8\% \times n$ where 'n' represents the number of years elapsed since inception). At the end of year five the autocall level will equate to 80% of initial strike. Thus, the Bond provides the investor with a good opportunity to receive an extremely high annual return even if the index performance is flat or slightly negative.

Providing that it has not previously redeemed, the maturity value at the end of year five will be calculated as follows:

- i) If the index level is above 80% of the initial level, the investor will receive 140% ($100\% + 5 \times 8\%$) of nominal;
- ii) If the index level has never closed below 50% of initial level but finishes below 80% of the initial level, the investor will receive 100% of nominal;
- iii) If the index has closed below 50% of its initial level at any time during the term, the investor receives the performance of index.

KEY ADVANTAGES

- Pre-defined performance
- Potential to generate a 8% per annum gain
- Allows risk-averse investors to profit from flat or even slightly negative FTSE 100 performance
- Initial capital repaid at maturity (unless index closes below 50% of initial strike during term)
- Return profile independent of changes in interest rates
- Equity style returns with sub-equity risk
- Since inception of the FTSE100 index in 1984, using daily observations, the Bond would have matured at a minimum of 100% on all occasions.

THE INDEX

The annual coupons are dependent upon movements in the FTSE100 Index. This is a capitalisation weighted index of the 100 most highly capitalised companies traded on the London Stock Exchange.

8% ANNUAL COUPON (CONDITIONAL)



BOND PRICING

The bond would be formally priced on a monthly basis and more frequently upon request.

THE GUARANTOR

The conditional guarantee provided by this note is backed by UK government gilts. The current ratings for UK government gilts are Aaa from Moody's and AAA from Standard & Poor's.

FEES

The bond is inclusive of all structuring fees. No other fees would be charged by the LCF Rothschild Group.

TRADABILITY

The investment would be tradable in whole or part on any business day subject to agreed minimums of £100,000 nominal. The bid/offer spread in normal market conditions is 1% - 1.5% and settlement is T+3 business days. Please note that the terms and availability are subject to change without notice before the initial trade.

SUBSCRIPTION

Minimum issue size is £1,500,000 for this investment with minimum subscription of £100,000. All trades and holdings must be in round lots of £10,000.

Summary Term Sheet

LCF reference:	£5yr UKX 8%pa 50% KIP Jun09
Issuer:	A/AA rated Financial Institution
Guarantor:	UK Government (Aaa/AAA)
Currency denomination:	Sterling
Legal structure:	Medium Term Note
ISIN number:	TBC
Clearing:	Euroclear/ Clearstream
Listing:	As required
Maturity:	5 years from initial strike
Issue price:	100%
Denomination:	£10,000
Arranged by:	LCF Edmond de Rothschild (C.I.) Ltd.
Capital guarantee:	100% at maturity subject to condition
Benchmark index:	FTSE 100
Annual coupon:	8% if annual observation level is above autocal level
Initial strike (I):	Close on trade date
Final strike (F):	Close 5 years from trade date
Redemption formula:	100% unless the condition is met
Condition:	If F closes lower than $I * 50\%$ at any time during term, then $100\% * F/I$
Trade date:	Any business day at market price
Initial settlement date:	Trade date + 10 business days

Please note: the Issue Documents are the only legally binding documents in relation to any structure and are available from us on request