

SECURITIES NOTE dated 15 May 2007

LEHMAN BROTHERS SECURITIES N.V.

Warrant and Certificate Programme

Guaranteed by

LEHMAN BROTHERS HOLDINGS INC.

Issue of SEK 13,800,000 Certificates linked to Standard & Poor's BRIC 40 EURO Index

This document constitutes a securities note (the "**Securities Note**") for the purposes of Article 5.3 of Directive 2003/71/EC and implementing measures (the "**Prospectus Directive**") for the purpose of providing information concerning the Certificates described herein. This Securities Note and the summary dated 15 May 2007 (the "**Summary**") together with the amended and restated registration document dated 9 August 2006 (the "**Registration Document**") as supplemented on 7 November 2006 and on 02 February 2007 and drawn up in connection with the issue of Certificates described herein constitutes a prospectus (the "**Prospectus**") for the purposes of Article 5.3 of the Prospectus Directive in respect of the Certificates described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the offering circular dated 9 August 2006 as supplemented on 7 November 2006 and on 2 February 2007 (the "**Offering Circular**"), in connection with the warrant and certificate programme (the "**Programme**") of Lehman Brothers Securities N.V. (the "**Issuer**"), Lehman Brothers Finance S.A., Lehman Brothers (Luxembourg) Equity Finance S.A. and Lehman Brothers Bankhaus AG. Full information on the Issuer and the offer of the Certificates is only available on the basis of the combination of this Securities Note, the Summary and the Registration Document. Copies of this Securities Note, the Summary Note and the Registration Document are available for viewing at the specified office of the Belgian Securities Agent and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

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

RESPONSIBILITY

The Issuer and the Guarantor accepts responsibility for the information contained in this Securities Note and declares that, having taken all reasonable care to ensure that such is the case the information contained in this Securities Note is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

The information with regard to the underlying asset (or basket of assets), Commodity (or Basket of Commodities), Currency (or Basket of Currencies), Debt Instrument (or Basket of Debt Instruments), Depositary Receipt (or Basket of Depositary Receipts), Index (or Basket of Indices) or Share (or Basket of Shares) (as all such terms are defined in the Terms and Conditions) or other item(s) (the "**Underlying**") to which the Certificates relate contained in Part C hereof, has been extracted from information publicly available and published by Bloomberg. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by Bloomberg, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer accepts responsibility as to the correct reproduction of such information, but no further or other responsibility (express or implied) is accepted by the Issuer in respect of such information and, in particular, the Issuer has not independently verified any such information. The Issuer shall not have any responsibility for any errors or omissions in the calculation and publication of the level of, or information relating to, the Underlying by Bloomberg or for any errors or omissions in the information contained on the website set out in Part C relating to the Underlying. Investors may acquire such further publicly available information as they deem necessary and appropriate.

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

Executed by

LEHMAN BROTHERS SECURITIES N.V.

and signed and delivered on its behalf

By: _____

Name:

Title:

Date: 15 May 2007

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Part A:

Risk Factors

Prospective investors of the Certificates should carefully consider the risk factors provided below as well as other information contained in this Securities Note, the accompanying Registration Document and the documents incorporated by reference before purchasing the Certificates. In particular please see the Risk Factors set out on pages 4 to 8 of the Registration Document. The Registration Document and this Securities Note however cannot disclose all of the risks and other significant aspects of the Certificates and investment decisions should not be made solely on the basis of these risk factors since the information contained herein cannot serve as a substitute for independent individual advice which is tailored to the requirements, investment objectives, experience, knowledge and circumstances of a prospective investor. Additional risks not outlined below or not currently known to the Issuer or that the Issuer now deems immaterial may also adversely affect the value of the Underlying and, therefore, the value of the Certificates.

Each prospective investor of Certificates should consider carefully whether the Certificates are suitable for it in the light of its circumstances and financial position and in view of the complexity and risks inherent in the Certificates. Prospective investors of Certificates should be experienced with respect to derivatives, particularly options and options transactions. Furthermore, prospective investors of Certificates should understand the risks of transactions involving the Certificates and should reach an investment decision only after careful consideration of the suitability of the Certificates in light of their particular financial circumstances and after consultation with their own legal, tax, accountancy and other professional advisers. No person should deal in the Certificates unless that person understands fully the nature of the relevant transaction. Such transaction is suitable only for, and should be made only by, an investor who has no need for liquidity and understands and can afford the financial and other risks of this transaction.

Terms not defined herein have the same meaning as set out in Part C and Part D of this Securities Note.

Issue Price

The Issue Price in respect of the Certificates may not be an accurate reflection of the market value of such Certificates as at the Issue Date. The price at which the Certificates may be sold in secondary market transactions may be lower than the Issue Price. In particular, the Issue Price in respect of the Certificates may take into account, among other things, any distribution fee payable to, or any discount with which the Certificates are made available to, any appointed distributor of the Certificates with respect to the offer and sale of the Certificates.

Factors affecting the redemption amount under the Certificates

Prospective investors of Certificates should be familiar with investments in the global capital market and with derivatives.

Prospective investors should be aware that the Final Redemption Amount of the Certificates is linked to the value of the Strategy Index Value and Cash amounts (each as defined below). The Strategy Index Value is based on (i) a Portfolio comprising a notional investment in the Index and (ii) a Cash Value (each as defined below). The Strategy Index Value is determined by Lehman Brothers in its capacity as Calculation Agent. The principal component in the Strategy Index Value is the Index.

The Strategy Index Value determines the investment return on the Certificates. In particular, the Cash Settlement Amount is variable and dependant upon the Strategy Index Value on the Averaging Dates and on the Valuation Date. The Cash Settlement Amount in respect of the Certificates on the Redemption Date may be lower than their Issue Price, and even zero.

Prospective purchasers of Certificates should ensure that they understand the nature of the Certificates and the extent of their exposure to risk and that they consider the suitability of the Certificates as an investment in the light of their own circumstances, financial condition and taxation.

Prospective purchasers of Certificates should conduct their own investigations in deciding whether or not to purchase Certificates, and form their own views of the merits of an investment related to the Index based upon such investigations.

Fluctuations in the Strategy Index Value

Fluctuations in the Strategy Index Value will affect the value of the Certificates. The value of the Certificates can be volatile. Also, due to the character of the particular markets on which the Certificates may be traded, the absence of last sale information and the limited availability of quotations for the Certificates may make it difficult for many investors to obtain timely and accurate data for the price or yield of the Certificates. Purchasers of Certificates risk realising no return (or negative if the Certificates were purchased in the secondary market) on their entire investment if the Strategy Index Value does not move in the anticipated direction.

The Calculation Agent will apply the Volatility Allocation Provision (defined below) to determine the balance of Portfolio and Cash.

Risks relating to the management of the Portfolio

The Issuer, the Guarantor, the Arranger, the Dealer and the Calculation Agent and their respective Affiliates perform a wide range of hedging activities in relation to the Portfolio and such hedging activities might affect the level of the Portfolio and therefore the value of the Certificates. See also “*Conflict of Interest*” below.

Factors affecting the Index

Prospective investors should be familiar with the assets underlying the Index (each a “**Component Security**”) and the Index generally.

The value of the Certificates can be volatile. Changes in the level of the Index may result in sudden and large fluctuations in the value of the Certificates. The level of the Index may vary over time and may increase or decrease by reference to a variety of factors, which may include, but are not limited to, corporate actions and macro economic factors. The Index may be replaced by a Successor Index (as defined herein) in certain circumstances as set out in Part C to this Securities Note (including where the Index is not available) and the performance of that Successor Index over time may be different from the performance of the Index.

The level of the Index is based on the value of the assets comprised in the Index although prospective investors should note that the level of the Index at any time will not include the reinvestment of the yield on the assets comprised in the Index. Prospective investors should understand that global economic, financial and political developments, among other things, may have a material effect on the value of the assets comprising the Index and/or the performance of the Index.

Prospective investors should also note that dividends paid to holders of the assets comprised in the Index will not be paid to the Issuer or to the Holders of the Certificates. The return on the Certificates will thus not reflect any dividends which would be paid to investors that have made a direct investment in the assets comprised in the Index. Consequently, the return on the Certificates may be less than the return from a direct investment in the assets comprised in the Index.

Past performance projections have produced a yield in respect of the Certificates that, at certain points in time, would have been lower than comparable investments in the money markets.

Investing in the Certificates is not the same as investing in a Component Security

Prospective investors should be aware that the market value of the Certificates may not have a direct relationship with the prevailing level or price of the Component Securities, in that changes in the prevailing level or price of the Component Securities will not necessarily result in a comparable change in the market value of the Certificates.

The volatility in Emerging Markets may have a negative impact on the Cash Settlement Amount of the Certificates

The Index is comprised of the stocks traded in the Brazilian, Russian, Indian and Chinese equity markets, which are each emerging securities markets. You should be aware that investments in securities linked to the value of an emerging securities market involve particular risks. The emerging securities markets whose stocks comprise the Index may have less liquidity and may be more volatile than other more developed securities markets and market developments may affect these emerging markets differently from other more developed securities markets. Direct or indirect government intervention to stabilize the emerging securities markets, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about emerging securities markets than about those securities markets in more developed countries that are subject to reporting requirements.

Securities prices in the emerging securities markets are subject to political, economic, financial and social factors that apply in those geographical regions. These factors which could negatively affect those emerging securities markets, include the possibility of recent or future changes in a foreign government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to the Index or investments in foreign equity securities and the possibility of fluctuations in the rate of exchange between currencies, the possibility of outbreaks of hostility and political instability and the possibility of natural disaster or adverse public health development in the region. Moreover, emerging market economies may differ favourably or unfavourably from the economies of more developed countries in important respects such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

Countries with emerging securities markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times.

Risks Relating to Brazil, Russia, India and China

The Brazilian, Russian, Indian and Chinese economic and political conditions and perceptions of these conditions in the international market have a direct impact on Component Securities and therefore will affect the level of the Index.

In the past, the Brazilian, Russian, Indian and Chinese governments have each intervened in their respective economies and occasionally made drastic changes in policy. As a result, there is no guarantee that potential actions to control inflation and effect other policies such as wage and price controls, currency devaluations, capital controls, and limits on imports, will not take place during the term of the Certificates. The financial condition and results of operations of the Component Securities, and thus the level of the Index, may be adversely affected by changes in government policies as well as general economic factors, including:

- currency fluctuations;
- inflation;
- price instability;
- energy policy;
- interest rates;
- tax policy; and
- other political, diplomatic, social and economic developments in or affecting Brazil, Russia, India, or China.

No principal protection

The Certificates are not principal protected and an investment in the Certificates exposes the investor to the risk of a loss in the invested capital. The Certificates will be redeemed on the Redemption Date at an amount which is dependant on the Strategy Index Value on the Averaging Dates and on the Valuation Date.

Secondary market and liquidity for the Certificates

There can be no assurance as to how any Certificates will trade in the secondary market, whether there will be a secondary market or, if a secondary market exists, whether such market will be sustainable or liquid or illiquid. If the Certificates are not traded on any stock exchange, pricing information for such Certificates may be more difficult to obtain, and the liquidity and market prices of such Certificates may be adversely affected.

The liquidity of the Certificates may also be affected by restrictions, if any, on offers and sales of the Certificates in some jurisdictions. In any case, due to the relative complexity and lower liquidity of the Certificates if compared to

more conventional financial instruments such as shares, comparatively larger spreads between bid and ask quotes should be expected.

Creditworthiness of the Issuer and Guarantor

Any person who purchases the Certificates is relying upon the creditworthiness of the Issuer and the Guarantor and has no rights against any other person. The Certificates constitute general, unsecured, unsubordinated, contractual obligations of the Issuer and of no other person. The Certificates rank pari passu among themselves and with any unsecured, unsubordinated indebtedness of the Issuer and the Guarantor except for any preference created by law.

Potential conflicts of interest

The Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may, from time to time, engage in purchase, sale or other transactions involving the Component Securities or related derivatives for their proprietary accounts and/or for accounts under their management and/or for clients. Such transactions may have a positive or negative effect on the Index and consequently on the value of the Certificates. In addition, the Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may, from time to time, act in other capacities with regard to the Certificates (such as in an agency capacity and/or as the calculation agent) and may issue or participate in the issue of other competing financial instruments in respect of the Component Securities or similar securities or assets in similar sectors or markets and the introduction of such competing financial instruments may affect the value of the Certificates. Such activities could present certain conflicts of interest with the interest of Holders of the Certificates and may affect the value of the Certificates. The Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries owe no duty or responsibility to any Holder of the Certificates (or any other party) to avoid such conflicts.

In connection with the offering of the Certificates, the Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may enter into one or more hedging transactions with respect to any of the Component Securities or related derivatives. In connection with such hedging or with respect to proprietary or other trading activities by the Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries, the Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may enter into transactions in any of the Component Securities of the Index or related derivatives which may affect the market price, liquidity or value of the Certificates and which could be deemed to be adverse to the interests of the relevant Holders of the Certificates.

The Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may act as market maker in respect of the Certificates, trading in their own name and for their own account as well as conducting hedging transactions and may hold call and/or put options in relation to the Certificates. This could influence the market price, liquidity or value of the Certificates and could be deemed to be adverse to the interest of the Holders of the Certificates.

Such transactions could present certain conflicts of interest with the interest of Holders of the Certificates and may affect the value of the Certificates. The Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries owe no duty or responsibility to any Holders of the Certificates (or any other party) to avoid such conflicts.

Risk-excluding or risk-limiting transactions

Prospective investors may not rely upon being able to enter into transactions, which may exclude or limit loss exposure to the Certificates during the term of the Certificates. The possibility of entering into risk-excluding or risk-limiting transactions depends in particular on market conditions and the relevant underlying circumstances. Holders of the Certificates may be able to enter into such transactions only at an unfavourable market price resulting in an additional loss for such Holder of the Certificates.

Prospective investors intending to purchase Certificates to hedge the market risk associated with investing in the Component Securities of the Index should be aware of the difficulties associated therewith. For example, the value of the Certificates may not correlate with the value of the Component Securities of the Index.

Determinations by the Calculation Agent

The Calculation Agent has certain discretions to determine whether certain events as further set out in the Annex to this Securities Note have occurred. Prospective investors should be aware that any determination made by the

Calculation Agent may have an adverse effect on the value of the Certificates. For example, the Calculation Agent may determine that a Market Disruption Event has occurred or exists at a relevant time which may affect the determination of the level or price of a Component Security on a relevant Scheduled Trading Day and/or may delay settlement in respect of the Certificates. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding.

Adjustments

The Calculation Agent may adjust the terms of the Certificates in the case of a Market Disruption Event, an Index Adjustment Event and/or such other similar adjustment or extraordinary event pursuant to terms as set out in Part C and Part D to this Securities Note. Any such adjustment may have an adverse impact on the value of the Certificates. Any such discretion exercised by, or any calculation made by the Calculation Agent (in the absence of manifest error) shall be binding.

Part B:

Information incorporated by reference

Terms used herein but not otherwise defined shall have the meanings given to them in the Offering Circular dated 9 August 2006, as supplemented on 7 November 2006 and on 2 February 2007.

The following information contained in the Offering Circular shall be deemed to be incorporated into and form part of this Securities Note. Page references are to pages in the Offering Circular.

	Page Reference
The section entitled "Risk Factors"	14-24
The section entitled "Terms and Conditions of the Securities"	46 to 89
The section entitled "Use of Proceeds"	91
The section entitled "United States Taxation"	125
The section entitled "Netherlands Antilles Taxation"	127
The section entitled "EU Savings Tax Directive"	137 to 138
The section entitled "Offering and Sale"	116 to 124
The first ("Authorisation"), second ("Listing"), third ("Substitution"), fourth ("Documents Available"), fifth ("Clearing Systems") and tenth ("Transparency Directive") paragraph of the section entitled "General Information"	139 to 142

The Issuer will provide, without charge, to each person to whom a copy of this Securities Note has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which or portions of which are incorporated herein by reference (save that a holder of a Certificate must produce evidence satisfactory to the Issuer as to its identity). In addition, such documents will be available (i) without charge from the specified office of the Belgian Securities Agent, or (ii) on the website of the Luxembourg Stock Exchange at www.bourse.lu.

In addition, the following information shall be deemed to be incorporated into and form part of this Securities Note:

	Page Reference
1. The Offering Circular Supplement dated 7 November 2006	1 to 2
2. The Offering Circular Supplement dated 2 February 2007	1 to 2
3. The annual report for the fiscal year ended 30 November 2006 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 of Lehman Brothers Holdings Inc. filed with the Securities and Exchange Commission on Form 10-K.	
- Cash Flow Statement	80
- Notes to Financial Statements	81-120
- Auditor's Report	74
- Income Statement	75
- Statement of Financial Condition	76-77

4.	The current report dated 14 March 2007 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 of LBHI filed with the Securities and Exchange Commission on Form 8K	1 to 4
5.	The current report dated 14 March 2007 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 of LBHI filed with the Securities and Exchange Commission on Form 8K annexing a press release (the “ Press Release ”) with respect to its most recently completed fiscal quarter. The Page References are to pages in the Press Release:	
	- Press Release relating to earnings	1 to 4
	- Selected Statistical Information at, or for the quarter ended, 28 February 2007 (Preliminary and Unaudited)	5 to 6
	- Consolidated Statement of Income for the quarter ended 28 February 2007 (Preliminary and Unaudited)	7
	- Segment Net Revenue Information for the quarter ended 28 February 2007 (Preliminary and Unaudited)	8
	- Reconciliation of Average Common Stockholders’ Equity to Average Tangible Common Stockholders’ Equity (Preliminary and Unaudited)	9
	- Assets under Management on, and for the quarter ended, 28 February 2007 (Preliminary and Unaudited)	10
	- Gross Leverage and Net Leverage Calculations (Preliminary and Unaudited)	11
6.	The quarterly report of LBHI dated March 31, 2007 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 filed with the Securities and Exchange Commission on Form 10-Q including the consolidated interim quarterly financial statements of LBHI for the quarterly period ended February 28, 2007	
	- Financial Statements (unaudited)	3 to 6
	- Lehman Brothers Holdings Inc. Consolidated Statement of Income (unaudited)	3 to 5
	- Lehman Brothers Holdings Inc. Consolidated Statement of Cash Flows (unaudited)	6
	- Lehman Brothers Holdings Inc. Notes to Consolidated Financial Statements (Unaudited)	7 to 39
	- Report of Independent Registered Public Accounting Firm	40
	- Lehman Brothers Holdings Inc. Management’s Discussion and Analysis of Financial Condition and Results of Operations	41 to 74
	- Lehman Brothers Holdings Inc. Part I – Financial Information	75
	- Lehman Brothers Holdings Inc. Part II – Other Information	76 to 78
7.	The Guarantor’s Proxy Statement in respect of the annual meeting of stockholders dated 26 February 2007	1-48

The Issuer will provide, without charge, to each person to whom a copy of this Securities Note has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which or portions of which are incorporated herein by reference (save that a holder of a Certificate must produce evidence satisfactory to the Issuer as to its identity). In addition, such documents will be available from the specified office of any Principal Securities Agent.

Information contained in the documents incorporated by reference other than information listed in the table above is for information only.

Part C:
Information about the Securities

CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth on pages 46 to 90 of the Offering Circular which are incorporated into, and form part of, this Securities Note. References in the Conditions to Securities Note shall, where the context so permits, be deemed to be references to the Contractual Terms set out below.

General

- | | | |
|-----|---|---|
| 1. | Issuer | Lehman Brothers Securities N.V. |
| 2. | Guarantor | Lehman Brothers Holdings Inc. |
| 3. | Description of the Securities: | |
| | (a) Warrants or Certificates: | The Securities are Certificates |
| | (b) Type of Securities: | The Securities are Index Securities |
| 4. | Form of Securities | The Securities are bearer instruments in form of a Global Security. |
| | | Subject to the Conditions, each person who is for the time being shown in the records of the relevant clearing system as the holder of a particular amount of Certificates shall be treated for all purposes by the Issuer, the Guarantor, any Securities Agent and the relevant Clearing System and all other persons dealing with such person as the holder of such amount of Certificates. |
| 5. | Description of the Underlying: | The Standard & Poor's BRIC 40 EURO Index, as further described in item 48 below |
| 6. | If Warrants, American Style Warrants, European Style Warrants or other: | Not Applicable |
| 7. | If Warrants, Call Warrants, Put Warrants or other: | Not Applicable |
| 8. | (a) Aggregate Specified Notional Amount | Swedish Krona ("SEK") 13,800,000 |
| | (b) Specified Notional Amount per Certificate | SEK 1,000 |
| 9. | (a) Series Number: | L - 07/262 |
| | (b) Tranche Number: | 1 |
| 10. | Issue Date: | 24 May 2007 |
| 11. | Issue Price(s): | SEK 179.3 per Certificate of SEK 1,000 Specified Notional Amount. |

The Dealer reserves the right, in its sole discretion, at any time and from time to time, to offer and sell the Certificates at one or more prices that differ from the

Issue Price.

In connection with the offer and sale of the Certificates, a distributor will acquire the Certificates from the Dealer at the Issue Price and the Dealer will pay to such distributor a distribution fee. Any such amount received by the distributor may be in addition to the brokerage cost/fee normally applied by such distributor. Further information is available from the relevant distributor or the Dealer on request.

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| 12. | Minimum initial purchase of the Securities: | SEK 179.3 (One (1) Certificate) |
| 13. | Minimum transferable number (for the purposes of Condition 1(c)): | SEK 179.3 (One (1) Certificate) |
| 14. | Last Trading Day (for the purposes of Conditions 1(c) and 9(c)): | The Valuation Date |

Warrants - Provisions relating to exercise

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|-----|---|----------------|
| 15. | If American Style Warrants, the Exercise Period: | Not Applicable |
| 16. | If European Style Warrants, the Expiration Date: | Not Applicable |
| 17. | Exercise Notice Deposit Time(s) (for the purposes of Condition 5(a)): | Not Applicable |
| 18. | Minimum Exercise Number (for the purposes of Condition 5(b)): | Not Applicable |
| 19. | Integral multiple of Minimum Exercise Number (for the purposes of Condition 5(b)): | Not Applicable |
| 20. | If Physical Delivery Warrants, any modification of minimum Board Lot requirement in relation to exercise (for the purpose of Condition 9(h)): | Not Applicable |
| 21. | If American Style Warrants, the Maximum Exercise Number (for the purposes of Condition 5(b)): | Not Applicable |
| 22. | Automatic Exercise in respect of Cash Settled Warrants (for the purposes of Condition 4(a)): | Not Applicable |

Certificates - Provisions relating to interest

- | | | |
|-----|---|----------------|
| 23. | Interest Payment Dates: | Not Applicable |
| 24. | Notional Amount per Certificate (for the purposes of Condition 6): | Not Applicable |
| 25. | Interest Rate (for the purposes of Condition 6): | Not Applicable |
| 26. | Interest Rate Day Count Fraction (for the purposes of Condition 6): | Not Applicable |

27.	Other terms relating to the method of calculating interest (for the purposes of Condition 6):	Not Applicable
Provisions relating to settlement and redemption		
28.	Form of Settlement (for the purposes of Condition 1(a)):	Cash Settled Securities
29.	Issuer's option to vary settlement in respect of the Securities (for the purposes of Conditions 1(a) and 10(c)):	Not Applicable
30.	Valuation Date:	10 May 2010, or if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day
31.	Averaging Dates:	The 10 th of each month during the period between 10 May 2009 (inclusive) and 10 May 2010 (inclusive), or if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day. There shall be a total of 13 observations.
32.	Consequence of Averaging Date Disruption (for the purposes of Condition 13(b)):	Modified Postponement
33.	Valuation Time:	As defined in Condition 28 (Definitions) with respect to a Multi Exchange Index
34.	If Warrants, the Settlement Date:	Not Applicable
35.	If Certificates, the Certificate Settlement Notice Period:	Not Applicable
36.	If Certificates, the Redemption Date:	24 May 2010, subject to amendment in accordance with the Modified Following Business Day Convention
37.	Business Day Centre(s):	London and Stockholm
38.	Exchange Rate, including details of when such rate is to be ascertained:	Not Applicable
39.	If Cash Settled Securities, Settlement Currency for the payment of the Cash Settlement Amount and/or Alternative Cash Settlement Amount:	SEK
40.	If Cash Settled Securities, Cash Settlement Amount or method of calculation of the Cash Settlement Amount (for the purposes of Condition 7 or Condition 10(a), as applicable):	As specified in Part D hereof
41.	If Physical Delivery Warrants, the Strike Price(s):	Not Applicable
42.	If Physical Delivery Securities:	Not Applicable
43.	If Physical Delivery Certificates, any modification of minimum Board Lot requirement in relation to settlement (for the	Not Applicable

purpose of Condition 9(h)):

44. Other circumstances where Holder will receive the Alternative Settlement Amount (for the purposes of Condition 10(c)): Not Applicable
45. Other additional conditions to settlement (for the purposes of Condition 10(a)(i), 10(a)(ii), 10(b)(i) and 10(b)(ii)): Not Applicable

Other specified terms and modifications to the Conditions

46. If Currency Securities, details of the Relevant Screen Page, the Base Currency and the relevant Subject Currency or Subject Currencies: Not Applicable
47. If Commodity Securities, provisions for calculations: Not Applicable
48. If Index Securities: Applicable
- (a) Index or Indices: The Standard & Poor's BRIC 40 EURO Index (Bloomberg Code: SBE Index) (the "**Index**")
 - (b) Exchange: In respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent
 - (c) Related Exchange: All Exchanges
 - (d) Consequences of Index Adjustment Event (for the purposes of Condition 14(a)(ii)):
 - (a) Index Modification: Calculation Agent Adjustment
 - (b) Index Cancellation: Calculation Agent Adjustment
 - (c) Index Disruption: Calculation Agent Adjustment
49. If Share Securities: Not Applicable
50. Additional Disruption Events: Not Applicable
51. Further adjustments:
- (a) whether provisions for market disruption apply other than as provided for in Condition 13: Condition 13 shall apply as amended and supplemented by Part D hereof
 - (b) in relation to Debt Instrument Securities, provisions dealing with the situation where one or more of the relevant Debt Instruments is redeemed (or otherwise ceases to exist before expiration of the relevant Securities): Not Applicable

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|-----|---|---|
| (c) | any supplemental adjustment provisions: | Not Applicable |
| 52. | Other special conditions and any modification to the Terms and Conditions of the Securities: | As specified in Part D hereof |
| 53. | Relevant Clearing System(s) (for the purposes of the definition in Condition 28): | Euroclear and Clearstream, Luxembourg

The Bank of New York, Brussels, shall act as common depositary for Euroclear and Clearstream, Luxembourg |
| 54. | Calculation Agent if not the Issuer: | Lehman Brothers International (Europe),
25 Bank Street,
London E14 5LE,
United Kingdom |
| 55. | Rule 144A eligibility: | No |
| 56. | Eligibility for private placement to other "accredited investors" in the United States: | Not Applicable |
| 57. | US Selling Restrictions and additional selling restrictions: | |
| | (a) details of the applicable type of US Selling Restrictions including in respect of the relevant US Selling Restrictions certification required for the purposes of exercise or redemption: | Type 2A |
| | (b) details of any additional selling restrictions (for the purposes of Condition 9(e)): | Not Applicable |

OFFER PERIOD, ISSUE SIZE AND ISSUE PRICE

The offer of the Certificates will commence at 00.01 hours, in Stockholm on 23 May 2007 and end at 23:59 hours, in Stockholm on 23 May 2007 or at such other time on such earlier other date as the Dealer may decide in its absolute discretion if it receives commitments to purchase SEK 13,800,000, or in light of prevailing market conditions (the "Offer Period").

LISTING AND PUBLIC OFFER

The Certificates will not be listed on any regulated markets within the meaning of the Prospectus Directive.

This Securities Note and the Summary Note have been approved by the CSSF, which is the Luxembourg competent authority for the purpose of the Prospectus Directive and relevant implementing legislation in Luxembourg; this Securities Note, the Registration Document and the Summary Note together constitute the Prospectus issued in compliance with the Prospectus Directive and relevant implementing legislation in Luxembourg for the purpose of giving information with regard to the issue of the Certificates. In addition, the CSSF, in its capacity as competent authority in Luxembourg for the purposes of the Prospectus Directive, has been requested to provide the Finansinspektionen, which is the competent authority in Sweden for the purposes of permitting an offer of Certificates to the public in Sweden, in accordance with the Prospectus Directive, with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive, together with a copy of the Prospectus and the translation into Swedish of the Summary Note, (the "Passporting Documents").

Save for the approval of the Securities Note and Summary Note by the CSSF and request for the CSSF to provide the Finansinspektionen with the relevant Passporting Documents as discussed above, none of the Issuer, the Guarantor or the Dealer has taken or will take any action in any country or jurisdiction (other than Sweden) that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to a public offering

in any country or jurisdiction where action for that purpose is required. Each investor must comply with the restrictions set out in the section "Offering and Sale" of the Offering Circular in relation to each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Certificates or has in the investor's possession or distributes the Prospectus.

Other Information

58. (a) Listing: None
- (b) Admission to Trading: Not Applicable
59. Notification: The CSSF has been requested to provide the Swedish Financial Supervisory Authority (Finansinspektionen) the "FSA", with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospective Directive.
60. Interests of Natural and Legal Persons Involved in The Issue/Offer: Save as discussed in "Offering and Sale" in the Offering Circular, so far as the Issuer is aware, no person involved in the offer of the Certificates has an interest material to the offer.
61. (a) Method of distribution of the Securities: Non-Syndicated
- (b) Name of the Dealer(s): Lehman Brothers International (Europe) having its registered office at 25 Bank Street, London E14 5LE, United Kingdom.
62. ISIN: XS0301473327
63. Common Code: 030147332
64. CUSIP: Not Applicable
65. Telekurs number and, where any additional or alternative Clearing System(s) has/have been specified in paragraph 53 above, any other relevant security code: Telekurs: 3107956
66. WKN: Not Applicable
67. Principal Securities Agent: The Bank of New York
68. Whether Definitive Security Certificates may be issued as well as/instead of a Global Security: The Securities will at all times be represented by a Global Security
69. Reasons for the Offer: The Issuer intends to use the proceeds of the Offer for general purposes and for hedging the obligations created by the issuance of the Certificates.
70. Estimated total expenses: SEK 182,977
71. Estimated net proceeds: An amount in SEK equal to:

The Issue Price multiplied by the number of Certificates issued less estimated total expenses.

Post Issuance Information:

The Issuer does not intend to provide post issuance information regarding the Index.

Index Information:

Index Disclaimer:

STANDARD & POOR'S", "S&P" AND "S&P BRIC 40" INDEX ARE TRADEMARKS OF THE STANDARD & POOR'S DIVISION OF THE MCGRAW-HILL COMPANIES, INC., SOME OF WHICH MAY BE PROTECTED BY REGISTRATION IN ONE OR MORE TERRITORIES AND WHICH HAVE BEEN LICENSED FOR USE BY LEHMAN BROTHERS. THIS PRODUCT IS NOT SPONSORED, MANAGED, ADVISED, SOLD OR PROMOTED BY S&P.

Performance of the Index:

The recent historical performance of the Index should not be taken as an indication for future performance.

The high and low closing values (price return) for the Index, for each year from 2004 until 2006, are set out below.

Year	High	Low
2004	987.01	759.49
2005	1,450.76	859.94
2006	2,065.92	1,349.36

Source: Bloomberg Page <SBE Index>

Information about the past and further performance and volatility of the Index can be found at the places set out on the website www.standardandpoors.com

Part D:

Schedule

Cash Settlement Amount

Unless the Certificates have previously been redeemed, or purchased and cancelled in accordance with the Conditions (as supplemented and amended herein), the Certificates shall be redeemed by the Issuer on the Redemption Date, and the Cash Settlement Amount (“CSA”) shall be an amount in SEK in respect of each Certificate as determined by the Calculation Agent in accordance with the following formula:

$$\text{SNA} \times \text{PF} \times \text{Max} \left(0, \frac{\text{Final Strategy Index Level}}{\text{Initial Strategy Index Level}} - 1 \right)$$

Where:

“**Final Strategy Index Level**” means the arithmetic average of the Strategy Index Value on each Averaging Date as determined by the Calculation Agent in accordance with the Annex;

“**Max**” means the maximum or the greater of the bracketed number or formula separated by a comma;

“**PF**” means 100 per cent.;

“**SNA**” means the Specified Notional Amount of the Certificates, which for the avoidance of doubt is equal to SEK 1,000;

“**Strategy Index Value**” has the meaning given to it in the Annex below;

“**Initial Valuation Date**” means 10 May 2007, or if such day is not a Scheduled Trading Day, the next following Scheduled Trading Day; and

“**Initial Strategy Index Level**” means the Strategy Index Value on the Initial Valuation Date, being equal to SEK 1,000, as determined by the Calculation Agent in accordance with the Annex.

Annex

1. Strategy Index Value(t)

At any time on any Scheduled Trading Day(t) during the term of the Certificates, the Strategy Index Value(t) shall be an amount in SEK equal to the sum of the Portfolio Value on such Scheduled Trading Day and the Cash Value on such Scheduled Trading Day (such sum, the “**Strategy Index Value(t)**”). On the Initial Valuation Date, the Strategy Index Value(t) shall be an amount equal to SEK 1,000 (such value, the “**Strategy Index Value₀**”).

2. Volatility Allocation Provisions

(i) On the Initial Valuation Date, the notional amount invested in the Portfolio and Cash shall be equal to the product of:

- (a) the respective Prevailing Percentages applicable to the Portfolio and Cash on the Initial Valuation Date; and
- (b) The Strategy Index Value₀

(ii) If, on any Scheduled Trading Day, a Volatility Event has occurred, the notional amount invested in the Portfolio and Cash shall be such respective amounts in SEK determined by the Calculation Agent equal to:

- (a) if a Volatility Event has occurred and the relevant Scheduled Trading Day is the corresponding Volatility Adjustment Date, the product of (x) the respective Prevailing Percentages applicable to the Portfolio and Cash effective as of such Volatility Adjustment Date and (y) the Strategy Index Value(t) on the Scheduled Trading Day immediately preceding the Volatility Adjustment Date; or
- (b) if a Volatility Event has occurred and the relevant Scheduled Trading Day is not a Volatility Adjustment Date, the product of (x) the respective Prevailing Percentages applicable to the Portfolio and Cash as of the most recent Volatility Adjustment Date and (y) the Strategy Index Value(t) on such most recent Volatility Adjustment Date.

Any adjustment of the Prevailing Percentage will be effective on the Business Day following the day upon which the Calculation Agent determines that a Volatility Event has occurred (such date, the “**Volatility Adjustment Date**”).

(iii) With respect to the Portfolio and each Scheduled Trading Day the Calculation Agent will calculate the percentage denoting the extent to which the Portfolio Value has fluctuated between Scheduled Trading Days according to the following formula (the “**Realized Volatility**”):

$$\sqrt{\frac{N}{n-1} \cdot \sum_{i=1}^n [R_i - \bar{R}]^2}$$

Where:

“**R_i**” means an amount determined by the Calculation Agent in accordance with the following formula:

$$\ln\left(\frac{S_i}{S_{i-1}}\right)$$

“ **\bar{R}** ” means an amount determined by the Calculation Agent in accordance with the following formula:

$$\frac{1}{n} \cdot \sum_{i=1}^n R_i$$

“**Si**” means the Portfolio Value determined by the Calculation Agent on (n-i)th previous Scheduled Trading Day immediately preceding the relevant Scheduled Trading Day;

“**S0**” means SEK 1,000;

“**n**” means 20;

“**N**” means 260;

“**Portfolio Value**” has the meaning given to it in Section 3 of this Annex;

“**Prevailing Percentage**” means:

- (i) on the Initial Valuation Date, the Prevailing Percentage allocation shall be (i) Portfolio, 100.00%, (ii) Cash, 0%; and
- (ii) on a Scheduled Trading Day following the Initial Valuation Date:
 - (a) if Volatility Event (A) has occurred, the relevant allocation between the Portfolio and Cash shall be adjusted in accordance with the relevant allocation percentages immediately below the then applicable Realized Volatility Bracket as set out in the Realized Volatility Bracket Chart, as determined by the Calculation Agent; or
 - (b) If a Volatility Event (B) has occurred, the relevant allocation between Portfolio and Cash shall be adjusted in accordance with the percentages of allocation immediately above the then applicable Realized Volatility Bracket as set out in the Realized Volatility Bracket Chart, as determined by the Calculation Agent.

“Realized Volatility Bracket Chart” is set out below:

Realized Volatility Bracket Chart			
Minimum Realized Volatility	Maximum Realized Volatility	Allocation to Portfolio	Allocation to Cash
0%	15%	100%	0.0%
15%	16.67%	90.0%	10.0%
16.67%	18.75%	80.0%	20.0%
18.75%	21.43%	70.0%	30.0%
21.43%	25.00%	60.0%	40.0%
25.00%	30.00%	50.0%	50.0%
30.00%	37.75%	40.0%	60.0%
37.75%	50.00%	30.0%	70.0%
50.00%	75.00%	20.0%	80.0%
75.00%	150.00%	10.0%	90.0%
Above 150.00%		0.0%	100.0%

“Volatility Event” means an event as determined by the Calculation Agent where either:

- (i) Realized Volatility is greater than the Maximum Realized Volatility (as set out in the Realized Volatility Bracket Chart above) for the relevant Realized Volatility Bracket for two consecutive Scheduled Trading Days (“Volatility Event (A)”); or
- (ii) Realized Volatility is lower than or equal to the Minimum Realized Volatility (as set out in the Realized Volatility Bracket Chart above) for the relevant Realized Volatility Bracket for two consecutive Scheduled Trading Days (“Volatility Event (B)”)

“Realized Volatility Bracket” means a percentage range from and including the Minimum Realized Volatility to and excluding the corresponding Maximum Realized Volatility, each term as defined in the Realized Volatility Bracket Chart under Prevailing Percentage above;

3. Portfolio Value

Provided that a Volatility Event has not occurred on any Scheduled Trading Day the Portfolio Value shall be determined by the Calculation Agent based on the current value on such Scheduled Trading Day of a notional investment in the Portfolio of an amount in SEK equal to SEK 1,000 on the Initial Valuation Date with reference to the Index Level on the relevant date. If a Volatility Event has occurred, the Portfolio Value shall be determined by the Calculation Agent with reference to the Index Level on the relevant date based on the current value of the notional investment in the Portfolio as determined by the Calculation Agent in accordance with the applicable Prevailing Percentage.

4. Cash Value

If no Volatility Event has occurred at any time on any Scheduled Trading Day, the Cash Value shall be equal to SEK 0.00. If a Volatility Event has occurred the Calculation Agent may, subject to the Volatility Allocation Provisions above, determine the notional investment in Cash in accordance with the applicable Prevailing Percentage. For the avoidance of doubt no interest shall accrue in respect of any Cash amounts

5. Definitions

For the purposes of the Conditions the following terms should have the following meanings:

“**Cash**” means an amount in SEK equal to a notional cash deposit of SEK 1,000. For the avoidance of doubt no interest shall accrue in respect of any Cash amounts;

“**Cash Value**” has the meaning given to it in accordance with paragraph 4 above. On the Initial Valuation Date, Cash Value shall be equal to SEK 0.00;

“**Disrupted Day**” means any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred;

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day;

“**Exchange**” means, in respect of each component security of the Index (each, a “**Component Security**”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent;

“**Exchange Business Day**” means any Scheduled Trading Day on which: (i) the Index Sponsor publishes the level of the Index; and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time;

“**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange in respect of such Component Security; or (ii) futures or options contracts relating to the Index on the Related Exchange;

“**Index Level**” means, in relation to any Scheduled Trading Day, the official level of the Index, as calculated and announced by the Index Sponsor at the Valuation Time on such Scheduled Trading Day;

“**Index Sponsor**” means Standard & Poor’s, a division of the McGraw-Hill Companies, Inc.;

“**Market Disruption Event**” means:

- (i) the occurrence or existence, in respect of any Component Security, of:
 - (a) (I) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time on respect of the Exchange on which such Component Security is principally traded, (II) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded, or (III) an Early Closure in respect of such Component Security; and

- (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; (c) an Early Closure, in each case in respect of such futures or options contracts; or (d) an Exchange Disruption, in each case in respect of such futures or options contracts.

“**Portfolio**” means a portfolio which shall be comprised of a notional investment of SEK 1,000 in the Index, as described in this Annex;

“**Portfolio Value**” has the meaning given to it in paragraph 3 above. Provided, on the Initial Valuation Date Portfolio Value shall be equal to the notional investment of SEK 1,000, which corresponds to a level of the Index on such day;

“**Scheduled Closing Time**” means, in respect of an Exchange or a Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;

“**Scheduled Trading Day**” means any Scheduled Trading Day on which (i) the Index Sponsor publish the Index Level; (ii) the Related Exchange is open for trading during its regular trading session;

“**Substitution Event Provisions**” means that, if a Substitution Event occurs with respect to the Index, the Calculation Agent may adjust the Portfolio by the removal of the Index and shall in substitution for the Index identify a possible alternative index which in the determination of the Calculation Agent is (i) the most similar index to the Index in terms of geographical location and industry sector of its constituents and (ii) an index whose related futures and option contracts are more liquid than other index alternatives;

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (I) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange;

“**Valuation Time**” means (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

6. Amendment to Condition 13

In the first two lines of Condition 13(a), the words “Initial Valuation Date, the Averaging Date or the” shall be inserted before the words “Valuation Date”.

Paragraph (i) of Condition 13(a) shall be replaced with the following:

“in the case of the Initial Valuation Date, each Averaging Date or the Valuation Date, the relevant Initial Valuation Date or, as the case may be, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Initial Valuation Date, each Averaging Date or the Valuation Date is a Disrupted Day as the case may be. In that case, (A) that eighth Scheduled Trading Day shall be deemed to be the Initial Valuation Date, each Averaging Date or the Valuation Date is a Disrupted Day as the case may be, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect

of the relevant security or property on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security or property as of the Valuation Time on that eighth Scheduled Trading Day);”

7. **Disrupted Days**

If there is a Disrupted Day in relation to the Index on any date which would otherwise have been a Scheduled Trading Day(t) on which the level of the Index would have had to be determined then notwithstanding the fact that such day is a Disrupted Day, the Calculation Agent shall determine the level of the Index on such Scheduled Trading Day(t) in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the Disrupted Day using the relevant Exchange traded or quoted price as of the Valuation Time on that Scheduled Trading Day of each Component Security (or, if an event giving rise to a Disrupted Day has occurred in respect of a Component on that Scheduled Trading Day, its good faith estimate of the value for that Component Security as of the Valuation Time on that Scheduled Trading Day).

Part E:

Swedish Taxation

Tax considerations in Sweden

The following summary of certain tax issues that may arise as a result of holding Certificates is based on current Swedish tax legislation and is intended only as general information for holders of Certificates who are resident or domiciled in Sweden for tax purposes. This description does not deal comprehensively with all tax consequences that may occur for holders of Certificates, nor does it cover the specific rules where Certificates are held by a partnership or are held as current assets in a business operation. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, mutual funds and persons who are not resident or domiciled in Sweden. It is recommended that prospective applicants for Certificates consult their own tax advisers for information with respect to the special tax consequences that may arise as a result of holding Certificates, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules that may be applicable.

Taxation of individuals resident in Sweden

General

Individuals and estates of deceased Swedish individuals are subject to tax at a rate of 30 per cent. on all capital income, such as capital gains on Certificates.

The capital gain or loss is calculated as the difference between the sales proceeds after deduction of sales costs and the acquisition cost of the Certificates. The acquisition cost is calculated according to the so-called average method. This means that the costs of acquiring all Certificates of the same type and class are added together and calculated collectively, with respect to changes to the holding.

As a main rule, 70 per cent. of a capital loss is deductible against any other taxable income derived from capital. Capital losses on listed shares and other listed securities taxed in the same manner as shares (except for listed shares in mutual funds containing only Swedish receivables) are, however, fully deductible against taxable capital gains on such assets or on non-listed shares in Swedish limited liability companies and foreign legal entities.

Moreover, only five sixths of capital losses on non-listed shares in Swedish limited liability companies and foreign legal entities are deductible. If capital losses pertain to both listed and non-listed shares, the losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. 70 per cent. of the excess amount is deductible according to the main rule or five sixths of 70 per cent. of such excess amount are deductible if the capital loss relates to non-listed shares. Capital losses on listed shares in mutual funds containing only Swedish receivables are currently fully deductible in the income of capital category.

If a deficit arises in the income from capital category, a reduction of the tax on income from employment and from business, as well as the tax on real estate, is allowed. The tax reduction allowed amounts to 30 per cent. of any deficit not exceeding SEK 100,000 and 21 per cent. of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

Taxation on disposal of Certificates

Capital gains taxation is triggered on disposal of Certificates prior to their maturity. The capital gain or loss is calculated as the difference between the consideration received upon disposal and the acquisition cost. The acquisition cost is determined according to the so-called average-method. See also heading "General" above.

Taxation on redemption of Certificates

A redemption of the Securities is regarded as a disposal of the Certificates triggering capital gains taxation. The capital gain or loss is calculated to equal the difference between the consideration received upon redemption and the acquisition cost. The acquisition cost is determined according to the so-called average-method. See also heading "General" above.

If, upon redemption of the Certificates, no amount is payable, then the Certificates will be deemed to have been sold at a price of zero, the investor incurring a loss equal to the acquisition cost.

Wealth tax

Wealth tax is paid by individuals and estates of deceased Swedish individuals on net wealth exceeding SEK 1,500,000 (SEK 3,000,000 for those who are jointly taxed).

For listed Securities, 80 per cent. of the listed year-end value is taxable. Non-listed Certificates, however, should not be subject to wealth tax.¹

Taxation of Swedish limited liability companies

Limited liability companies and other legal entities, except for estates of deceased Swedish individuals, are taxed on all income (including income from the sale or redemption of the Certificates) as income from business activities at a flat rate of 28 per cent. Regarding the calculation of a capital gain or loss and the acquisition cost, see heading "Taxation of individuals resident in Sweden" above.

Capital losses on Certificates incurred by a corporate holder may only be offset against taxable capital gains on shares or other securities taxed in the same manner as shares. Such capital losses may also, under certain circumstances, be deductible against capital gains within the same group of companies on shares and other securities taxed in the same manner as shares, provided the requirements for group contributions (tax consolidation) are met. Capital losses on Certificates which are not deducted against capital gains within a certain year, may be carried forward and offset against capital gains on shares and other securities taxed in the same manner as shares in the future.

For limited liability companies and economic associations, capital gains on shares and certain share-related rights held for business purposes are tax exempt. As a result, capital losses on shares and share-related rights that are held for business purposes are not deductible. Consequently, capital gains on Certificates cannot be offset against capital losses on shares and share-related rights held for business purposes. The Certificates are not treated as share-related rights held for business purposes.

¹ In the budget proposal this Spring, the Swedish Government suggests that the wealth tax should be abolished. The proposal means that the wealth tax might be abolished already this year.

REGISTERED AND PRINCIPAL OFFICE OF THE ISSUER

Lehman Brothers Securities N.V.

E-Commerzpark
E-Zone Vredenperg
Hock Heelsumstraat
Hugendzweg Z/N
Curaçao
The Netherland Antilles

PRINCIPAL OFFICE OF THE GUARANTOR

Lehman Brothers Holdings Inc.

745 Seventh Avenue
New York, New York 10019
USA

LUXEMBOURG SECURITIES AGENT
The Bank of New York (Luxembourg) S.A.

1A, Hoehenhof
L-1736 Senningerberg
Grand Duchy of
Luxembourg

BELGIAN SECURITIES AGENT AND COMMON DEPOSITARY

The Bank of New York

Avenue des Arts, 35
Kunstlaan
1040 Brussels
Belgium

AUDITORS TO THE ISSUER

Ernst & Young

Zeelandia Office Park
Kaya W.F.G. (Jombi)
Mensing 16
P.O. Box 3626, Curaçao
The Netherlands Antilles