

FIRST SUPPLEMENT TO THE PROGRAMME PROSPECTUS DATED 29 NOVEMBER 2007

LEHMAN BROTHERS TREASURY CO. B.V.

(INCORPORATED IN THE NETHERLANDS)

LEHMAN BROTHERS SECURITIES N.V.

(INCORPORATED IN THE NETHERLANDS ANTILLES)

LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A.

(INCORPORATED IN THE GRAND DUCHY OF LUXEMBOURG)

CERTIFICATES AND WARRANTS PROGRAMME

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

LEHMAN BROTHERS HOLDINGS INC.

(INCORPORATED IN THE STATE OF DELAWARE, U.S.A.)

Lehman Brothers Treasury Co. B.V. ("*LBTCBI*"), Lehman Brothers Securities N.V. ("*LBS*") and Lehman Brothers (Luxembourg) Equity Finance S.A. ("*LBEF*") (each an "*Issuer*" and together the "*Issuers*") have pursuant to a Programme Prospectus dated 29 November 2007 (the "*November Programme Prospectus*") established a program (the "*Programme*") under which they may from time to time issue certificates (the "*Certificates*") in series (each the "*Certificates of a Series*").

The purpose of this First Supplement to the November Programme Prospectus (the "*Supplement*") is to describe an amendment to the Programme pursuant to which, as from the date of this Supplement, LBS may from time to time issue warrants (the "*Warrants*" and together with Certificates, "*Securities*") in series (each the "*Warrants of a Series*"). This Supplement is supplemental to and must be read in conjunction with the November Programme Prospectus.

Each series of Securities (each a "*Series*") may be issued comprising one or more tranches (each a "*Tranche*"), outside the United States of America. All Securities issued by each Issuer under this Programme will have the benefit of an unconditional and irrevocable guarantee (each a "*Guarantee*" and collectively the "*Guarantees*") of Lehman Brothers Holdings Inc. (including when acting through its London Branch, "*LBHI*" or the "*Guarantor*"), as to all obligations due and owing by such Issuer thereunder or in connection therewith.

The SWX Swiss Exchange (the "*SWX*") has approved the November Programme Prospectus and this Supplement (together with any further supplements to the November Programme Prospectus the "*Programme Prospectus*") as a programme documentation issued in compliance with the SWX Directive for the Listing of Standard Warrants and the SWX Directive for the Listing of Derivatives for the purpose of giving certain information with regard to each Issuer, the Guarantor, the General Terms and Conditions applying to the Certificates (the "*General Terms and Conditions of the Certificates*"), the Terms and Conditions applying to the Warrants (the "*General Terms and Conditions of the Warrants*") and certain other issues in connection with the issuance of Securities.

From the date of this Supplement, references in the November Programme Prospectus to "*Certificates*", shall be deemed to include references to "*Warrants*", references to "*Series of Certificates*", shall be deemed to include references to "*Series of Warrants*" and references to "*Tranches of Certificates*", shall be deemed to include references to "*Tranches of Warrants*" unless the context or this Supplement requires otherwise, except that the General Terms and Conditions of the Certificates shall only apply to Certificates and shall not apply to Warrants.

The specific terms for each Series modifying and/or supplementing the General Terms and Conditions of the Certificates or, as the case may be, the General Terms and Conditions of the Warrants, will be set out in a supplemental prospectus to this Programme Prospectus for each such Series (each a "*Pricing Supplement*"). In addition to the specific terms for each Series, each Pricing Supplement will contain certain information on the reference asset(s) underlying the relevant Securities, if any (each an "*Underlying*"), as well as the risks and potential benefits and rewards of an investment in the relevant Securities and any additional information required by applicable law and exchange regulations, provided that the relevant Issuer reserves the right to set forth any and all information which may be required to be disclosed in a simplified prospectus pursuant to Art. 5 of the Swiss Federal Act on Collective Investment Schemes ("*CISA*") and any implementing ordinance or other act of regulation or self-regulation in a separate document. In case such information is not contained in the relevant Pricing Supplement but in a separate document, such separate document is hereinafter referred to as a "*Simplified Prospectus*".

Any Series or Tranche of Securities may be introduced for listing on the SWX Swiss Exchange or any such other exchange as the relevant Pricing Supplement may specify, and the relevant Pricing Supplement in respect of any Series or Tranche of Securities will specify whether an application for such listing and the corresponding application for trading of such Securities on Scoach Schweiz AG or any successor thereof ("*Scoach Schweiz AG*") or any such other exchange as the relevant Pricing Supplement may specify has been or will be made. In case of a listing of a Series or Tranche of Securities on the SWX Swiss Exchange, the Programme Prospectus, together with any and all Supplements to the Programme Prospectus filed from time to time and the relevant Pricing Supplement will constitute the listing prospectus pursuant to the Listing Rules of the SWX Swiss Exchange (the "*Prospectus*") and, in relation to each Series to be listed on the SWX, comprise the Listing Prospectus pursuant to the Listing Rules of the SWX (the "*SWX Listing Rules*"). If so specified in the Pricing Supplement of the relevant Series, further issues may be made with respect to such Series, in which event a single Pricing Supplement will be issued for the entire Series. Each Issuer may also issue unlisted Securities under this Programme Prospectus.

Any Series or Tranche of Securities may be introduced for listing on the SWX, and the relevant Pricing Supplement in respect of any Series or Tranche of Securities will specify whether an application for trading of such Securities on Scoach Schweiz AG and listing on the SWX has been or will be made.

A global instrument (the "*Global Certificate*") representing the Certificates of any Tranche or a global instrument (the "*Global Warrant*") representing the Warrants of any Tranche will be deposited on or after the date of issue of such Certificates or Warrants with SIS SegInterSettle AG, Olten, Switzerland ("*SIS*"), and/or any other relevant clearing system or appropriate common depository thereof. In the case of Certificates or Warrants that are admitted to trading on Scoach Schweiz AG and/or listed on the SWX, the Global Certificate or Global Warrant will be deposited with SIS and the purchase and transfer of Certificates or Warrants may only be effected through an account at SIS. The relevant Global Certificate or Global Warrant will not be exchangeable for definitive Certificates or Warrants in any circumstances.

Neither the Securities nor the Guarantees have been, or will be, registered under the United States Securities Act of 1933, as amended (the "*Securities Act*"). Neither the Securities nor the Guarantees may be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("*Regulation S*") under the Securities Act) ("*U.S. Persons*").

Prospective purchasers of Securities should ensure that they understand the nature of the relevant Securities and the nature and amount of their exposure to risks, including the risk of loss of their original investment, and that they consider the suitability of the relevant Securities as an investment in the light of their own circumstances and financial condition. Structured instruments involve a high degree of risk, including in certain cases the risk of total loss of the purchase price. Potential investors are in particular asked to review the section "Risk Factors" starting on page 11 of the November Programme Prospectus and page 16 of this Supplement. The Programme Prospectus cannot disclose all of the risks and other significant aspects of derivative instruments

and the contents of the Programme Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her attorney or business and tax advisor as to legal, business and tax advice.

Lead Manager

LEHMAN BROTHERS INTERNATIONAL (EUROPE)

The date of this First Supplement to the November Programme Prospectus is 17 March 2008

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INTRODUCTION

In this document, references to the "*Group*" or "*Lehman Brothers*" are to Lehman Brothers Holdings Inc. and its direct and indirect subsidiaries (which include LBTCBV, LBS and LBEF).

LBHI accepts responsibility for all the information contained in this Supplement in accordance with Section 5 of Scheme C of Annex I to the SWX Listing Rules and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

LBTCBV accepts responsibility for all the information contained in this Supplement in accordance with Section 5 of Scheme C of Annex I to the SWX Listing Rules to the extent that such information relates to LBTCBV and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement which relates to LBTCBV is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

LBS accepts responsibility for all the information contained in this Supplement in accordance with Section 5 of Scheme C of Annex I to the SWX Listing Rules to the extent that such information relates to LBS and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement which relates to LBS is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

LBEF accepts responsibility for all the information contained in this Supplement in accordance with Section 5 of Scheme C of Annex I to the SWX Listing Rules to the extent that such information relates to LBEF and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement which relates to LBEF is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

A pro forma Pricing Supplement for the Certificates is set out in this Supplement on page 74 and a pro forma Pricing Supplement for the Warrants is set out in this Supplement on page 90. The applicable Pricing Supplement will specify the nature of the responsibility taken by the relevant Issuer for the information relating to the underlying share, index or other Underlying to which the Securities described in that Pricing Supplement relate. However, unless otherwise expressly stated in the Pricing Supplement, any information contained therein relating to the Underlying(s) to which the Securities relate will only represent an extract from, or a summary of, the financial information or other information released publicly by the issuer, owner or sponsor, as the case may be, of such Underlying to which the relevant Securities relate. Unless otherwise expressly stated in the applicable Pricing Supplement, each Issuer accepts responsibility for accurately reproducing such extracts or fairly making such summaries (insofar as it is applicable), but does not accept any further or other responsibility in respect of such information.

The following "Summary of this Programme Prospectus" replaces the "Summary of this Programme Prospectus" set out on page 6 et seq. of the November Programme Prospectus in its entirety.

SUMMARY OF THIS PROGRAMME PROSPECTUS

This summary must be read as an introduction to this Programme Prospectus and any decision to invest in the Securities should be based on a consideration of (i) this Programme Prospectus as a whole and (ii) the Pricing Supplement for the relevant Series of Securities.

Issuers of Certificates: LBTCBV

LBTCBV was incorporated in The Netherlands and acts principally as a Netherlands finance company supporting the working capital needs of various, principally European, subsidiaries of LBHI.

Summary financial information in respect of LBTCBV is set out in this Programme Prospectus and the annual financial statements of LBTCBV are reprinted in full in Annex I.

LBS

LBS was incorporated in Curaçao, in The Netherlands Antilles. The present principal activity of LBS includes the issuance of certificates, warrants and other financial instruments (linked to the performance of equities, funds, indices, foreign exchange, fixed income, commodities, real estate or other underlyings).

Summary financial information in respect of LBS is set out in this Programme Prospectus and the annual financial statements of LBS are reprinted in full in Annex II.

LBEF

LBEF was incorporated in the Grand Duchy of Luxembourg. The principal activities of LBEF include the issuance of warrants, certificates and other financial instruments (linked to the performance of equities, funds, indices, foreign exchange, fixed income, commodities, real estate or other underlyings), the risk management of the foregoing security instruments and the execution of intercompany borrowing and lending transactions.

Summary financial information in respect of LBEF is set out in this Programme Prospectus and the annual financial statements of LBEF are reprinted in full in Annex III.

Issuer of Warrants: LBS

Guarantor: LBHI, a Delaware corporation, is the ultimate parent company of the Lehman Brothers group. Lehman Brothers' principal business activities are investment banking, capital markets and investment management.

Its 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.

Summary financial information in respect of LBHI is set out in this Programme Prospectus and the consolidated financial statements of LBHI are reprinted in full in Annexes IV and V of the Programme Prospectus.

LBHI, pursuant to a guarantee agreement dated 29 November 2007 between LBTCBV and the Guarantor as amended, restated or supplemented from time to time, will unconditionally and irrevocably guarantee all obligations due and owing by LBTCBV under or in connection with all Certificates issued by LBTCBV under this Programme so that, should LBTCBV fail to perform or procure the performance of any obligation under the General Terms and Conditions and the specific terms of the relevant Series of Certificates, upon written demand by the Holders, the Guarantor shall be liable to pay the relevant amounts or perform the relevant obligations.

LBIH, pursuant to a guarantee agreement dated 29 November 2007 between LBS and the Guarantor, as amended, restated or supplemented from time to time, will unconditionally and irrevocably guarantee all obligations due and owing by LBS under or in connection with all Certificates issued by LBS under this Programme so that, should LBS fail to perform or procure the performance of any obligation under the General Terms and Conditions and the specific terms of the relevant Series of Certificates, upon written demand by the Holders, the Guarantor shall be liable to pay the relevant amounts or perform the relevant obligations.

LBIH, pursuant to a guarantee agreement dated 17 March 2008 between LBS and the Guarantor, as amended, restated or supplemented from time to time, will unconditionally and irrevocably guarantee all obligations due and owing by LBS under or in connection with all Warrants issued by LBS under this Programme so that, should LBS fail to perform or procure the performance of any obligation under the General Terms and Conditions of the Warrants and the specific terms of the relevant Series of Warrants, upon written demand by the Holders, the Guarantor shall be liable to pay the relevant amounts or perform the relevant obligations.

LBIH, pursuant to a guarantee agreement dated 29 November 2007 between LBEF and the Guarantor, as amended, restated or supplemented from time to time, will unconditionally and irrevocably guarantee all obligations due and owing by LBEF under or in connection with all Certificates issued by LBEF under this Programme so that, should LBEF fail to perform or procure the performance of any obligation under the General Terms and Conditions and the specific terms of the relevant Series of Certificates, upon written demand by the Holders, the Guarantor shall be liable to pay the

relevant amounts or perform the relevant obligations.

Lead Manager:	Lehman Brothers International (Europe).
Calculation Agent:	Lehman Brothers International (Europe), any of its affiliates or any other entity named as such for the purposes of a particular Series of Securities in the relevant Pricing Supplement.
Principal Agent/Principal Agent:	Paying Warrant In relation to the Certificates, Citibank N.A., London Branch pursuant to a principal paying agency agreement as amended and restated on 29 November 2007 between, <i>inter alia</i> , Citibank N.A., London Branch, the Issuers and the Guarantor (as further amended, restated or supplemented from time to time, in relation to the "Certificates, the " <i>Principal Paying Agency Agreement</i> ") and, in relation to the Warrants, Citibank N.A., London Branch pursuant to a master warrant agreement dated 17 March 2008 between, <i>inter alia</i> , Citibank N.A., London Branch, Citibank N.A., Zurich Branch, LBS and the Guarantor (as further amended, restated or supplemented from time to time, in relation to the Warrants, the " <i>Master Warrant Agreement</i> "), or such other agent as is specified in the relevant Pricing Supplement.
Swiss Paying Warrant Agent:	Citibank N.A., Zurich Branch pursuant to the Principal Paying Agency Agreement or pursuant to the Master Warrant Agreement as the case may be, or such other agent as is specified in the relevant Pricing Supplement.
Maturity and Redemption:	The maturity of each Series of Securities and the amount payable and/or the number of assets deliverable on redemption will be specified in the relevant Pricing Supplement.
Issue Price:	Securities may be issued at their principal amount, at a premium or discount to their principal amount or on a partly paid basis, as specified in the Pricing Supplement relating to such Securities. The Issue Price may include embedded commissions payable to the Manager and/or a distributor in connection with the issue and sale of the Securities.

INFORMATION RELATING TO THE CERTIFICATES:

Equity-Linked Certificates:	Certificates issued pursuant to the Programme may include Certificates which provide for payments of principal, premium or interest which are linked to a single share or a basket of several shares (" <i>Equity-Linked Certificates</i> ") as specified in the applicable Pricing Supplement. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Pricing Supplement. In either case the Certificates may provide for physical settlement with respect to certain specified obligations in accordance with the provisions of the applicable Pricing Supplement.
Index-Linked Certificates:	Certificates issued pursuant to the Programme may include Certificates which provide for payments of principal, premium or interest which are linked to a currency index, commodity index, securities exchange index, commodities exchange index or other index as otherwise specified or a basket of such indices (" <i>Index-Linked Certificates</i> ") as specified in the applicable Pricing Supplement. Specified provisions

regarding the manner in which such payments are to be calculated and made will be set forth in the Pricing Supplement.

**Commodity-Linked
Certificates:**

An Issuer may offer Certificates in respect of which the Rate of Interest applicable for one or more Interest Periods and/or the Final Redemption Amount or other redemption amount or the timing of payments, redemption of the Certificates and/or any other economic feature, is calculated by reference to the prices of one or more commodities or combinations thereof, including certain agricultural products, energy products (including emissions), metals and plastics, as specified in the Pricing Supplement for the relevant Certificates. The relevant agricultural products, energy products (including emissions), metals or plastics and particular type(s) of such products being referenced will be as specified in the Pricing Supplement for the relevant Certificates. The price(s) of each such product being referenced may be in respect of a particular contract for the future delivery of such commodity, as may be reported on a particular exchange, screen-based service or other publication source, all as specified in the applicable Pricing Supplement for the relevant Certificates. The price may also be based on the price of the commodity for immediate delivery or for financial settlement. Such Certificates may also be, but are not limited to, Index-Linked Redemption Amount or Index-Linked Interest Certificates.

**Foreign Exchange-Linked
Certificates:**

Certificates issued pursuant to the Programme may include Certificates which provide for payments of principal, premium or interest which are linked to a single currency or a basket of currencies ("*Foreign Exchange-Linked Certificates*") as specified in the applicable Pricing Supplement. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Pricing Supplement.

Interest-Linked Certificates:

Certificates issued pursuant to the Programme may include Certificates which provide for payments of principal, premium or interest which are linked to interest rates ("*Interest-Linked Certificates*") as specified in the applicable Pricing Supplement. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Pricing Supplement.

Hybrid Rate Certificates:

Certificates issued pursuant to the Programme may include Certificates in which interest will be payable in arrears on specified Interest Payment Dates in any combination of rate bases during the term of such Certificates including as Zero Coupon Certificates, Fixed Rate Certificates, Floating Rate Certificates and/or Index-Linked Interest Certificates (or calculated on any other basis in respect of rate or return), in each case as specified in the applicable Pricing Supplement.

Inflation-Linked Certificates:

Certificates issued pursuant to the Programme may include Certificates in respect of which the rate of interest applicable for one or more Interest Periods and/or the redemption amount is calculated by reference to one or more indices relating to the consumer price index or any other formula linked to a measure of inflation in one or more jurisdictions, as specified in the applicable Pricing Supplement.

FX Certificates:

Certificates issued pursuant to the Programme may include Certificates ("*FX Certificates*") under the terms of which:

- (i) such Certificates are denominated in any of the emerging market currencies (the "*EM Currencies*"), which are currencies other than G-10 Currencies (for the purpose of this section "G-10 Currencies" means the U.S. Dollar, the Euro, the Japanese Yen, the Swiss Franc, the British Pound, the Australian Dollar, the New Zealand Dollar, the Canadian Dollar, the Norwegian Krone and the Swedish Krona);
- (ii) in respect of one or more interest periods and/or upon redemption of the Certificates on the final maturity date, the amount payable per Certificate is in an EM Currency or is determined by reference to a currency exchange rate (a "*Reference Exchange Rate*"); and/or
- (iii) the timing of payments, redemption of the Certificates and/or any other economic feature, is determined by reference to one or more EM Currencies or is determined by reference to a Reference Exchange Rate.

Such Certificates may also be Basket Linked Certificates, Index Linked Certificates, Index Linked Interest Certificates, FX Linked Certificates, Commodity Linked Certificates, Floating Rate Certificates, Dual Currency Linked Certificates or Equity Linked Certificates.

The Reference Exchange Rate for a currency pair ("*Currency Pair*") will be the spot exchange rate for a currency (the "*Reference Currency*") against another currency (the "*Base Currency*") and will be expressed as: (i) a number of currency units per unit of the Base Currency; or (ii) as otherwise specified in the applicable Pricing Supplement. A Reference Exchange Rate may be determined: (i) pursuant to a Settlement Rate Option (defined below); (ii) pursuant to an alternative price source determined by the Calculation Agent; (iii) by Calculation Agent determination; or (iv) as otherwise determined in the applicable Pricing Supplement. For the avoidance of doubt, a Reference Exchange Rate may be either a continuously traded spot rate or a discretely determined spot rate, or both as specified in the applicable Pricing Supplement.

The "Settlement Rate Opinion" in respect of a Currency Pair will be the rate source (or combination of rate sources) for that Currency Pair as specified in the applicable Pricing Supplement with such amendments, if any, as shall be set out in the applicable Pricing Supplement or such other rate source as may be specified as such in the applicable Pricing Supplement.

Basket Linked Certificates:

Certificates issued pursuant to the Programme may include Certificates ("*Basket Linked Certificates*") under the terms of which:

- (i) in respect of interest accrued during one or more interest periods and/or upon redemption of the Certificates, amounts

payable are determined by reference to one or more baskets (each a "*Basket*") each comprised of one or more component values (each a "*Basket Reference Value*"); and/or

- (ii) the timing of payments, redemption of the Certificates and/or any other economic feature is determined by reference to one or more Baskets.

The value of a Basket (the "*Basket Value*") will be determined in accordance with the applicable Pricing Supplement.

Basket Linked Certificates including more than one Basket are referred to as "*Multiple Basket Linked Certificates*". Basket Linked Certificates may be Index Linked Certificates, Index Linked Interest Certificates, FX Linked Certificates, Commodity Linked Certificates, Floating Rate Certificates, Dual Currency Linked Certificates, or Equity Linked Certificates.

A Basket shall comprise of one or more Basket Reference Values including, but not limited to, currency exchange rates (each a "*Reference Exchange Rate*"), commodity reference prices (each a "*Commodity Reference Price*"), equity prices (each an "*Equity Reference Price*"), debt security prices (each a "*Debt Reference Price*"), interest rates (each an "*Interest Rate Reference Price*"), index levels (each an "*Index Reference Price*") or any other component value as specified in the applicable Pricing Supplement.

The Basket Value may be determined by reference to the performance of one or more Basket Reference Values as specified in the applicable Pricing Supplement.

For Multiple Basket Linked Certificates, payments of interest and/or redemption amount, the timing of such payments, any redemption of the Certificates and/or any other economic feature of such Certificates may also be determined by reference to the best performing Basket, the worst performing Basket, the average performance of the Baskets to which the Certificates are linked, the top few best or last few worst performing Baskets, the aggregate of, the difference between or the ratio of the Basket Value for each Basket or by reference to any other formula or any other payment mechanism, each as specified in the applicable Pricing Supplement.

Each Basket Reference Value and/or, in respect of Multiple Basket Linked Certificates, each Basket Value, may be ascribed a weighting factor (a "*Weighting*") in order to alter the influence of the performance of that Basket Reference Value or Basket Value (as the case may be). The Weighting of a Basket Reference Value or Basket Value may be expressed as a percentage, a fraction, a decimal or in such other manner as provided in the Pricing Supplement and may be defined in such a way that it has either an increased positive or negative influence on the value of the Certificates relative to the influence exerted by other Basket Reference Values or Basket Values (as the case may be).

Payments in respect of Basket Linked Certificates may additionally be determined by reference to a factor (the "*Leverage*") specified in the applicable Pricing Supplement of such Certificates. With respect to such Certificates, the degree to which the Basket Value impacts upon the amount of such payments, on the timing of such payments, on the redemption of such Certificates or any other economic factor, will vary according to the level of the Leverage.

Range Accrual Certificates:

Certificates issued pursuant to the Programme may include Certificates in respect of which any interest payable for one or more Interest Periods and/or any amount payable on redemption of the Certificates (as specified in the applicable Pricing Supplement) is determined by reference to the number of days during a specified period (an "*Observation Period*") that a predetermined event or events (each a "*Fixing Event*") occurs or does not occur (as specified in the applicable Pricing Supplement) as a proportion of the total number of days (each an "*Observation Day*") within such Observation Period (such portion, the "*Index Ratio*").

The Fixing Event may be, but is not limited to, the value or other function of one or more indices, formulae, currency exchange rates, rates, commodities, debt securities, equities or other variable or a combination thereof (the "*Observable Rate*"), exceeding and/or equalling and/or being lower than and/or equalling one or more predetermined criteria (the "*Strike*" or "*Strikes*"), as specified in the applicable Pricing Supplement. The Strike may also be defined with reference to the value or other function of one or more indices, formulae, currency exchange rates, commodities, debt securities, equities or other variable or a combination thereof.

The Fixing Event may be observed on each Observation Date at a specified time or may continually be observed during the Observation Period or may be observed on such other date or time as specified in the applicable Pricing Supplement.

The total number of days during the Observation Period in which the Fixing Event is observed may vary.

Option Certificates:

Certificates issued pursuant to this Programme may include Certificates in respect of which any interest payable for one or more Interest Periods, any amount payable on redemption of the Certificates, the timing of payments and/or dates on which the Certificates are redeemed and/or any other economic feature of the Certificates (as specified in the applicable Pricing Supplement) may be determined by, among other things, (i) reference to one or more prices, values or levels of a reference asset or assets (each a "*Reference Asset*") exceeding and/or equalling and/or being lower than and/or equalling (or any combination thereof) one or more strike values (the "*Strike*"); or (ii) reference to the difference between, or the corresponding values of, two or more prices, values or levels of such Reference Assets; or (iii) such other formula specified in the applicable Pricing Supplement. Such formula(s) may be referred to as an "*Option*".

The Reference Assets from which the value of the Option may be derived may include one or more indices, formulae, currency exchange, exchange rates, commodities, debt securities, equities or other variable, option or combination thereof. The calculation of the value of the Option may be determined by, among other things, reference to:

- (i) the price, value or level of the Reference Asset(s) on a date or dates specified in the applicable Pricing Supplement minus the price, value or level of the Strike(s). Should the difference be negative, the value will be floored at zero. Such Option may be referred to as "*Call Option*";
- (ii) the price, value or level of the Strike(s) minus the price, value or level of Reference Asset(s) on a date or dates specified in the applicable Pricing Supplement. Should the difference be negative, the value will be floored at zero. Such Option may be referred to as "*Put Option*"; and/or
- (iii) whether the price, value or level of the Reference Asset exceeds and/or equals and/or is lower than and/or equals one or more predetermined criteria, as specified in the applicable Pricing Supplement.

The prices, values or levels of the Reference Asset and/or the value of the Option may be determined on one or more dates during the term of the Certificates.

The Strike may also be determined by reference to the level of one or more Reference Assets or a factor of such level or levels on a date or dates specified in the applicable Pricing Supplement.

Other Certificates: Certificates issued pursuant to the Programme may include other Certificates which provide for payments of principal, premium or interest, which are linked to an Underlying and/or the delivery of such Underlying as specified in the applicable Pricing Supplement. Specified provisions regarding the manner in which such payments and/or deliveries are to be calculated and made will be set forth in the Pricing Supplement.

Form of Certificates: Certificates of a Series will at all times be represented by Global Certificates. The relevant Global Certificate will not be exchangeable for definitive Certificates in any circumstances.

Denomination of Certificates: The denomination of each Series of Certificates will be specified in the applicable Pricing Supplement.

Early Redemption: Early redemption for taxation reasons or as may be specified in the relevant Pricing Supplement.

Taxation: Payments of principal and premium, if any, and interest, if any, on the Certificates will be made without deduction for or on account of withholding taxes imposed by the United States or any country, in which such payments are being sourced, save as required by law. In that event, the relevant Issuer will, subject to certain exceptions, pay

such additional amounts as will result in the Holders receiving such amounts as they would have received in respect of such Certificates had no such deduction been required.

INFORMATION RELATING TO WARRANTS:

The Warrants can be Index Warrants, Share Warrants, Depositary Receipt Warrants, Debt Instrument Warrants, Currency Warrants, Commodity Warrants, Interest Rate Warrants or any other or further type of securities as is specified in the applicable Pricing Supplement.

Form of Warrants: Warrants of a Series will at all times be represented by one or more Global Warrants. The relevant Global Warrant will not be exchangeable for definitive Warrants in any circumstances.

PROVISIONS RELATING TO ALL SECURITIES:

Clearing System: SIS and/or, in the case of any Certificates, any Alternative Clearing Systems (as defined in the General Terms and Conditions), in the case of any Warrants, any Clearing System (as defined in the Warrants Terms and Conditions), as may be agreed between the relevant Issuer, the Principal Paying Agent and the relevant Manager(s) shall act as clearing system for the relevant Series.

For each Tranche, the Global Certificate or Global Warrant representing the relevant Securities will be deposited with SIS, and/or any other relevant clearing system or appropriate common depositary thereof. In the case of Certificates or Warrants that are admitted to trading on Scoach Schweiz AG and/or listed on the SWX, the Global Certificate or the Global Warrant will be deposited with SIS and the purchase and transfer of Certificates or Warrants may only be effected through an account at SIS. The relevant Global Certificate or Global Warrant will not be exchangeable for definitive Certificates or Warrants in any circumstances.

Status of the Securities and Guarantees: The Securities and the Guarantees will constitute direct, unconditional and unsecured obligations of the relevant Issuer and the Guarantor, respectively, and will rank *pari passu* in right of payment among themselves, and equally with all other unsecured and unsubordinated obligations of such Issuer and the Guarantor, respectively.

Listing: If so specified in the relevant Pricing Supplement, application will be made to list a Series or Tranche of Securities on the SWX and to have it (provisionally) admitted to trading on Scoach Schweiz AG.

No Ownership by U.S. Persons: The Securities may not be legally or beneficially owned by U.S. Persons at any time. Each holder and each beneficial owner of a Security, as a condition to purchasing such Security or any beneficial interest therein, will be deemed to represent on purchase that neither it nor any person for whose account or benefit the Securities are being purchased (i) is located in the United States or (ii) is a U.S. Person. Each holder and each beneficial owner of a Security will be deemed on purchase to agree not to offer, sell, deliver, pledge or otherwise transfer any of the Securities at any

time, directly or indirectly in the United States or to, or for the account or benefit of, any U.S. Person. The United States selling restrictions are set forth in more detail on page 71 of this Supplement. Terms used in this paragraph have the meaning given to them by Regulation S.

Other Selling Restrictions:

Each Manager and each purchaser, holder or beneficial owner of Securities must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Securities or distribute the Programme Prospectus, any Pricing Supplement or any offering material in relation to Securities.

In addition to selling restrictions for the United States, the Programme Prospectus contains a summary of certain selling restrictions in the European Economic Area, the United Kingdom, Italy, The Netherlands, the Grand Duchy of Luxembourg, the Netherlands Antilles and Switzerland. These are set out in more detail on pages 71 of this Supplement.

Governing Law:

The Securities will be governed by English law. The Guarantees are governed by the laws of the State of New York.

ADDITIONAL RISK FACTORS

The following shall be inserted after the first paragraph under the heading "General Risk" on page 15 of the November Programme Prospectus:

In particular purchasers of Warrants must understand that, other factors held constant, the value of Warrants tends to decline over time and Warrants may become worthless when they expire (except to the extent of any minimum expiration value). See "There is no active trading market for the Certificates" below. Assuming all other factors are held constant, the more a Warrant is "out of the money" and the shorter its remaining term to expiration, the greater the risk that purchasers of such Warrants will lose all or part of their investment.

The following shall be inserted after the first paragraph under the heading "There is no active trading market for the Certificates" on page 15 of the November Programme Prospectus:

Also, to the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a lessening of the liquidity of the Warrants. A lessening of the liquidity of the Warrants may cause, in turn, an increase in the volatility associated with the price of the Warrants. To the extent that the secondary market in an issue of Warrants becomes illiquid, an investor may have to exercise such Warrants to realise any value thereof.

The following shall be inserted after the second paragraph under the heading "Adjustments and cancellation" on page 17 of the November Programme Prospectus:

Certain Factors Affecting the Value and Trading Price of Warrants

The Cash Settlement Amount (in the case of Cash Settled Warrants) or the difference in the value of the Physical Settlement Amount and the Strike Price (the "*Physical Settlement Value*") (in the case of Physical Delivery Warrants) at any time prior to expiration is typically expected to be less than the trading price of such Warrants at that time. The difference between the trading price of Warrants and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, a "time value" for the Warrants. Warrants offer hedging and investment diversification opportunities but also pose some additional risks with regard to time value. The time value of the Warrants varies with the price and/or level of the Underlying, as well as by a number of other interrelated factors, including the length of the period remaining to expiration and expectations concerning the value of the Underlying.

Before exercising or selling Warrants, Holders should carefully consider, among other things, (i) the trading price of the Warrants, (ii) the value and volatility of the Underlying, (iii) the time remaining to expiration, (iv) in the case of Cash Settled Warrants, the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the Underlying and (viii) any related transaction costs.

If further Warrants relating to a particular Underlying are subsequently issued the supply of such Series of Warrants in the market will increase, which may cause the price at which the Warrants trade in the secondary market to decline significantly.

The following shall be inserted after the first paragraph under the heading "Limitations on Settlement" on page 18 of the November Programme Prospectus:

If so indicated in the applicable Pricing Supplement for a series of Warrants, the relevant Issuer will have the option to limit the number of Warrants exercisable on any date by any person or group of persons (whether or not acting in concert) to the maximum number specified in the applicable Pricing Supplement. In the event that the total number of Warrants being exercised on any date exceeds such maximum number and the relevant Issuer elects to limit the number of Warrants exercisable on such date,

a Holder may not be able to exercise on such date all Warrants that such holder desires to exercise. Warrants to be exercised on such date will be selected at the discretion of the relevant Issuer or in any other manner specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Warrants may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

If so indicated in the applicable Pricing Supplement for a series of Warrants, a Holder must tender a specified minimum number of Warrants and integral multiples of Warrants thereafter at any one time in order to exercise. Thus, Holders with fewer than the specified minimum number of Warrants or specified multiples thereof will either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment. Furthermore, holders of such Warrants incur the risk that there may be differences between the trading price of such Warrants and the Cash Settlement Amount (in the case of Cash Settled Warrants) or the Physical Settlement Value (in the case of Physical Delivery Warrants) of such Warrants.

The following shall be inserted at the end of the paragraph under the heading "Delays" on page 18 of the November Programme Prospectus:

In the case of any exercise of Warrants, in addition to these potential delays there will be a time lag between the time a Holder gives instructions to exercise and the time the applicable Cash Settlement Amount (in the case of Cash Settled Warrants) or the Physical Settlement Amount (in the case of Physical Delivery Warrants) relating to such exercise is determined.

The following section shall be inserted after the "General Terms and Conditions of the Certificates" section in the November Programme Prospectus:

GENERAL TERMS AND CONDITIONS OF THE WARRANTS

The following is the text of the Terms and Conditions of the Warrants which will be attached to or incorporated by reference into each Global Warrant. The Pricing Supplement in relation to an issue of Warrants supplements the following Terms and Conditions and may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Warrants Terms and Conditions supplement, replace or modify the following Warrants Terms and Conditions for the purpose of such Warrants.

In these Conditions, words and expressions not defined elsewhere have the meanings given to them in Condition 25.

The warrants ("*Warrants*") of this series are represented by one or more global warrants (the "*Global Warrant*") and are issued pursuant to a master warrant agreement dated 17 March 2008 (the "*Master Warrant Agreement*") between Lehman Brothers Securities N.V. (the "*Issuer*") and Citibank N.A., London as principal warrant agent (the "*Principal Warrant Agent*", which expression shall include any additional or successor warrant agents), Citibank N.A., Zurich as Swiss warrant agent (the "*Swiss Warrant Agent*", which expression shall include any additional or successor Swiss warrant agent) and the other warrant agents referred to therein (together with the Principal Warrant Agent and the Swiss Warrant Agent, the "*Warrant Agents*", which expression shall include any additional or successor warrant agents). The Issuer may appoint Lehman Brothers International (Europe) and/or any such additional or alternative calculation agent as may be specified in the applicable Pricing Supplement to act as calculation agent (the "*Calculation Agent*") in respect of the Warrants pursuant to the terms of a master calculation agency agreement dated 17 March 2008 (the "*Master Calculation Agency Agreement*").

Each Warrant shall have the benefit of an unconditional and irrevocable guarantee of LBHI (the "*Guarantor*") as to all obligations due and owing by the Issuer under or in connection with all instruments issued by the Issuer under this Programme as evidenced by a guarantee (in respect of each such Warrant, the "*Guarantee*") dated 17 March 2008, as amended or supplemented from time to time.

The Warrants may be admitted to trading on Scoach Schweiz AG and listed on the SWX (the "*Listed Warrants*").

The Global Warrant in respect of a Series of Warrants will be deposited with SIS, and/or any other relevant clearing system or appropriate common depository thereof. In the case of Warrants that are admitted to trading on Scoach Schweiz AG and/or listed on the SWX, the Global Warrant will be deposited with SIS and the purchase and transfer of Warrants may only be effected through an account at SIS. The relevant Global Warrant will not be exchangeable for definitive Warrants in any circumstances.

The Pricing Supplement for the Warrants of any Series is attached to the Global Warrant relating thereto and supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, supplement, replace or modify these Conditions for the purposes of such Warrants. References herein to the "*applicable Pricing Supplement*" are to the relevant Pricing Supplement (including any additional Pricing Supplement in the case of any further warrants or certificates, as the case may be, issued pursuant to Condition 20 and forming a single series with the Warrants) attached to the Global Warrant relating to the Warrants.

As used herein, "*Series*" or "*Warrants of a Series*" means each original issue of Warrants together with any further issues expressed to form a single series with the original issue which are issued by the same Issuer and which are denominated in the same currency and which have the same Actual Exercise Date and/or Expiration Date and the terms of which (except for the Issue Date and/or the Issue Price (as

indicated as aforesaid)) are otherwise identical (including whether or not the Warrants are listed). As used herein, "*Tranche*" means all Warrants of the same Series with the same Issue Date and Issue Price.

Copies of the Master Warrant Agreement (which contains the form of the Pricing Supplement), the Guarantee and the Pricing Supplement applicable to such Warrants are available for inspection at the specified office of each Warrant Agent, save that if such Warrants are unlisted, the applicable Pricing Supplement will only be available for inspection by a holder of such Warrants and such holder must produce evidence satisfactory to the relevant Warrant Agent as to identity.

Words and expressions defined in the Master Warrant Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

The Holders (as defined in Condition 1(b)) are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Master Warrant Agreement and the applicable Pricing Supplement.

1. **Type, Form and Transfer**

(a) Type

The Warrants are Index Warrants, Share Warrants, Depositary Receipt Warrants, Debt Instrument Warrants, Currency Warrants, Commodity Warrants, Interest Rate Warrants or any other or further type of securities as is specified in the applicable Pricing Supplement.

Warrants may be Cash Settled Warrants or Physical Delivery Warrants or may be settled by such other method as specified in the applicable Pricing Supplement. Warrants may also allow Holders to elect for settlement by way of cash payment or by way of physical delivery or by such other settlement as specified in the applicable Pricing Supplement (which may include settlement by way of either cash payment or physical delivery in respect of the same Warrants as determined by the value thereof in relation to the relevant Strike Price (if applicable) or another specified amount). Those Warrants where the Holder has so elected for cash payment (or where settlement is by way of either cash payment or physical delivery and it is determined by applying the mechanism set out in the applicable Pricing Supplement that the former will apply) will be Cash Settled Warrants and those Warrants where the holder has elected for physical delivery (or where settlement is by way of either cash payment or physical delivery and it is determined by applying the mechanism set out in the applicable Pricing Supplement that the latter will apply) will be Physical Delivery Warrants. The rights of a Holder as described in this Condition may be subject to the Issuer's right to vary the method of settlement if so indicated in the applicable Pricing Supplement.

The applicable Pricing Supplement for a Series of Warrants will indicate whether the Warrants are American Style Warrants or European Style Warrants or such other type as may be specified in the applicable Pricing Supplement, and whether the Warrants are Call Warrants or Put Warrants or such other type as may be specified in the applicable Pricing Supplement.

References in these Conditions, unless the context otherwise requires, to Cash Settled Warrants shall be deemed to include references to Physical Delivery Warrants which include an option (as set out in the applicable Pricing Supplement) for the Issuer to elect cash settlement of such Warrants and where settlement is to be by way of cash payment and references in these Conditions, unless the context otherwise requires, to Physical Delivery Warrants shall be deemed to include references to Cash Settled Warrants which include an option (as set out in the applicable Pricing Supplement) for the Issuer to elect physical delivery of the Relevant Assets in settlement of such Warrant and where settlement is to be by way of physical delivery.

(b) Form of Warrants

The Warrants of each Tranche will at all times be represented by a single global instrument ("*Global Warrant*"), which will in the case of Listed Warrants be cleared through SIS SegInterSettle AG, Olten, Switzerland ("*SIS*"). In the case of Listed Warrants, the Global Warrant representing such Warrants will be deposited with SIS acting as a central depository. Warrants that are not Listed Warrants may be cleared through an alternative clearing system (the "*Alternative Clearing System*", together with SIS, each a "*Clearing System*") specified in the applicable Pricing Supplement, and in such event the Global Warrant may be deposited with SIS or such Alternative Clearing System or a depository thereof.

The Global Warrant representing the Warrants will not be exchangeable for definitive Warrants in any circumstances.

(c) Transfers of Warrants

The Warrants will be transferable only in accordance with the rules and procedures of SIS or any Alternative Clearing System specified in the applicable Pricing Supplement, and 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 such Warrants (in which regard any certificate or other document issued by the relevant Clearing System as to the amount of Warrants standing to the account of any person shall be conclusive and binding for all purposes, except in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Principal Warrant Agent, the Swiss Warrant Agent and any Warrant Agent as a Holder of such amount of Warrants (and the term "*Holder*" shall be construed accordingly) for all purposes. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Warrant shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of the notice of legal or beneficial ownership, trust or interest given, any writing on it and no person shall be liable for so treating the Holder.

Transfers of Warrants may not be effected after the date specified in the applicable Pricing Supplement as the Last Trading Day (the "*Last Trading Day*").

2. **Status of the Warrants**

The Warrants constitute direct, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and with all other direct, unsubordinated and unsecured obligations of the Issuer.

3. **The Guarantee**

The Guarantor will, in accordance with the terms of the Guarantee, guarantee the performance of the obligations of the Issuer under the Warrants in accordance with these Conditions. The obligations of the Guarantor under the Guarantee will constitute direct, unsubordinated, unsecured and irrevocable obligations of the Guarantor and will rank *pari passu* with all other direct, unsubordinated and unsecured obligations of the Guarantor.

4. **Exercise Rights**

(a) American Style Warrants

This paragraph (a) applies only to American Style Warrants.

American Style Warrants are exercisable on any Exercise Business Day during the Exercise Period.

The "*Actual Exercise Date*" shall be the earlier of the Expiration Date and the Exercise Business Day during the Exercise Period on which an Exercise Notice is received by the Principal Warrant Agent prior to the Exercise Notice Deposit Time. Any Exercise Notice which is not delivered to the Principal Warrant Agent prior to the Exercise Deposit Notice Time on any Exercise Business Day during the Exercise Period will be deemed to have been deposited on the next Exercise Business Day, which Exercise Business Day shall be deemed to be the Actual Exercise Date provided it occurs not later than the Expiration Date.

Any American Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Conditions 5 and 6 at or prior to the Exercise Notice Deposit Time on the Expiration Date shall (if such American Style Warrant is a Cash Settled Warrant) be deemed by the Issuer (unless stated to the contrary in the applicable Pricing Supplement) to be exercised automatically ("*Automatic Exercise*") or, if not so deemed (as stated in the applicable Pricing Supplement, or if such American Style Warrant is a Physical Delivery Warrant and thus not capable of being so deemed), shall become void *provided that* Automatic Exercise shall not be available where the Cash Settlement Amount in respect of such Cash Settled Warrant is negative or equal to zero.

(b) European Style Warrants

This paragraph (b) applies only to European Style Warrants. European Style Warrants are only exercisable on the Expiration Date.

Any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Conditions 5 and 6 at or prior to the Exercise Notice Deposit Time on the Expiration Date shall (if such European Style Warrant is a Cash Settled Warrant) be deemed by the Issuer (unless stated to the contrary in the applicable Pricing Supplement) to be subject to Automatic Exercise or, if not so deemed (as stated in the applicable Pricing Supplement, or if such European Style Warrant is a Physical Delivery Warrant and thus not capable of being so deemed), shall become void *provided that* Automatic Exercise shall not be available where the Cash Settlement Amount in respect of such Cash Settled Warrant is negative or equal to zero.

(c) American Style and European Style Warrants

Any Cash Settled Warrant not subject to Automatic Exercise pursuant to Conditions 4(a) and 4(b) and with respect to which the Exercise Notice has not been duly completed in the manner set forth in Condition 5(a) on or before the Exercise Notice Deposit Time on the Expiration Date may also be deemed by the Issuer (following the procedure described in Condition 5(a) below) in its complete discretion to be exercised automatically (if the Cash Settlement Amount is greater than zero) or, if not so deemed, shall become void.

5. **Exercise**

(a) Exercise Notice

Subject to Condition 5(a)(iii), Warrants may be exercised by the delivery of a duly completed exercise notice (an "*Exercise Notice*") substantially in the form set out in the Master Warrant Agreement or in such other form as may be approved by the Issuer (copies of which form, in either case, may be obtained from the Warrant Agents) and containing the information set out below to the Principal Warrant Agent not later than the Exercise Notice Deposit Time on (in the case of American Style Warrants) any Exercise Business Day during the Exercise Period or on (in the case of European Style Warrants) the Expiration Date:

- (i) In the case of Cash Settled Warrants, the Exercise Notice shall (or, in the case of Automatic Exercise, may be deemed by the Issuer in its complete discretion and based on such information held by it regarding the Holder and such Holder's details, to):
 - (A) specify the name(s) of the Holder(s) exercising the Warrants;
 - (B) specify the address(es) of the Holders exercising the Warrants;
 - (C) specify the number of Warrants being exercised;
 - (D) specify the number of the Holder's account at the relevant Clearing System to be debited with the Warrants being exercised;
 - (E) irrevocably instruct the relevant Clearing System (i) to debit on or before the Settlement Date the Holder's account with the Warrants being exercised and (ii) to notify the Principal Warrant Agent accordingly;
 - (F) specify the number of the Holder's account at the relevant Clearing System to be credited with the Cash Settlement Amount (if any) for each Warrant being exercised; and
 - (G) include an undertaking to pay all Expenses with respect to such Warrants and an authority to the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Holder, or, at any time after the Settlement Date, to debit a specified account of the Holder at the relevant Clearing System in respect thereof and to pay such Expenses.
- (ii) In the case of Physical Delivery Warrants, the Exercise Notice shall:
 - (A) specify the name(s) of the Holder(s) exercising the Warrants;
 - (B) specify the address(es) of the Holders exercising the Warrants;
 - (C) specify the number of Warrants being exercised;
 - (D) specify the number of the Holder's account at the relevant Clearing System to be debited with the Warrants being exercised;
 - (E) irrevocably instruct the relevant Clearing System (i) to debit on or before the Settlement Date the Holder's account with the Warrants being exercised and (ii) to notify the Principal Warrant Agent accordingly;
 - (F) irrevocably instruct the relevant Clearing System to debit on or before the Settlement Date a specified account of the Holder with the relevant Clearing System with the aggregate Strike Price(s) in respect of such Warrants (together with any other amounts payable) and credit the same to the Issuer;
 - (G) include an undertaking to pay all Expenses with respect to such Warrants and an authority to the relevant Clearing System to debit on or at any time after the Settlement Date, a specified account of the Holder at the relevant Clearing System in respect thereof and to pay such Expenses;
 - (H) if applicable, specify the name and address of any person(s) into whose name evidence of the Physical Settlement Amount is to be registered and/or any bank, broker or agent to whom documents evidencing the Physical Settlement Amount are to be delivered and specify the name and the number of the Holder's account with the relevant Clearing System to be credited with any cash payable by the

Issuer, in respect of any dividends relating to the Physical Settlement Amount or as a result of a Settlement Interruption or otherwise under these Conditions; and

- (I) if applicable, specify the account details of the Holder's participant with the applicable clearing system to be credited with the Physical Settlement Amount.
 - (iii) If Condition 7(c) applies, the form of Exercise Notice required to be delivered in the manner set out above will be different. Copies of such Exercise Notice may be obtained from the Principal Warrant Agent or the Issuer.
- (b) Minimum and Maximum Number of Warrants Exercisable
- (i) The number of American Style Warrants exercisable by any Holder (or deemed by the Issuer to be subject to Automatic Exercise as the case may be) on any Actual Exercise Date, as determined by the Issuer, must be equal to the Minimum Exercise Number or any integral multiple thereof each as specified in the applicable Pricing Supplement. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.
 - (ii) If the Issuer determines that the number of American Style Warrants being exercised on any Actual Exercise Date by any Holder or a group of Holders (whether or not acting in concert) exceeds the Maximum Exercise Number (a number equal to the Maximum Exercise Number as specified in the applicable Pricing Supplement being referred to herein as the "*Quota*"), the Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected at the discretion of the Issuer, to be such day and the Actual Exercise Date for each additional Quota of such Warrants (and any remaining number thereof) to be each of the succeeding Business Days until all such Warrants have been attributed with an Actual Exercise Date, provided, however, that the deemed Actual Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date.
 - (iii) The number of European Style Warrants exercisable by any Holder (or deemed by the Issuer to be subject to Automatic Exercise as the case may be) on the Expiration Date must be equal to the Minimum Exercise Number or any integral multiple thereof in each case as specified in the applicable Pricing Supplement. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and be of no effect.
- (c) Further Provisions regarding Exercise

The exercise of Warrants is further subject to the applicable provisions of Condition 6.

6. Verification, Determinations and Restrictions

(a) Verification

Where applicable under the rules of the relevant Clearing System, upon receipt of a corresponding notification by the Principal Warrant Agent, the relevant Clearing System shall on or before the Settlement Date verify that the person exercising the Warrants is the holder of the Warrants to which such notice relates according to the records of such relevant Clearing System. Subject thereto, and by 11.00 a.m. (Zurich time) on the Business Day immediately following receipt, the relevant Clearing System will confirm to the Principal Warrant Agent the number of Warrants being exercised and if the Warrants are Cash Settled Warrants the account details, if applicable, for the payment of the Cash Settlement Amount in respect of each such Warrant or, if the

Warrants are Physical Delivery Warrants, the details for the delivery of the Physical Settlement Amount for each Warrant being exercised or to be redeemed.

Upon receipt of such confirmation, or, where such confirmation is not issued by the relevant Clearing System, upon receipt of the Exercise Notice, the Principal Warrant Agent will inform the Issuer thereof. The relevant Clearing System will on or before the Settlement Date or Redemption Date, as the case may be, debit the account of the relevant Holder with the relevant Warrants. If the Warrants are American Style Warrants, upon exercise of less than all the Warrants constituted by the Global Warrant, the Clearing System (or the relevant common depository thereof), upon receipt of instructions from the Principal Warrant Agent, will make the relevant amendments to its book and records and/or note such exercise on the Schedule to the Global Warrant and the number of Warrants so constituted shall be reduced by the cancellation *pro tanto* of the Warrants so exercised.

(b) Determinations

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Principal Warrant Agent and shall be conclusive and binding on the Issuer, the Guarantor, the Warrant Agents and the relevant Holder. Subject as set out below, if (i) the number of Warrants specified in an Exercise Notice exceeds the number of such Warrants held in the relevant account or (ii) any Exercise Notice is determined to be incomplete or not in proper form such Exercise Notice shall be null and void.

The Principal Warrant Agent shall use its best efforts to notify the Holder submitting an Exercise Notice if it has determined that such notice is incomplete or not in proper form as soon as possible after it becomes aware of the improper exercise. None of the Issuer and the Warrant Agents shall be liable to any person with respect to any such determination or any action taken or omitted to be taken in connection with the notification of such determination to a Holder.

If any such notice is subsequently corrected to the satisfaction of the Principal Warrant Agent, as the case may be, it shall be deemed to be a new notice submitted at the time such correction was delivered to the Principal Warrant Agent.

(c) Restriction on Transfer

No Holder may transfer or attempt to transfer:

- (i) any Warrant after the Last Trading Day; or
- (ii) any Physical Delivery Warrant the subject of an Exercise Notice after delivery of such notice.

Notwithstanding the above, if any Holder transfers or attempts to transfer any Warrants in the circumstances stated in (i) or (ii) above, the Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer, including, without limitation, those suffered or incurred as a consequence of it having terminated any related hedging transactions in reliance on the occurrence of the Last Trading Day or the delivery of the relevant Exercise Notice and subsequently (i) entering into replacement hedging transactions in respect of such Warrants or (ii) paying any amount on the subsequent settlement of such Warrants without having entered into any replacement hedging transactions.

(d) Exercise and Settlement Risk

Exercise and settlement of Warrants are subject to all applicable laws, regulations and practices in force on the relevant Actual Exercise Date and/or on the relevant Settlement Date and neither the Issuer nor the Warrant Agents shall incur any liability whatsoever if it is unable to effect the

transactions contemplated, after using all reasonable efforts as a result of any such laws, regulations or practices. None of the Issuer, the Guarantor, the Calculation Agent, the Dealer(s) and the Warrant Agents shall under any circumstances be liable for any acts or defaults of the relevant Clearing System in relation to the performance of their duties in relation to the Warrants.

(e) Selling Restrictions

If the relevant Pricing Supplement for any Warrants indicates that Type 2 US Selling Restriction applies, then the exercise of such Warrants shall be conditional on the person exercising such Warrants providing to the Principal Warrant Agent a certification in the form set out in Condition 6(f).

If the relevant Pricing Supplement for any Warrants indicates that Type 3 US Selling Restriction applies, then such Warrants may not be offered, sold or delivered in the United States or to US persons (as such term is defined in the United States Securities Act of 1933 (as amended) (the "*Securities Act*"), nor may any US person at any time trade or maintain a position in the Warrants and the exercise of such Warrants shall be conditional on the person exercising such Warrants providing to the Principal Warrant Agent a certification in the form set out in Condition 6(f).

In certain circumstances specified in the relevant Pricing Supplement, additional selling restrictions or certification requirements may apply.

(f) Type 2 and Type 3 US Selling Restrictions Certification for Warrants

"[Identify Warrant]

This notice certifies that neither the person exercising the Warrants referred to in this notice, nor any person on whose behalf (either directly or indirectly) the Warrants are being exercised is a US person or a person located within the United States (as such terms are used in Regulation S under the Securities Act).

We understand that this notice is required in connection with certain securities and commodities laws and regulations in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this notice is or might be relevant we irrevocably authorise you to produce this notice or a copy thereof to any interested party in such proceedings."

(g) Minimum Board Lot for Physical Delivery Warrants

Notwithstanding Condition 5(b) and unless otherwise provided in the applicable Pricing Supplement, Physical Delivery Warrants may only be exercised, and the Issuer shall only be liable to redeem Physical Delivery Warrants by delivery of Relevant Assets, in such amounts as will ensure that the number of Relevant Assets to be delivered is equal to an integral multiple of a Board Lot (as defined below). Relevant Assets will be delivered by the Issuer (in the case of Call Warrants or other Warrants under which delivery by the Issuer is provided for) or the Holder (in the case of Put Warrants or other Warrants under which delivery by the Holder is provided for) only in integral multiples of the minimum board lot for the trading of the Relevant Assets on the relevant stock exchange as from time to time specified by such stock exchange (the "*Board Lot*"). In circumstances where Physical Delivery Warrants are not capable of being exercised or are not redeemable, as the case may be, in amounts which would result in the purchase or delivery of a number of Relevant Assets equal to an integral multiple of the relevant Board Lot such remainder shall be paid in cash.

7. **Settlement**

(a) Cash Settled Warrants

(i) *Cash Settled Warrants*

Subject as provided in these Conditions, the Issuer shall on the Settlement Date pay or cause to be paid the Cash Settlement Amount (if any) for each duly exercised Warrant to the Holder's account specified in the relevant Exercise Notice for value on the Settlement Date less any Expenses.

Subject as provided in these Conditions for any Cash Settled Warrant with respect to which the Exercise Notice has not been duly completed in the manner set out in Condition 5(a) on or before the Exercise Notice Deposit Time on the Expiration Date and which is subject to Automatic Exercise, the Issuer shall on the Settlement Date pay or cause to be paid the Cash Settlement Amount (if any) for each automatically exercised Warrant to the person who is for the time being shown in the records of the relevant Clearing System as the holder of a particular amount of Warrants for value on the Settlement Date less any Expenses.

If, with respect to any Warrant which has been duly exercised or which is subject to Automatic Exercise, the satisfaction of any additional condition to settlement specified in the applicable Pricing Supplement is delayed, the due date for payment of the Cash Settlement Amount in relation to such Warrant shall be deferred by such period as the Issuer determines to be appropriate provided that the additional condition to settlement is satisfied within 30 Business Days after the Settlement Date. If such additional condition to settlement is not satisfied within 30 Business Days after the Settlement Date such Warrant shall become void.

(ii) *Conversion and Rounding*

Any Cash Settlement Amount shall, if an Exchange Rate is specified in the applicable Pricing Supplement, be converted into the Settlement Currency at that Exchange Rate. The Cash Settlement Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the relevant Settlement Currency, 0.0005 (or in the case of Japanese Yen, half a unit) being rounded downwards, with Warrants of the same Holder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Warrants.

(b) Physical Delivery Warrants

(i) *Physical Delivery Warrants*

Subject as provided in these Conditions including certification as to non-US beneficial ownership, and subject to payment of the applicable Strike Price(s) and any Expenses with regard to the relevant Warrants, the Issuer shall on the Settlement Date deliver, or procure the delivery of, the Physical Settlement Amount for each duly exercised Warrant to or to the order of the Holder as specified in the Exercise Notice. The Physical Settlement Amount shall be delivered and evidenced in such manner as shall be specified in the applicable Pricing Supplement.

If, with respect to any Physical Delivery Warrant which has been duly exercised, the satisfaction of any additional condition to settlement (additional to payment of the applicable Strike Price(s) and Expenses) specified in the applicable Pricing Supplement is delayed, the Issuer will pay or cause to be paid to such Holder the Alternative

Settlement Amount without any further payment of interest or otherwise with respect to each Warrant held by such Holder on a date the Issuer determines to be appropriate provided that the additional condition to settlement is satisfied within 30 Business Days after the Settlement Date. If such additional condition to settlement is not satisfied within 30 Business Days after the Settlement Date such Warrant shall become void.

(ii) *Dividends*

Unless otherwise specified in the applicable Pricing Supplement, in respect of Physical Delivery Warrants where the Relevant Assets consist of shares, all dividends on the relevant shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the shares entered into on the relevant Actual Exercise Date [to be delivered in the same manner as such shares]. Any such dividends will be paid to the account specified by the Holder in the relevant Exercise Notice. In respect of Physical Delivery Warrants where the Relevant Assets consist of depositary receipts, arrangements in respect of dividend payments under depositary receipts will be set out in the applicable Pricing Supplement.

(iii) *Modification of settlement procedures*

The Calculation Agent may from time to time by notice to the Issuer and the Principal Warrant Agent modify or supplement the procedures and requirements for settlement of Physical Delivery Warrants in these Conditions where the Calculation Agent determines that the relevant modification or supplement is necessary or desirable. Notice thereof shall be given to the Holders in accordance with Condition 18.

(c) Issuer's Option to Vary Settlement

If the applicable Pricing Supplement indicates that the Issuer has an option to vary settlement in respect of the Warrants, the Issuer may at its sole and absolute discretion elect not to pay the relevant Holders the Cash Settlement Amount or to deliver or procure delivery of the Physical Settlement Amount to the relevant Holders (as the case may be) but, in lieu thereof, to deliver or procure delivery of the Physical Settlement Amount or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Holders (as the case may be). Notification of such election will be given to Holders in accordance with details specified in the Exercise Notice no later than 10.00 a.m. (local time in the location of the specified office of the Principal Warrant Agent) on the second Business Day immediately preceding the Settlement Date.

(d) General

- (i) The purchase of Warrants does not confer on the Holder any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.
- (ii) If the date for payment of any amount in respect of the Warrants is not a Currency Business Day, payment will instead be made on the next following Currency Business Day without any further payment, of interest or otherwise, in respect of such delay.

8. **Force majeure**

Notwithstanding any other provision of these Conditions, the Issuer shall have the right to terminate its obligations under the Warrants, subject to the following sentence, if the Issuer shall have determined that the performance of such obligations shall have become impracticable, in whole or in part, in particular as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power. In such circumstances, the Issuer will, however, pay to each Holder

in respect of each Warrant held by it the Alternative Settlement Amount. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 18.

9. **Purchases**

The Issuer and any of its affiliates shall have the right to purchase or otherwise acquire Warrants at such times, in such manner and for such consideration as it may deem appropriate. Any Warrants so purchased may be held or resold or surrendered for cancellation and, if cancelled, may be reissued by the Issuer at such time and in such manner as it may deem appropriate.

10. **Consequences of Disrupted Days**

This Condition 10 applies only to Index Warrants and Share Warrants.

(a) **Valuation Dates**

If, as determined by the Calculation Agent in its sole and absolute discretion, any Valuation Date is a Disrupted Day, then:

- (i) in the case of Warrants relating to a single Index or a single Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, provided that (A) the Valuation Date shall be not later than and deemed to be the earlier of (i) the eighth Scheduled Trading Day immediately following the Scheduled Valuation Date and (ii) the Third Weekday, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine (1) in the case of Warrants relating to a single Index, the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day or Third Weekday (as applicable) 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 or Third Weekday (as applicable) 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 or Third Weekday (as applicable), its good faith estimate of the value for the relevant security or property as of the Valuation Time on that eighth Scheduled Trading Day or Third Weekday (as applicable)) and (2) in the case of Warrants relating to a single Share, its good faith estimate of the value for the Share as of the Valuation Time on that eighth Scheduled Trading Day or Third Weekday (as applicable);
- (ii) in the case of Warrants relating to a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Index, provided that (A) the Valuation Date shall be not later than and deemed to be the earlier of (i) the eighth Scheduled Trading Day immediately following the Scheduled Valuation Date and (ii) the Third Weekday, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day or Third Weekday (as applicable) in accordance with the formula for and method of calculating that 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 or Third Weekday (as applicable) of each security or other property comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on that eighth Scheduled Trading Day or Third Weekday (as applicable), its good faith estimate

of the value for the relevant security or property as of the Valuation Time on that eighth Scheduled Trading Day or Third Weekday (as applicable)); or

- (iii) in the case of Warrants relating to a Basket of Shares, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, provided that (A) the Valuation Date shall be not later than and deemed to be the earlier of (i) the eighth Scheduled Trading Day immediately following the Scheduled Valuation Date and (ii) the Third Weekday, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day or Third Weekday (as applicable).

(b) Averaging Dates

If Averaging Dates are specified as applicable in the applicable Pricing Supplement, then notwithstanding any other provisions of these Conditions, if any such day is a Disrupted Day as determined by the Calculation Agent in its sole and absolute discretion and the consequence specified under "Consequence of Averaging Date Disruption" in the applicable Pricing Supplement is:

- (i) "Omission", then such date will be deemed not to be a relevant Averaging Date for the purposes of the relevant determination provided that if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then the provisions of (a) above will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (ii) "Postponement", then the provisions of (a) above will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (iii) "Modified Postponement" then:
 - (A) where the Warrants relate to a single Index or a single Share, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the earlier of the eighth Scheduled Trading Day immediately following the original date or the Third Weekday (as applicable) that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in respect of the relevant Scheduled Valuation Date, then (1) the earlier of (i) that eighth Scheduled Trading Day and (ii) the Third Weekday shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (2) the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with the provisions of (a) above; or
 - (B) where the Warrants relate to a Basket of Indices or a Basket of Shares, the Averaging Date for each Index or Share not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Pricing Supplement as an Averaging Date in respect of the relevant Valuation Date and the Averaging Date for an Index or Share affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index or Share. If the first

succeeding Valid Date in respect of such Index or Share has not occurred as of the Valuation Time on the earlier of the eighth Scheduled Trading Day immediately following the original date or the Third Weekday (as applicable) that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) the earlier of (i) that eighth Scheduled Trading Day and (ii) the Third Weekday (as applicable) shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day or Third Weekday is already an Averaging Date) in respect of such Index or Share, and (2) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with the provisions of (a) above.

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (x) the relevant Settlement Date or (y) the occurrence of an Index Adjustment Event, Potential Adjustment Event or Extraordinary Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

11. **Adjustments relating to Index Warrants and Share Warrants**

This Condition 11 applies only to Index Warrants and Share Warrants.

(a) Index Warrants

(i) *Successor Index*

If, in relation to Index Warrants, an Index is (A) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent in its sole and absolute discretion or (B) replaced by a successor index using, in the sole determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the "*Successor Index*") will be deemed to be the Index.

(ii) *Index Adjustment Event*

If, in relation to Index Warrants, (A) on or prior to a Valuation Date or an Averaging Date and as determined by the Calculation Agent in its sole and absolute discretion, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts, commodities or other property and other routine events) (an "*Index Modification*"), or permanently cancels a relevant Index and no Successor Index exists (an "*Index Cancellation*"), or (B) on any Valuation Date or Averaging Date and as determined by the Calculation Agent in its sole and absolute discretion, the Index Sponsor fails to calculate and announce a relevant Index (an "*Index Disruption*" and, together with an Index Modification and an Index Cancellation, each an "*Index Adjustment Event*"), then:

- (1) if "Calculation Agent Adjustment" is specified in the applicable Pricing Supplement as the consequence of any such Index Adjustment Event, the Calculation Agent will determine in its sole and absolute discretion if such Index Adjustment has a material effect on the Warrants and, if so, shall make any relevant calculation using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of

calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event; or

- (2) if "Cancellation and Payment" is specified in the applicable Pricing Supplement as the consequence of any such Index Adjustment Event, then the Issuer shall have the right to cancel its obligations under the Warrants as of such date as the Issuer shall determine by notice given to the Holders in accordance with Condition 18 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Warrant held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 18.

(b) Share Warrants

If, in relation to Share Warrants:

- (i) "Options Exchange Adjustment" is specified as the Method of Adjustment in the applicable Pricing Supplement, then following each adjustment to the exercise, settlement, payment or other terms of the options on any relevant Shares traded on any Options Exchange, the Calculation Agent will in its sole and absolute discretion make the corresponding adjustments, if any, to any one or more of the Strike Price, the Cash Settlement Amount, the Physical Settlement Amount and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the Warrants, as determined by the Calculation Agent in its sole and absolute discretion, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the relevant Shares are not traded on the Options Exchange, the Calculation Agent in its sole and absolute discretion will make such adjustment, if any, to any one or more of the relevant variables referred to above or any other variable relevant to the exercise, settlement, payment or other terms of the Warrants as the Calculation Agent determines appropriate, with reference to the rules of and precedents (if any) set by the Options Exchange, to account for the diluting or concentrative effect of any event that, in the sole determination of the Calculation Agent, would have given rise to an adjustment by the Options Exchange if such options were so traded; or
- (ii) "Calculation Agent Adjustment" is specified as the Method of Adjustment in the applicable Pricing Supplement, then following the declaration by the Issuer of the terms of any Potential Adjustment Event as determined by the Calculation Agent in its sole and absolute discretion, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so, will (A) make the corresponding adjustment(s), if any, to any one or more of the Strike Price, the Cash Settlement Amount, the Physical Settlement Amount and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the Warrants as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (B) determine the effective date(s) of the adjustment(s). The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

(c) Corrections of Share Prices and Index Levels

In the event that any price or level published on the Exchange or by the Index Sponsor and which is utilised for any calculation or determination made under the Warrants is subsequently corrected and the correction is published by the Exchange or the Index Sponsor within the earlier of (i) one Settlement Cycle after the original publication and (ii) the Third Weekday and the Calculation Agent in its sole and absolute discretion determines that it is practicable to effect an adjustment of any payment or delivery in respect of the Warrants determined by reference to such calculation or determination the Calculation Agent will make such adjustment of such payment or delivery as it determines to be appropriate in its sole and absolute discretion.

12. **Consequences of Extraordinary Events**

This Condition 12 applies only to Share Warrants.

(a) Merger Event

If a Merger Event occurs as determined by the Calculation Agent in its sole and absolute discretion and the consequence specified in the applicable Pricing Supplement is:

- (i) "Alternative Obligation", then except in respect of a Reverse Merger, on or after the relevant Merger Date, the New Shares and/or the amount of Other Consideration, if applicable (as subsequently modified in accordance with any relevant terms, and their issuer (if any) will be deemed the "Shares" and the "Basket Company" or "Share Company", as the case may be, respectively, and, if the Calculation Agent considers it necessary, the Calculation Agent will adjust any relevant terms in its sole and absolute discretion (provided however that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or the Warrants);
- (ii) "Cancellation and Payment", then the Issuer shall have the right to cancel its obligations under the Warrants as of such date as the Issuer shall determine by notice given to the Holders in accordance with Condition 18 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Warrant held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 18;
- (iii) "Options Exchange Adjustment", then following each adjustment to the settlement terms of options on any relevant Shares traded on any Options Exchange, the Calculation Agent will in its sole and absolute discretion make one or more adjustments as provided in Condition 11(b)(i) (without regard to the words "diluting or concentrative" in the second sentence);
- (iv) "Calculation Agent Adjustment", then, on or after the relevant Merger Date, the Calculation Agent shall either (A)(1) make such adjustment to the exercise, settlement, payment or any other terms of the Warrants as the Calculation Agent in its sole and absolute discretion determines appropriate to account for the economic effect on the Warrants of such Merger Event (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Warrants), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event by an options exchange to options on the relevant Shares traded on such options exchange and (2) determine the effective date of that adjustment, or (B) if the Calculation Agent in its sole and absolute discretion determines that no adjustment that it could make under (A) will produce a commercially reasonable result, notify the Issuer thereof in which event "Cancellation

and Payment" will be deemed to be the consequence specified in the applicable Pricing Supplement;

- (v) "Modified Calculation Agent Adjustment", then, on or after the relevant Merger Date, the Calculation Agent shall either (A)(1) make such adjustment to the exercise, settlement, payment or any other terms of the Warrants as the Calculation Agent in its sole and absolute discretion determines appropriate to account for the economic effect on the Warrants of such Merger Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Warrants), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event by an options exchange to options on the relevant Shares traded on such options exchange and (2) determine the effective date of that adjustment, or (B) if the Calculation Agent in its sole and absolute discretion determines that no adjustment that it could make under (A) will produce a commercially reasonable result, notify the Issuer thereof in which event "Cancellation and Payment" will be deemed to be the consequence specified in the applicable Pricing Supplement; or
 - (vi) "Component Adjustment", then, in respect of a Share-for-Combined Merger Event, the consequence specified opposite "Share-for-Share" shall apply to that portion of the consideration that consists of New Shares (as determined by the Calculation Agent in its sole and absolute discretion) and the consequence specified opposite "Share-for-Other" shall apply to that portion of the consideration that consists of Other Consideration (as determined by the Calculation Agent in its sole and absolute discretion).
- (b) Tender Offer

If a Tender Offer occurs as determined by the Calculation Agent in its sole and absolute discretion and if the consequence specified in the applicable Pricing Supplement is:

- (i) "Cancellation and Payment", then the Issuer shall have the right to cancel its obligations under the Warrants as of such date as the Issuer shall determine by notice given to the Holders in accordance with Condition 18 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Warrant held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 18;
- (ii) "Options Exchange Adjustment", then following each adjustment to the settlement terms of options on any relevant Shares traded on any Options Exchange, the Calculation Agent will in its sole and absolute discretion make one or more adjustments as provided in Condition 11(b)(i) (without regard to the words "diluting or concentrative" in the second sentence);
- (iii) "Calculation Agent Adjustment", then, on or after the relevant Tender Offer Date the Basket Company or the Share Company (as the case may be) and the Shares will not change but the Calculation Agent shall either (A)(1) make such adjustment to the exercise, settlement, payment or any other terms of the Warrants as the Calculation Agent in its sole and absolute discretion determines appropriate to account for the economic effect on the Warrants of such Tender Offer (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Warrants), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Tender Offer by an options exchange to options on the relevant Shares traded on such options exchange and (2) determine the effective date of that adjustment, or (B) if the Calculation Agent determines in its sole and absolute discretion that no adjustment that it could make

under (A) will produce a commercially reasonable result, notify the Issuer thereof in which event "Cancellation and Payment" will be deemed to be the consequence specified in the applicable Pricing Supplement;

- (iv) "Modified Calculation Agent Adjustment", then, on or after the relevant Tender Offer Date, the Shares and the Share Company or Basket Company, as the case may be, will not change, but the Calculation Agent shall either (A)(1) make such adjustment to the exercise, settlement, payment or any other terms of the Warrants as the Calculation Agent determines appropriate to account for the economic effect on the Warrants of such Tender Offer (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Warrants), which may, but need not, be determined by reference to the adjustments(s) made in respect of such Tender Offer by an options exchange to options on the relevant Shares traded on such options exchange and (2) determine the effective date of that adjustment, or (B) if the Calculation Agent determines that no adjustment that it could make under (A) will produce a commercially reasonable result, notify the Issuer thereof in which event "Cancellation and Payment" will be deemed to be the consequence specified in the applicable Pricing Supplement; or
 - (v) "Component Adjustment", then, in respect of a Share-for-Combined Tender Offer, the consequence specified opposite "Share-for-Share" shall apply to that portion of the consideration that consists of New Shares (as determined by the Calculation Agent in its sole and absolute discretion) and the consequence specified opposite "Share-for-Other" shall apply to that portion of the consideration that consists of Other Consideration (as determined by the Calculation Agent in its sole and absolute discretion).
- (c) Settlement Following a Merger Event or Tender Offer
- (i) If Other Consideration is required to be valued in relation to Cash Settled Warrants that have been adjusted following a Merger Event or Tender Offer, the Other Consideration will be valued by the Calculation Agent in its sole and absolute discretion on each Valuation Date or Averaging Date, as the case may be. For the avoidance of doubt, the provisions of Condition 10 will not apply to Other Consideration.
 - (ii) If New Shares are required to be delivered in relation to Physical Delivery Warrants that have been adjusted following a Merger Event or Tender Offer, then the deliverer will deliver the relevant New Shares in accordance with the terms of settlement set out in the applicable Pricing Supplement, provided that if on the relevant Settlement Date a holder of the Shares would not yet have received the New Shares to which it is entitled, the Settlement Date with respect to such New Shares will be postponed to the first Clearing System Business Day falling on or after the first day on which a holder of the relevant Shares, having received the New Shares, would be able to deliver such New Shares in accordance with the settlement procedures applicable to the Warrants.
 - (iii) If Other Consideration is required to be delivered in relation to Physical Delivery Warrants that have been adjusted following a Merger Event or Tender Offer, then the deliverer will deliver the relevant Other Consideration in a commercially reasonable manner as soon as reasonably practicable after the later of (i) the relevant Settlement Date, and (ii) the first day on which a holder of the relevant Shares, having received the Other Consideration, would be able to deliver such Other Consideration to another party.

- (iv) In respect of any Share-for-Combined Merger Event or Share-for-Combined Tender Offer:
 - (A) to the extent that the composition of the Combined Consideration could be determined by a holder of Shares determined by the Calculation Agent to be equal to the number of Shares to which one Warrant (or, if applicable, the Minimum Exercise Number of Warrants) relates, and a holder could receive New Shares as part of the Combined Consideration, the Combined Consideration shall be deemed to be New Shares to the maximum value permitted; and
 - (B) if a holder could make any other election with respect to the composition of Combined Consideration other than New Shares, the Calculation Agent will, in its sole and absolute discretion, determine the composition of the Combined Consideration.
- (d) Nationalisation, Insolvency or Delisting

If Nationalisation, Insolvency or Delisting occurs as determined by the Calculation Agent in its sole and absolute discretion, the Warrants will be cancelled as of such date as the Issuer shall determine and notify to the Holders in accordance with Condition 18 and the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Warrant held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 18.

13. **Consequences of Additional Disruption Events**

- (a) If a Hedging Disruption occurs as determined by the Calculation Agent in its sole and absolute discretion, then the Calculation Agent shall either (A)(1) make such adjustment to the exercise, settlement, payment or any other terms of the Warrants as the Calculation Agent in its sole and absolute discretion determines appropriate and (2) determine the effective date of that adjustment, or (B) if the Calculation Agent determines that no adjustment that it could make under (A) will produce a commercially reasonable result, notify the Issuer thereof in which event the Issuer shall have the right to cancel its obligations under the Warrants as of such date as the Issuer shall determine by notice given to the Holders in accordance Condition 18 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Warrant held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 18.
- (b) If an Additional Disruption Event, other than a Hedging Disruption, occurs as determined by the Calculation Agent in its sole and absolute discretion the Warrants shall be subject to the provisions set out in the applicable Pricing Supplement.

14. **Consequences of Settlement Interruption**

If, in the sole opinion of the Issuer, delivery of the Physical Settlement Amount in respect of any Physical Delivery Warrants is not practicable by reason of a Settlement Interruption on any Settlement Date in respect of such Warrants, then such Settlement Date will be the first succeeding date on which delivery of the Physical Settlement Amount can take place through the relevant Clearing System unless, in the opinion of the Issuer, a Settlement Interruption prevents settlement (i) on each of the eight relevant Clearing System Business Days immediately following the original date or (ii) before the Third Weekday that, but for the Settlement Interruption, would have been the Settlement Date. In that case (a) if the Physical Settlement Amount can be delivered in any other commercially reasonable manner, then the Settlement Date will be the first day on which settlement of a sale of the Physical Settlement Amount executed on that eighth relevant Clearing System Business Day or (if earlier) the Third Weekday customarily would take

place using such other commercially reasonable manner of delivery (which other manner will be deemed the relevant Clearing System for the purposes of delivery of the Physical Settlement Amount); and (b) if in the sole opinion of the Issuer the Physical Settlement Amount cannot be delivered in any other commercially reasonable manner, then such Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner. If as a result of a Settlement Interruption some but not all of the Relevant Assets comprising the Physical Settlement Amount are affected, the Settlement Date for the Relevant Assets not affected by the Settlement Interruption will be the original Settlement Date and the Settlement Date for the Relevant Assets affected by the Settlement Interruption shall be determined as provided above. In the event that a Settlement Interruption will result in delivery of some but not all Relevant Assets comprising the Physical Settlement Amount, the Calculation Agent shall determine in its sole and absolute discretion the appropriate pro rata portion of the amount (in the case of Warrants, of the Strike Price) payable by the Holder.

15. Additional Adjustment

The Warrants shall be subject to such additional provisions for the adjustment of the terms of the Warrants and/or cancellation thereof as may be specified in the applicable Pricing Supplement, which provisions may without limitation include provisions similar to those specified in Conditions 10, 11 and 12 (in the case of Warrants which are not Index Warrants or Share Warrants) and/or provisions applicable in any other circumstances (in the case of any Warrants).

16. Notice of Disrupted Day and Other Matters

- (a) The Calculation Agent shall notify the Issuer and the Principal Warrant Agent (i) as soon as practicable after becoming aware of the same of (x) the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day would have been an Averaging Date or a Valuation Date and (y) the occurrence of an Index Adjustment Event, Potential Adjustment Event or other event in connection with which the Calculation Agent is required or entitled to make any adjustment under these Conditions and (ii) as soon as practicable of any such adjustment made by the Calculation Agent.
- (b) The Issuer shall as soon as practicable after becoming aware of the same notify the Principal Warrant Agent of the occurrence of an Extraordinary Event or any applicable Additional Disruption Event stating the occurrence of such event, giving details thereof and the action proposed to be taken in relation thereto.
- (c) The Principal Warrant Agent shall give notice as soon as practicable to the Holders in accordance with Condition 18 of any notification received under (a) or (b) above.

17. Warrant Agents, Calculation Agent, Determinations and Modifications

- (a) Warrant Agents

The Issuer reserves the right at any time to vary or terminate the appointment of any Warrant Agent and to appoint further or additional Warrant Agents provided that no termination of appointment of any Warrant Agent shall become effective until a replacement Warrant Agent shall have been appointed and provided that, so long as any of the Warrants are listed on a stock exchange, there shall be a Warrant Agent having a specified office in each location required by the rules and regulations of the relevant stock exchange. Notice of any termination of appointment and of any changes in the specified office of any Warrant Agent will be given to Holders in accordance with Condition 18. In acting under the Master Warrant Agreement, each Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders and any Warrant Agent's

determinations and calculations in respect of the Warrants shall (save in the case of manifest error) be final and binding on the Issuer and the Holders.

(b) Calculation Agent

In relation to each issue of Warrants where there is a Calculation Agent (whether it be the Issuer or a third party), it acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with the Holders.

All calculations and determinations made by the Calculation Agent shall (save in the case of manifest error) be made in its sole and absolute discretion and shall be final, conclusive and binding on the Issuer, the Guarantor, the Warrant Agents and the Holders. The Calculation Agent may, with the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate.

(c) Determinations by the Issuer

Any determination made by the Issuer pursuant to these Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Guarantor, the Warrant Agents and the Holders.

(d) Modifications by Written Resolution

The Issuer may make any modification to these Conditions if sanctioned by a resolution in writing signed by or on behalf of all Holders of Warrants of the relevant Series. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(e) Other Modifications

The Issuer may modify these Conditions and the parties to the Master Warrant Agreement may amend the Master Warrant Agreement, in each case without the consent of the Holders, (i) in order to correct an ambiguity, manifest error or other mistake, or to correct or supplement any provision contained herein or therein that may be defective or inconsistent with any other provision or where such modification or amendment is of a formal, minor or technical nature or (ii) to make any other provision which the Issuer or, as the case may be, such parties deem necessary or desirable provided that, in the reasonable opinion of the Issuer or, as the case may be, such parties, the modification or amendment will not materially adversely affect the interests of the Holders. Any such modification or amendment shall be effective upon notification by the Issuer to the relevant Principal Warrant Agent or, as the case may be, agreement between the parties to the Master Warrant Agreement.

(f) Notice of Modification

Notice of any such modification or amendment as referred to above will be given to the Holders in accordance with Condition 18 but failure to give, or non-receipt of, such notice will not affect the validity thereof.

18. **Notices**

(a) Notices to Holders

All notices to Holders regarding the Warrants, including the listing notices, if any, will be valid (i) in the case of Listed Warrants, if delivered in electronic form to the online information system of the SWX and published on the SWX's website designated by the SWX for these purposes as provided for in the rules of the SWX, and (ii) in all other cases, if published on the website

specified in the applicable Pricing Supplement or otherwise in accordance with the applicable Pricing Supplement. Any such notice shall be deemed to have been given on the date of such delivery and publication or, if so delivered and published more than once or on different dates, on the date of the first such delivery and publication.

(b) **Notices to the Issuer and the Guarantor**

Notices given by any Holders of Warrants to the Issuer or Guarantor shall be in writing and given by delivering the same: (i) in the case of the Guarantor, to Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, New York 10019, U.S.A., Attention: Treasurer, and (ii) in the case of the Issuer, to Lehman Brothers Securities N.V., E-Commercepark, E-Zone Vredenberg, Hoek Heelsumstraat, Hugenolzweg Z/n, Curaçao, The Netherlands Antilles, Attention: Treasurer.

19. **Taxation**

The Issuer shall not be liable for, or otherwise obliged to pay, any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants and/or the resulting transfer of the Underlying and all payments made by the Issuer to the Holders shall be made subject to any tax, duty, withholding or other payment which may be required.

20. **Further Issues**

The Issuer shall be at liberty from time to time, without the consent of Holders to create and issue further Warrants so as to form a single series with existing Warrants.

21. **Financial Information**

As soon as reasonably practicable after they are available after the close of each fiscal year during the term of the Programme, the Issuer and the Guarantor shall provide each Warrant Agent with copies of their respective accounts for such fiscal year. Copies of such accounts, together with copies of the constitutional documents of the Issuer and of the Guarantor and the quarterly reports of the Guarantor, shall be made available to Holders and prospective Holders at the specified office of each Warrant Agent during the term of the Programme.

22. **Rights of Third Parties**

No person shall have any right to enforce any term or condition of the Warrants under the Contracts (Rights of Third Parties) Act 1999.

23. **Law and Jurisdiction**

(a) **Governing law**

The Warrants, any Global Warrant and all matters arising from or connected with them are governed by, and shall be construed in accordance with, English law. The Guarantee and all matters arising from or connected with the Guarantee, are governed by, and shall be construed in accordance with, the laws of the State of New York.

(b) **English courts**

The courts of England shall have exclusive jurisdiction to settle any dispute (a "*Dispute*") arising from or connected with the Warrants.

(c) **Appropriate forum**

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) Rights of the parties to take proceedings outside England

Condition 24(b) is for the benefit of the Holders only. As a result, nothing in this Condition 24 prevents any Holder from taking proceedings relating to a Dispute ("*Proceedings*") in any other courts with jurisdiction. To the extent allowed by law, the Holders may take concurrent Proceedings in any number of jurisdictions.

(e) Service of process

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Lehman Brothers International (Europe) at its offices for the time being (being at the date hereof 25 Bank Street London, E14 5LE, England) or at any address of the Issuer in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985 (or such equivalent provisions of the Companies Act 2006 as may be in force at the time). Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This paragraph applies to Proceedings in England and to Proceedings elsewhere.

24. Definitions

For the purposes of these Conditions, the following general definitions will apply:

"Actual Exercise Date" means the Expiration Date (in the case of European Style Warrants) or subject to Condition 4(a) the date during the Exercise Period on which the Warrant is actually or is deemed exercised (in the case of American Style Warrants) (as more fully set out in Condition 4);

"Additional Disruption Event" means the occurrence of (a) any of Change in Law, Failure to Deliver, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing and Loss of Stock Borrow, in each case if specified in the applicable Pricing Supplement or (b) a Hedging Disruption, in each case as the Calculation Agent may in its sole and absolute discretion determine;

"Affected Shares" means Shares affected by a Merger Event or a Tender Offer, as the case may be;

"Affiliate" means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For these purposes "control" means ownership of a majority of the voting power of an entity;

"Alternative Settlement Amount" means, in respect of any Warrants, an amount in the Settlement Currency equal to the fair market value of such Warrants, less the cost to the Issuer and/or its Affiliates of unwinding any related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion as of the date so determined by the Calculation Agent to be the appropriate date in the circumstances;

"American Style Warrants" means Warrants designated in the applicable Pricing Supplement as *"American Style"* and being Warrants exercisable on any Exercise Business Day during the Exercise Period specified in the applicable Pricing Supplement;

"Automatic Exercise" has the meaning assigned thereto in Condition 4(a);

"Averaging Date" means each date specified as such or otherwise determined as provided in the applicable Pricing Supplement or, if any such date is not a Scheduled Trading Day, the

immediately following Scheduled Trading Day, subject to adjustment in accordance with Condition 10 or the provisions (if any) of the applicable Pricing Supplement, as applicable;

"*Base Currency*" means a base currency as specified in the applicable Pricing Supplement;

"*Basket*" means a basket of Shares, Depository Receipts, Debt Instruments, Indices, Subject Currencies or Commodities, as the case may be, as specified in the applicable Pricing Supplement;

"*Basket Company*" means a company whose shares (in the case of Warrants relating to a Basket of Shares), Depository Receipts (in the case of Warrants relating to a Basket of Depository Receipts) or Debt Instruments (in the case of Warrants relating to a Basket of Debt Instruments) are included in the relevant Basket and "*Basket Companies*" means all such companies;

"*Board Lot*" shall have the meaning assigned thereto in Condition 6(e);

"*Business Day*" means a day (other than a Saturday or Sunday) on which banks are open for business in the relevant Business Day Centre(s) and the relevant Clearing System(s) is/are open for business;

"*Business Day Centre(s)*" means the location(s) as specified in the applicable Pricing Supplement;

"*Call Warrants*" means Warrants designated as "Call Warrants" in the applicable Pricing Supplement;

"*Cash Settled Warrant*" means a Warrant which is settled by way of a cash payment;

"*Cash Settlement Amount*" means, in relation to Cash Settled Warrants, the amount to which the Holder is entitled in the Settlement Currency as determined by the Calculation Agent pursuant to Condition 7(a)(i) (in the case of Warrants);

"*Change in Law*" means that, on or after the Initial Date (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (i) it has become illegal to hold, acquire or dispose of, any relevant security or other property comprised in an Index (in the case of Index Warrants), any relevant Share (in the case of Share Warrants), any relevant Depository Receipt (in the case of Depository Receipt Warrants) or any relevant Debt Instrument (in the case of Debt Instrument Warrants), or (ii) the Issuer will incur a materially increased cost in performing its obligations under the Warrants (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"*Clearing System*" means, as appropriate, SIS and/or such other clearing system, as the case may be, through which interests in Warrants are to be held and through an account at which the Warrants are to be cleared specified in the applicable Pricing Supplement or, as the case may be and in respect of Physical Delivery Warrants, the clearing system through which delivery of any Relevant Assets is to be effected in respect of such Warrants, as determined by the Issuer;

"*Clearing System Business Day*" means, in respect of a Clearing System, any day on which such Clearing System is (or, but for the occurrence of a Settlement Interruption, would have been) open for the acceptance and execution of settlement instructions;

"*Combined Consideration*" means New Shares in combination with Other Consideration;

"*Commodity*" means a commodity as specified in the applicable Pricing Supplement;

"*Commodity Warrants*" means Warrants relating to a specified Commodity or a Basket of Commodities;

"*Component Security*" and "*Component Securities*" mean, in relation to an Index, any security or securities which comprise such Index;

"*Currency*" means any currency specified as Base Currency or Subject Currency in the applicable Pricing Supplement;

"*Currency Business Day*" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system is open;

"*Currency Warrants*" means Warrants relating to a specified currency or a basket of currencies;

"*Dealer*" means the dealer, if any, appointed by the Issuer in connection with the issue of a particular series of Warrants, as specified in the applicable Pricing Supplement;

"*Debt Instrument*" means a debt instrument as specified in the applicable Pricing Supplement;

"*Debt Instrument Company*" means the Company whose debt instruments relate to a particular series of Warrants;

"*Debt Instrument Warrants*" means Warrants relating to a specified Debt Instrument or a Basket of Debt Instruments;

"*Delisting*" means, in respect of any relevant Shares, that the Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union);

"*Deposit Agreement*" means in respect of Shares which are American depositary receipts or global depositary receipts the agreement or other instrument constituting such depositary receipts as from time to time amended or supplemented in accordance with its terms;

"*Depositary*" means in respect of Shares which are American depositary receipts or global depositary receipts the issuer of the relevant depositary receipts in its capacity as depositary under the terms of the relevant Deposit Agreement or any successor depositary thereunder;

"*Depositary Receipt*" means a depositary receipt as specified in the applicable Pricing Supplement;

"*Depositary Receipt Warrants*" means Warrants relating to a specified Depositary Receipt or Basket of Depositary Receipts;

"*Disrupted Day*" means (a) except with respect to a Multi-exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred, and (b) with respect to any Multi-exchange Index, 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 such Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day;

"*European Style Warrants*" means Warrants designated in the applicable Pricing Supplement as "European Style" and being Warrants exercisable only on the Expiration Date;

"*Exchange*" means:

- (a) (i) in respect of Index Warrants and in relation to an Index other than a Multi-exchange Index, each exchange or quotation system specified as such for such Index in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities or other property comprised in such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities or other property comprised in such Index on such temporary substitute exchange or quotation system as on the original Exchange); and (ii) with respect to any Multi-exchange Index, and in respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent; and
- (b) in respect of Share Warrants and in relation to a Share, each exchange or quotation system specified as such for such Share in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange);

provided that, in respect of Shares which are American depositary receipts or global depositary receipts, and with respect to the relevant Underlying Shares only and unless otherwise specified in the applicable Pricing Supplement, "Exchange" shall mean the principal stock exchange on which such Underlying Shares are principally traded, as determined by the Calculation Agent;

"*Exchange Business Day*" means (a) except with respect to a Multi-exchange Index, any Scheduled Trading Day on which each Exchange and Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) with respect to any Multi-exchange Index, 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 any Exchange or 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;

"*Exchange Rate*" means the applicable rate of exchange for conversion of any amount into the relevant settlement currency for the purposes of determining the Cash Settlement Amount, as specified in the applicable Pricing Supplement;

"*Exercise Business Day*" means a day which is a Business Day and a Scheduled Trading Day;

"*Exercise Notice*" shall have the meaning assigned thereto in Condition 5(a);

"*Exercise Notice Deposit Time(s)*" means the time(s) as specified in the applicable Pricing Supplement, being the time(s) by which the relevant Clearing System(s) require an Exercise Notice to have been deposited with it/them for that Exercise Notice to be deemed to have been deposited with it/them on that Business Day;

"*Exercise Period*" means, in the case of American Style Warrants, the period during which the Warrants can be exercised as specified in the applicable Pricing Supplement;

"*Expenses*" means, with respect to any Warrants, all expenses including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax and/or other taxes or duties arising from the exercise of such Warrants and/or (if the Warrants are Physical Delivery Warrants) the delivery or transfer of the Physical Settlement Amount;

"*Expiration Date*" means, in relation to American Style Warrants, the last day of the Exercise Period and, in relation to European Style Warrants, the date specified as such in the applicable Pricing Supplement (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), unless such date is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Exercise Notice Deposit Time on such date. If such date is a Disrupted Day due to the occurrence of such an event, then the Expiration Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, provided that the Expiration Date shall be not later than and deemed to be the earlier of (i) the eighth Scheduled Trading Day immediately following the original date or (ii) the Third Weekday (as applicable) that, but for the occurrence of a Disrupted Day would have been the Expiration Date is a Disrupted Day, notwithstanding the fact that such day is a Disrupted Day. Notwithstanding the foregoing, if Warrants are exercised on a Scheduled Trading Day that would have been an Expiration Date but for the occurrence of an event giving rise to a Disrupted Day, such Scheduled Trading Day shall be deemed to be the Expiration Date for the purpose of determining whether an Actual Exercise Date has occurred during the Exercise Period;

"*Extraordinary Event*" means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting;

"*Failure to Deliver*" means the failure by the Issuer to deliver, when due, any Relevant Assets under the Warrants, where such failure to deliver is due to illiquidity in the market for such Relevant Assets;

"*Guarantee*" means the guarantee dated 17 March 2008 relating to the Issuer made by the Guarantor in favour of Holders in respect of the Issuer's obligations in relation to any Warrants issued by it under the Programme;

"*Guarantor*" means Lehman Brothers Holdings Inc. as guarantor of the Issuer's obligations under any series of Warrants pursuant to the Guarantee;

"*Hedging Disruption*" means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other

price risk of the Issuer issuing and performing its obligations with respect to the Warrants, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s);

"*Hedging Warrants*" means the number or quantity of Shares (in the case of Share Warrants), securities or other property comprised in an Index (in the case of Index Warrants), Depositary Receipts (in the case of Depositary Receipt Warrants) or Debt Instruments (in the case of Debt Instrument Warrants) that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Warrants;

"*Holder*", "*holder of Warrants*" and "*holder of Warrants*" shall have the meaning assigned thereto in Condition 1(b);

"*Increased Cost of Hedging*" means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Initial Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Warrants, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging;

"*Increased Cost of Stock Borrow*" means that the Issuer and/or any of its Affiliates would incur a rate to borrow any Share(s) (in the case of Share Warrants), any security or other property comprised in an Index (in the case of Index Warrants), any Depositary Receipt (in the case of Depositary Receipt Warrants) or any Debt Instrument (in the case of Debt Instrument Warrants) that is greater than the Initial Loan Rate;

"*Index*" and "*Indices*" mean, subject to adjustment in accordance with these Conditions, the index or indices specified in the applicable Pricing Supplement and related expressions shall be construed accordingly;

"*Index Adjustment Event*", "*Index Cancellation*", "*Index Disruption*" and "*Index Modification*" shall have the respective meanings assigned thereto in Condition 11(a);

"*Index Sponsor*" means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day;

"*Index Warrants*" means Warrants relating to a specified index or Basket of indices;

"*Initial Date*" means the date specified as such in the applicable Pricing Supplement or, if no date is so specified, the Issue Date;

"*Initial Loan Rate*" means the rate specified as such in the applicable Pricing Supplement;

"*Insolvency*" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Basket Company or the Share Company, as the case may be, (i) all the Shares of that Basket Company or the Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official; or (ii) holders of the Shares of that Basket Company or the Share Company, as the case may be, become legally prohibited from transferring them **provided that**, in respect of Shares which are American depositary receipts or global depositary receipts, "Insolvency" shall

be construed in relation to the relevant Shares as if references in these Conditions to the Shares of the relevant Basket Company or Share Company were references to the Underlying Share;

"*Insolvency Filing*" means that a relevant Share Company, Basket Company or Debt Instrument Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company, Basket Company or Debt Instrument Company shall not be deemed an Insolvency Filing;

"*Interest Rate Warrants*" means Warrants relating to a Subject Interest Rate;

"*Issue Date*" means the date on which the Warrants are issued, as specified in the applicable Pricing Supplement;

"*Last Trading Day*" shall have the meaning assigned thereto in Condition 1(c) and shall be the day specified as such in the applicable Pricing Supplement;

"*Loss of Stock Borrow*" means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any relevant Share (in the case of Share Warrants), any relevant securities or other property comprised in an Index (in the case of Index Warrants), any relevant Depositary Receipt (in the case of Depositary Receipt Warrants) or any relevant Debt Instrument (in the case of Debt Instrument Warrants) in an amount equal to the Hedging Warrants at a rate equal to or less than the Maximum Loan Rate;

"*Market Disruption Event*" means either:

- (a) in respect of a Share or an Index which is not a Multi-exchange Index:
 - (A) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
 - (1) 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 (x) in the case of Share Warrants, relating to the Share on the Exchange (or, in the case of Index Warrants, on any relevant Exchange(s) relating to securities or other property that comprise 20 per cent. or more of the level of the relevant Index), or (y) in futures or options contracts relating to the Share or the relevant Index on any relevant Related Exchange; or
 - (2) any event (other than an event described in (B) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (x) to effect transactions in, or obtain market values for, in the case of Share Warrants, the Shares on the Exchange (or, in the case of Index Warrants, on any relevant Exchange(s) in securities or other property that comprise 20 per cent. or more of the level of the relevant Index), or (y) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share or the relevant Index on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

- (B) the closure on any Exchange Business Day of the relevant Exchange (or, in the case of Index Warrants, any relevant Exchange(s) relating to securities or other property that comprise 20 per cent. or more of the level of the relevant Index) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (1) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day and (2) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day, or
- (b) with respect to any Multi-exchange Index either:
- (i)
 - (A) the occurrence or existence, in respect of any Component Security, of:
 - (1) 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 in respect of the Exchange on which such Component Security is principally traded;
 - (2) an Exchange Disruption in respect of such Component Security, which in either case 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
 - (3) 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 relevant Valuation Time in respect of the Related Exchange; or (C) an Early Closure;

provided that, where the applicable Pricing Supplement provides for any determination of the performance of the price or value of a Share or the level of an Index during a period of time (rather than as of the Valuation Time on a Valuation Date) and unless otherwise specified in the applicable Pricing Supplement, the foregoing definition of "*Market Disruption Event*" shall apply for the purposes of such determination omitting the words "during the one hour period that ends at the relevant Valuation Time" in clause (a)(A) above, the words "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" in clauses (b)(i)(A)(1) and (2) above and the words from and including "unless such earlier closing time" to and including "for execution at the Valuation Time on such Exchange Business Day" in clause (a)(B) above.

For the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security or other

property included in the Index at any time, then the relevant percentage contribution of that Component Security or property to the level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to that Component Security or property to (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

In respect of Shares which are American depositary receipts or global depositary receipts, "Market Disruption Event" shall include, in relation to the relevant Shares, the occurrence of a Market Disruption Event in relation to the relevant Underlying Share, and, only for the purpose of determining whether a Market Disruption Event has occurred in relation to an Underlying Share, each reference in the Conditions to "Share" or "Shares" shall be construed as a reference to "Underlying Share" or "Underlying Shares", respectively;

"*Maximum Exercise Number*" means, in relation to American Style Warrants, the maximum number of Warrants that may be exercised on any day by any Holder or group of Holders as specified in the applicable Pricing Supplement;

"*Maximum Loan Rate*" means the rate specified as such in the applicable Pricing Supplement;

"*Merger Date*" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent in its sole and absolute discretion;

"*Merger Event*" means, in respect of any relevant Shares, any (a) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (b) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (c) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (d) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event (a "*Reverse Merger*"), in each case if the Merger Date is on or before (i) in the case of Physical Delivery Warrants, the Settlement Date or (ii) in the case of Cash Settled Warrants, the Valuation Date (or final Valuation Date, if more than one) or where Averaging is specified in the applicable Pricing Supplement, the final Averaging Date **provided that**, in respect of Shares which are American depositary receipts or global depositary receipts, "Merger Event" shall include the occurrence of any Merger Event in relation to the relevant Underlying Share;

"*Method of Adjustment*" means a method for determining the appropriate adjustment to make to the terms of Share Warrants upon the occurrence of an event having, in the determination of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares;

"*Minimum Exercise Number*" means the minimum number of Warrants that may be exercised on any day by any Holder as specified in the applicable Pricing Supplement;

"*Multi-exchange Index*" means any Index specified as such in the relevant Pricing Supplement;

"*Nationalisation*" means that all the Shares or all or substantially all the assets of a Basket Company or the Share Company, as the case may be, are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof **provided that**, in respect of Shares which are American depositary receipts or global depositary receipts, "Nationalisation" shall be construed in relation to the relevant Shares as if references in these Conditions to the Shares of the relevant Basket Company or Share Company were references to the Underlying Share;

"*New Issuer*" shall have the meaning assigned thereto in Condition 21;

"*New Shares*" means ordinary or common shares, whether of the entity or person (other than the relevant Basket Company or Share Company) involved in the Merger Event or the making of the Tender Offer or a third party, that are, or that as of the Merger Date or Tender Offer Date are promptly scheduled to be, (a) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) and (b) not subject to any currency exchange controls, trading restrictions or other trading limitations;

"*Options Exchange*" means the exchange or quotation system specified as such in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in options contracts relating to the relevant Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such options contracts on such temporary substitute exchange or quotation system as on the original Options Exchange) or, if no such exchange or quotation system is specified in the applicable Pricing Supplement, the Related Exchange (if such Related Exchange trades options contracts relating to the relevant Share) or, if more than one such Related Exchange is specified in the applicable Pricing Supplement, the Related Exchange selected by the Calculation Agent as the primary market for listed options contracts relating to the relevant Share;

"*Other Consideration*" means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the relevant Basket Company or Share Company) involved in the Merger Event or the making of the Tender Offer or a third party);

"*Physical Delivery Warrant*" means a Warrant which is settled by way of physical delivery of the Relevant Asset or Relevant Assets, as the case may be;

"*Physical Settlement Amount*" means, in relation to a Physical Delivery Warrant, the quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Holder is entitled to receive on the Settlement Date in respect of each such Warrant following payment of any sums payable (including the Expenses and, in the case of Warrants, the Strike Price), rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, as determined by the Calculation Agent, including any documents evidencing such Physical Settlement Amount;

"*Potential Adjustment Event*" means any of the following:

- (a) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;

- (b) a distribution, issue or dividend to existing holders of the relevant Shares of (i) such Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of a Basket Company or the Share Company, as the case may be, equally or proportionately with such payments to holders of such Shares; or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by a Basket Company or the Share Company, as the case may be, as a result of a spin-off or other similar transaction; or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend as determined by the Calculation Agent;
- (d) a call by a Basket Company or the Share Company, as the case may be, in respect of relevant Shares that are not fully paid;
- (e) a repurchase by a Basket Company or the Share Company, as the case may be, or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (f) in respect of a Basket Company or the Share Company, as the case may be, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Basket Company or the Share Company, as the case may be, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (g) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares;

provided that, in respect of Shares which are American depositary receipts or global depositary receipts, "Potential Adjustment Event" shall also include, in relation to such depositary receipts:

- (i) the occurrence of any Potential Adjustment Event in relation to an Underlying Share or any other shares or securities represented by such depositary receipts; and
- (ii) the making of any amendment or supplement to the terms of the relevant Deposit Agreement;

"*Pricing Supplement*" means the supplement or prospectus with respect to each issue of Warrants which sets out terms and conditions which are additional to or supplemental to these Conditions;

"*Put Warrants*" means Warrants designated as "Put Warrants" in the applicable Pricing Supplement;

"*Quota*" shall have the meaning assigned thereto in Condition 5(b);

"*Related Exchange*" means, in respect of Index Warrants and in relation to an Index or in respect of Share Warrants and in relation to a Share, each exchange or quotation system specified as such for such Index or Share in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index or Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index or Share on such temporary substitute exchange or

quotation system as on the original Related Exchange) Provided that where "All Exchanges" is specified as the Related Exchange in the applicable Pricing Supplement, "*Related Exchange*" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index or such Share;

"*Relevant Asset*" or "*Relevant Assets*" means, in the case of Physical Delivery Warrants, the relevant asset or relevant assets to which the Warrants relate as specified in the applicable Pricing Supplement;

"*Relevant Screen Page*" means the relevant screen page as specified in the applicable Pricing Supplement;

"*Reverse Merger*" shall have the meaning assigned thereto in the definition of Merger Event above;

"*Scheduled Closing Time*" means, in respect of an Exchange or 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 (a) except with respect to a Multi-exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading session; and (b) with respect to any Multi-exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session;

"*Scheduled Valuation Date*" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date;

"*Master Warrant Agreement*" means the master warrant agreement between Lehman Brothers Securities N.V. and the Warrant Agents dated 17 March 2008;

"*Series*" means a series of Warrants;

"*Settlement Currency*" means the settlement currency for the payment of the Cash Settlement Amount, as set out in the applicable Pricing Supplement;

"*Settlement Cycle*" means, in respect of Share Warrants or Index Warrants, the period of Clearing System Business Days following a trade in the relevant Shares or shares underlying a relevant Index, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period);

"*Settlement Date*" means the Settlement Date specified in the applicable Pricing Supplement;

"*Settlement Interruption*" means an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Physical Settlement Amount using the Clearing System or other method specified in the applicable Pricing Supplement;

"*Share*" and "*Shares*" mean, subject to adjustment in accordance with these Conditions, the share or shares as specified in the applicable Pricing Supplement **provided that**, in respect of Shares which are American depositary receipts or global depositary receipts, if the relevant Deposit Agreement is terminated, then on or after the date of such termination, references to such Shares shall be replaced by references to the relevant Underlying Share and the Calculation Agent will

adjust any relevant terms and will determine the effective date of such replacement and adjustments;

"*Share Company*" means, with respect to a Share, the issuer of such Share **provided that**, in respect of Shares which are American depositary receipts or global depositary receipts, "Share Company" means (i) for the purposes of applying the definitions of "Market Disruption Event", "Merger Event", "Nationalisation", "Potential Adjustment Event", "Insolvency" and "Tender Offer" herein, both the Depositary and the Underlying Share Issuer in respect of such depositary receipts, and (ii) for all other purposes in relation to the Warrants, the Depositary;

"*Share-for-Combined*" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists of Combined Consideration;

"*Share-for-Other*" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists solely of Other Consideration;

"*Share-for-Share*" means (i) in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, and (ii) a Reverse Merger;

"*Share Warrants*" means Warrants relating to a specified Share or a Basket of Shares;

"*SIS*" means SIS SegInterSettle AG, Olten, Switzerland;

"*Strike Price*" means the Strike Price specified in the applicable Pricing Supplement;

"*Subject Currency*" means a subject currency as specified in the applicable Pricing Supplement;

"*Subject Interest Rate*" means the subject interest rate to which the Warrants relate as specified in the applicable Pricing Supplement;

"*Successor Index*" shall have the meaning assigned thereto in Condition 11(a)(i);

"*Tender Offer*" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Basket Company or Share Company, as the case may be, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant **provided that**, in respect of Shares which are American depositary receipts or global depositary receipts, "Tender Offer" shall include the occurrence of any Tender Offer in relation to the Underlying Share Issuer;

"*Tender Offer Date*" means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent);

"*Third Weekday*" means the third weekday (meaning any week day excluding any Saturdays and Sundays) prior to the Settlement Date;

"*Trading Disruption*" means any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the 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;

"*Underlying*" shall have the meaning assigned thereto in the applicable Pricing Supplement;

"*Underlying Shares*" means in respect of Shares which are American depositary receipts or global depositary receipts the underlying shares;

"*Underlying Share Issuer*" means in respect of Shares which are American depositary receipts or global depositary receipts the issuer of the Underlying Shares;

"*Valid Date*" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in respect of the relevant Valuation Date does not or is not deemed to occur;

"*Valuation Date*" means, subject as provided in these Conditions (including Condition 10(a)) or in the applicable Pricing Supplement:

- (a) in respect of any European Style Warrant exercised (or deemed to be exercised under Condition 4(b)) on the Expiration Date, the Expiration Date; and
- (b) in respect of any American Style Warrant exercised (or deemed to be exercised under Condition 4(a)) on any day during the Exercise Period, the Actual Exercise Date,

or, if any such date is not a Scheduled Trading Day, the next following Scheduled Trading Day; and

"*Valuation Time*" means (a) except with respect to a Multi-exchange Index, the time specified in the applicable Pricing Supplement or, if no time is specified, the Scheduled Closing Time on the relevant Exchange in relation to each Index, Share, depositary receipt or other Underlying to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time and (b) with respect to any Multi-exchange Index, (i) for the purposes of determining whether a Market Disruption Event has occurred, (1) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security and (2) 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.

GENERAL TERMS AND CONDITIONS OF THE CERTIFICATES

Condition 9(j) (Physical Settlement Notice) of the General Terms and Conditions of the Certificates on page 43 of the November Programme Prospectus shall be replaced in its entirety by the following:

(j) *Certificate Settlement Notice*

Save in relation to Cash Settled Certificates in respect of which Type 1 U.S. Selling Restriction applies, in order to obtain payment of the Cash Settlement Amount or delivery of the Physical Settlement Amount in respect of any Certificate, the Holder must deliver an electronic notice conforming to the operational procedures stipulated by the relevant Clearing System from time to time, or a duly completed settlement notice (a "*Certificate Settlement Notice*") substantially in the form set out in the Principal Paying Agency Agreement or in such other form as may be approved by the Issuer (copies of which form, in either case, may be obtained from the relevant Clearing System and the Paying Agents) and containing the information set out below to both the relevant Clearing System (in accordance with its rules and procedures for the time being) and the Principal Paying Agent during the Certificate Settlement Notice Period. The Certificate Settlement Notice shall, unless Condition 23(d) (Issuer's Option to Vary Settlement) applies:

- (i) In the case of Cash Settled Certificates:
 - (A) specify the name(s) of the relevant Holder(s) of the Certificates;
 - (B) specify the address(es) of the relevant Holders of the Certificates;
 - (C) specify the aggregate principal amount of Certificates which are the subject of such notice;
 - (D) specify the number of the Holder's account at the relevant Clearing System to be debited with such Certificates;
 - (E) irrevocably instruct the relevant Clearing System (i) to debit on or before the Redemption Date the Holder's account with the Certificates which are the subject of such notice and (ii) to notify the Principal Paying Agent accordingly;
 - (F) specify the number of the Holder's account at the relevant Clearing System to be credited with the Cash Settlement Amount (if any) for each relevant Certificate;
 - (G) include an undertaking to pay all Expenses and an authority to the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Holder, or, at any time after the Redemption Date, to debit a specified account of the Holder at the relevant Clearing System in respect thereof and to pay such Expenses; and
 - (H) include any certification required pursuant to Condition 9(o) (Selling Restrictions).
- (ii) In the case of Physical Delivery Certificates:
 - (A) specify the name(s) of the Holder(s) of the Certificates;
 - (B) specify the address(es) of the Holder(s) of the Certificates;
 - (C) specify the aggregate principal amount of Certificates which are the subject of such notice;

- (D) specify the number of the Holder's account at the relevant Clearing System to be debited with such Certificates;
- (E) irrevocably instruct the relevant Clearing System (i) to debit on or before the Redemption Date the Holder's account with the Certificates which are the subject of such notice and (ii) to notify the Principal Paying Agent accordingly;
- (F) include an undertaking to pay all Expenses including any applicable depository charges, transactions or exercise charges, stamp duty, stamp duty reserve tax and/or other taxes or duties arising from the delivery or transfer of the Physical Settlement Amount to or to the order of such Holder and an authority to the relevant Clearing System to debit on or at any time after the Settlement Date, a specified account of the Holder at the relevant Clearing System in respect thereof and to pay such Expenses;
- (G) if applicable, specify the name and address of any person(s) into whose name evidence of the Physical Settlement Amount is to be registered and/or any bank, broker or agent to whom documents evidencing the Physical Settlement Amount are to be delivered and specify the name and the number of the Holder's account with the relevant Clearing System to be credited with any cash payable by the Issuer, in respect of any dividends relating to the Physical Settlement Amount or as a result of a Settlement Interruption or otherwise under these Conditions;
- (H) if applicable, specify the account details of the Holder's participant with the applicable Clearing System to be credited with the Physical Settlement Amount; and
- (I) include any certification required pursuant to Condition 9(o) (Selling Restrictions).

If Condition 23(d) (Issuer's Option to Vary Settlement) applies, the form of Certificate Settlement Notice required to be delivered in the manner set out above will be different. Copies of such Certificate Settlement Notice may be obtained from the Principal Paying Agent or the Issuer.

Condition 9(k) (Verification) of the General Terms and Conditions of the Certificates on page 44 of the November Programme Prospectus shall be replaced in its entirety by the following:

Upon receipt of an electronic notice or Certificate Settlement Notice (which must be delivered to both the relevant Clearing System and the Principal Paying Agent), the relevant Clearing System shall verify that the person delivering the electronic notice or Certificate Settlement Notice is the Holder of the Certificates to which such notice relates according to the records of the relevant Clearing System. Subject thereto, and by 10:00 a.m. (Zurich time) on the Business Day immediately following receipt, the relevant Clearing System will confirm to the Principal Paying Agent the aggregate principal amount of Certificates in respect of which an electronic notice or a Certificate Settlement Notice has been received, as the case may be, and if the Certificates are Cash Settled Certificates the account details, if applicable, for the payment of the Cash Settlement Amount in respect of each such Certificate or, if the Certificates are Physical Delivery Certificates, the details for the delivery of the Physical Settlement Amount for each Certificate to be redeemed. Upon receipt of such confirmation, the Principal Paying Agent will inform the Issuer thereof. The relevant Clearing System will on or before the Redemption Date debit the account of the relevant Holder with the relevant aggregate principal amount of Certificates.

Condition 9(l) (Determinations) of the General Terms and Conditions of the Certificates on page 44 of the November Programme Prospectus shall be replaced in its entirety by the following:

Any determination as to whether an electronic notice or Certificate Settlement Notice is duly completed and in proper form shall be made by the relevant Clearing System in consultation with the Principal Paying Agent and shall be conclusive and binding on the Issuer, the Paying Agents and the relevant Holder. Subject as set out below, if (i) the aggregate principal amount of Certificates specified in an electronic notice or Certificate Settlement Notice exceeds the aggregate principal amount of such Certificates held in the relevant account or (ii) any electronic notice or Certificate Settlement Notice is determined to be incomplete or not in proper form, or is not copied to the Principal Paying Agent subsequent to being delivered or sent to the relevant Clearing System as provided in these Conditions, such Certificate Settlement Notice shall be null and void.

The Issuer shall request the relevant Clearing System to use its best efforts promptly to notify the Holder submitting an electronic notice or Certificate Settlement Notice if, in consultation with the Principal Paying Agent, it has determined that such notice is incomplete or not in proper form. None of the Issuer and the Paying Agents shall be liable to any person with respect to any such determination or any action taken or omitted to be taken by such Clearing System in connection with the notification of such determination to a Holder.

If any such notice is subsequently corrected to the satisfaction of the relevant Clearing System in consultation with the Principal Paying Agent, or is copied to the Principal Paying Agent, as the case may be, it shall be deemed to be a new notice submitted at the time such correction was delivered to the relevant Clearing System and the Principal Paying Agent or such time as the relevant notice is copied to the Principal Paying Agent, as the case may be.

Condition 9(m) (Restriction on Transfer) of the General Terms and Conditions of the Certificates on page 45 of the November Programme Prospectus shall be replaced in its entirety by the following:

No Holder may transfer or attempt to transfer:

- (i) any Certificate after the Last Trading Day; or
- (ii) any Physical Delivery Certificate the subject of an electronic notice or a Certificate Settlement Notice after delivery of such notice.

Notwithstanding the above, if any Holder transfers or attempts to transfer any Certificates in the circumstances stated in (i) or (ii) above, the Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer, including, without limitation, those suffered or incurred as a consequence of it having terminated any related hedging transactions in reliance on the occurrence of the Last Trading Day or the delivery of the relevant electronic notice or Certificate Settlement Notice and subsequently (A) entering into replacement hedging transactions in respect of such Certificates or (B) paying any amount on the subsequent settlement of such Certificates without having entered into any replacement hedging transactions.

The following shall be inserted in Condition 9 of the General Terms and Conditions of the Certificates on page 45 of the November Programme Prospectus, after the first paragraph of sub-clause (o) (Selling Restrictions):

If the relevant Pricing Supplement for any Certificates indicates that Type 2 U.S. Selling Restriction applies, then redemption of such Certificates will be conditional on the holder providing to the Principal Paying Agent a certification in the form set out in Condition 9(p).

If the relevant Pricing Supplement for any Certificates indicates that Type 3 U.S. Selling Restriction applies, then such Certificates may not be offered, sold or delivered in the United States or to U.S.

persons, nor may any U.S. person at any time trade or maintain a position in the Certificates and redemption of such Certificates will be conditional on the holder providing to the Principal Paying Agent a certification in the form set out in Condition 9(p).

In certain circumstances specified in the relevant Pricing Supplement, additional selling restrictions or certification requirements may apply.

(p) Type 2 and Type 3 U.S. Selling Restrictions Certification for Certificates

"[Identify Certificate]"

This notice certifies that neither the holder of the Certificates referred to in this notice, nor any person on whose behalf (either directly or indirectly) the holder holds or is acting in connection with the Certificates is a U.S. person or a person located within the United States (as such terms are used in Regulation S under the Securities Act).

We understand that this notice is required in connection with certain securities and commodities laws and regulations in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this notice is or might be relevant we irrevocably authorise you to produce this notice or a copy thereof to any interested party in such proceedings."

Condition 23 (Physical Settlement) of the General Terms and Conditions of the Certificates on page 57 of the November Programme Prospectus shall be replaced in its entirety by the following:

(a) *Delivery of Physical Settlement Amount*

In the case of Physical Delivery Certificates, subject as provided in these Conditions including, where appropriate, to certification as to non-U.S. beneficial ownership and to payment of any Expenses with regard to the relevant Certificates, the Issuer shall on the Redemption Date deliver, or procure the delivery of, the Physical Settlement Amount for each relevant Certificate to or to the order of the Holder as specified in the electronic notice or Certificate Settlement Notice. The Physical Settlement Amount shall be delivered and evidenced in such manner as shall be specified in the applicable Pricing Supplement.

If the provision of a Certificate Settlement Notice and/or any required certification pursuant to Condition 9(o) (Selling Restrictions) is delayed and/or the satisfaction of any additional condition to settlement specified in the applicable Pricing Supplement is delayed, the Issuer will pay to such Holder the Alternative Settlement Amount without any further payment of interest or otherwise with respect to each Security held by such Holder on a date the Issuer determines to be appropriate provided that the additional condition to settlement is satisfied within 30 Business Days after the Redemption Date. If such additional condition to settlement is not satisfied within 30 Business Days after the Settlement Date such Certificates shall become void.

(b) *Dividends*

Unless otherwise specified in the applicable Pricing Supplement, in respect of Physical Delivery Certificates where the Relevant Assets consist of shares, all dividends on the relevant shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the shares executed on the date which precedes the Redemption Date by the customary settlement period for such a sale to be delivered in the same manner as such shares. Any such dividends will be paid to the account specified by the Holder in the relevant Certificate Settlement Notice (or, in the absence of such notice, to the 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 for value on the Redemption Date). In respect of Physical Delivery Certificates

where the Relevant Assets consist of depositary receipts, arrangements in respect of dividend payments under depositary receipts will be set out in the applicable Pricing Supplement.

(c) *Modification of settlement procedures*

The Calculation Agent may from time to time by notice to the Issuer and the Principal Paying Agent modify or supplement the procedures and requirements for settlement of Physical Delivery Certificates in these Conditions where the Calculation Agent determines that the relevant modification or supplement is necessary or desirable. Notice thereof shall be given to the Holders in accordance with Condition 14 (Notices).

(d) *Issuer's Option to Vary Settlement*

If the applicable Pricing Supplement indicate that the Issuer has an option to vary settlement or redemption in respect of the Certificates, the Issuer may at its sole and absolute discretion elect not to pay the relevant Holders the Final Redemption Amount or to deliver or procure delivery of the Physical Settlement Amount to the relevant Holders (as the case may be) but, in lieu thereof, to deliver or procure delivery of the Physical Settlement Amount or make payment of the Final Redemption Amount on the Redemption Date to the relevant Holders (as the case may be). Notification of such election will be given to Holders in accordance with details specified in the Certificate Settlement Notice no later than 10.00 a.m. (local time in the location of the specified office of the Principal Paying Agent) on the second Business Day immediately preceding the Redemption Date.

(e) *General*

The purchase of Certificates does not confer on the Holder any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

Condition 32 (Definitions) of the General Terms and Conditions of the Certificates on page 65 of the November Programme Prospectus shall be modified by deleting the definitions of "Physical Settlement Notice" and "Physical Settlement Notice Period" on page 71 of the November Programme Prospectus and by adding the following definitions of "Certificate Settlement Notice" and "Certificate Settlement Notice Period" on page 65 of the November Programme Prospectus after the definition of "Cash Settled Certificates":

"Certificate Settlement Notice" shall have the meaning assigned thereto in Condition 9(j) (Certificate Settlement Notice);

"Certificate Settlement Notice Period" shall mean the period during which a Certificate Settlement Notice is required to be delivered as specified in the applicable Pricing Supplement;

GUARANTEE OF LEHMAN BROTHERS HOLDINGS INC.

The following section shall be inserted after the Guarantee Agreement with regard to Certificates issued by LBEF on page 116 of the November Programme Prospectus.

4. Guarantee Agreement with regard to Warrants issued by LBS

THIS GUARANTEE AGREEMENT is made as of 17 March 2008

BY

(1) LEHMAN BROTHERS HOLDINGS INC. (the "Guarantor")

IN FAVOUR OF

(2) HOLDERS (as defined below);

WHEREAS

- (A) LEHMAN BROTHERS TREASURY CO. B.V. ("LBTCBV"), LEHMAN BROTHERS SECURITIES N.V. ("LBS") and LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A. ("LBEF") (each an "Issuer" and together the "Issuers") have established a Programme (the "Programme") for the issuance of certificates (the "Certificates") and, in the case of LBS, also warrants (the "Warrants"). In connection with the Programme LBS has entered into a master warrant agreement dated 17 March 2008 (as supplemented and amended from time to time, the "Master Warrant Agreement") with Citibank N.A., London and the other parties referred to therein. Warrants will be represented by a global Warrant (the "Global Warrant"). A Global Warrant will be deposited with the relevant Clearing System (as defined below).
- (B) This Guarantee only extends to all obligations due and owing by LBS (the "Guaranteed Issuer") under or in connection with all Warrants issued by the Guaranteed Issuer under this Programme dated November 29, 2007.

NOW THIS GUARANTEE WITNESSES as follows:

1. DEFINITIONS

1.1 In this Guarantee the following words and expressions shall have the following meanings:

"Clearing System" means SIS SegInterSettle AG ("SIS") and any other clearing system specified in the applicable Pricing Supplement;

"Conditions" means the terms and conditions of the relevant Warrants, as the same may be modified or supplemented in accordance with the terms thereof, and any reference to a numbered "Condition" is to the correspondingly numbered provision thereof;

"Guaranteed Certificate" shall mean a Warrant issued by the Guaranteed Issuer;

"Holder" shall bear the meaning ascribed thereto in the Conditions, in respect of any Guaranteed Warrant;

"Relevant Date" means either (i) the date on which payment of the relevant Certificate first becomes due or (ii) if the full amount of the monies payable has not been received by the Principal Warrant Agent (or any other warrant agent in respect of the relevant Warrant) on or prior to such due date, the date on which all monies then due for payment shall have been so received and notice to that effect shall have been duly given to the Holders; and

"this Guarantee" shall mean this Guarantee Agreement as amended or supplemented from time to time.

- 1.2 Headings used in this Guarantee are for each of reference only and shall not affect its construction.
- 1.3 Unless otherwise defined herein, terms defined in the Conditions have the same respective meanings when used in this Guarantee.

2. **GUARANTEE**

2.1 The Guarantor hereby irrevocably and unconditionally guarantees to the Holders the performance by the Guaranteed Issuer of all obligations due and owing by the Guaranteed Issuer under or in connection with all Guaranteed Warrants issued under this Programme only, including without limitation:

- (a) the due and punctual payment of each amount payable in respect of any Guaranteed Warrant as and when the same become due and payable; and
- (b) any obligation to deliver or procure the delivery of any securities pursuant to such Conditions,

so that the Guarantor shall, if the Guaranteed Issuer shall fail punctually to perform any such obligation, forthwith perform or procure the performance of all obligations due and owing by the Guaranteed Issuer under or in connection with all Guaranteed Warrants issued under this Programme upon written demand by such Holder including (without limitation) the due and punctual payment of any such amount in the manner and currency prescribed by such Guaranteed Warrant which the Guaranteed Issuer shall be liable to pay under and pursuant to such Guaranteed Warrant or the delivery of any securities pursuant to such Conditions and which the Guaranteed Issuer shall have failed to pay or deliver (as the case may be) at the time such demand is made.

2.2 This Guarantee is one of payment and not collection. The Guarantor acknowledges that its obligations hereunder are several and independent obligations of the Guaranteed Issuer and that the Guarantor shall be liable as sole principal debtor, with the consequence that such liability will not be discharged, impaired or otherwise affected by anything which would not so discharge, impair or otherwise affect its liability if it were a sole principal debtor, including without limitation:

- (a) any time, indulgence, waiver or consent at any time given to the Guaranteed Issuer or any other person;
- (b) any amendment to the Conditions in respect of the Guaranteed Warrants or to any security or other guarantee or indemnity;
- (c) the making or absence of any demand on the Guaranteed Issuer or any other person;
- (d) the enforcement or absence of enforcement of any Guaranteed Warrants or of any security or other guarantee or indemnity;
- (e) the release of any such security, guarantee or indemnity;
- (f) the dissolution, amalgamation, reconstruction or reorganisation of the Guaranteed Issuer or any other person;
- (g) the winding up of the Guaranteed Issuer or the bringing of any analogous proceeding in any jurisdiction or any change in its status, function, control or ownership; and

- (h) the illegality, invalidity, irregularity or unenforceability of, or any defect in, any provision of any Guaranteed Warrant or any of the Guaranteed Issuer's obligations in respect thereof.
- 2.3 As a separate and alternative stipulation, the Guarantor irrevocably agrees that any sum expressed to be payable by the Guaranteed Issuer under any Guaranteed Warrant which is for any reason (including, without limitation, by reason of any provision of any Guaranteed Warrant being or becoming void, unenforceable or otherwise invalid under any applicable law) (whether or not now known or becoming known to the Guaranteed Issuer, the Guarantor, the Holder(s) or any other person) not recoverable from it on the basis of a guarantee, will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Holder(s) on written demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent cause of action and will apply irrespective of any indulgence granted by the Holder(s) or any other person.
3. **STATUS**
- The claims of the Holders against the Guarantor in respect of Guaranteed Warrants will constitute direct, unconditional and unsecured obligations of the Guarantor and rank *pari passu* in right of payment among the Guarantee, prior to the equity securities of the Guarantor and equally with all other unsecured and unsubordinated debt obligations of the Guarantor (subject, in the event of insolvency, to laws affecting creditors' rights generally).
4. **CONTINUING GUARANTEE**
- This Guarantee is a continuing guarantee and shall extend to the ultimate balance of all the obligations of the Guaranteed Issuer under any Guaranteed Warrant notwithstanding any settlement of account or other matter or thing whatsoever. It shall remain in full force and effect until all such obligations have been irrevocably paid and satisfied in full. Furthermore, such obligations are additional to, and not in substitution for, any security or other guarantee or indemnity at any time existing in favour of any person.
5. **REINSTATEMENT**
- If any payment received by a Holder shall, on the subsequent bankruptcy, insolvency, corporate reorganisation or other similar event of the Guaranteed Issuer, be avoided or set aside under any laws relating to such events, such payment shall not be considered as discharging or diminishing the liability of the Guarantor and this Guarantee shall continue to apply as if such payment had at all times remained owing by the Guaranteed Issuer, provided that the obligations of the Guaranteed Issuer and/or the Guarantor under this Clause 5 shall, as regards each payment made to the Holder which is avoided or set aside, be contingent upon such payment being reimbursed to the Guaranteed Issuer or other persons entitled through such Guaranteed Issuer.
6. **IMMEDIATE RECOURSE**
- The Guarantor waives any right it may have of first requiring a Holder to proceed against or enforce any other rights or security against the Guaranteed Issuer or any other person before claiming from the Guarantor hereunder.
7. **COVENANTS**
- The Guarantor covenants in favour of the Holders that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions.

8. **DEPOSIT OF GUARANTEE**

This Guarantee shall be deposited with and held by the Principal Paying Agent until all obligations of the Guaranteed Issuer and/or in respect of the Guaranteed Warrants have been discharged in full. The Guarantor hereby acknowledges the right of every Holder to the production of this Guarantee.

9. **STAMP DUTIES**

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which may be payable upon or in connection with the execution and delivery of this Guarantee, and shall indemnify each Holder against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, reasonably legal fees and any applicable value added tax) which it incurs as a result of or arising out of or in relation to any failure of the Guarantor to pay or delay in paying any of the same.

10. **PARTIAL INVALIDITY**

If at any time any provisions hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

11. **NOTICES**

All notices, demands or other communications by any Holder upon the Guarantor shall be duly served upon the Guarantor if served on the Guarantor by letter at 745 Seventh Avenue, New York, New York 10019.

12. **GOVERNING LAW**

This Guarantee shall be governed by, and construed in accordance with, the law of the State of New York.

13. **PLACE OF JURISDICTION**

This Guarantee may be enforced against the Guarantor by the Holders (i) at the Federal or State courts in the city of New York, United States of America, (ii) at the courts in Zurich 1, Switzerland, or (iii) any other court with jurisdiction.

SWISS TAXATION

The following "Swiss Taxation" section replaces the "Swiss Taxation" section on page 153 of the November Programme Prospectus in its entirety:

The following is a summary based on legislation as of the date of this Programme Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Securities. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Securities (or options embedded therein) in light of their particular circumstances.

1. Stamp Taxes

A. Swiss Federal Issue Stamp Tax

The Securities are not subject to Swiss federal stamp tax on the issuance of securities provided that the respective Issuer is at all times resident and managed outside Switzerland for Swiss tax purposes.

B. Swiss Federal Securities Turnover Tax

Dealings in Securities which classify as pure derivative financial instruments (such as pure call and put options, including low exercise price options with a maturity not exceeding twelve months, pure futures with a maximal pre-financing of 25 per cent., static certificates replicating an index or a basket of at least five shares and with a fixed maturity or an annual redemption right) are not subject to the Swiss federal securities turnover tax.

Dealings in Securities which have been issued by an issuer outside of Switzerland and which classify as structured notes, share-like instruments (including low exercise price options on shares with a maturity exceeding twelve months) or fund-like instruments are subject to Swiss federal securities turnover tax of 0.3 per cent. on the consideration paid, however, only if a Swiss securities dealer (as defined in the Swiss federal stamp tax act) is a party or an intermediary to the transaction and no exemption applies.

The delivery of an underlying security at exercise or redemption to the holder of the Security is subject to Swiss federal securities turnover tax of 0.3 per cent. in case a security issued by an issuer outside Switzerland is delivered and of 0.15 per cent. in case a security issued by a Swiss domestic issuer is delivered, however, in each case, only if a Swiss domestic securities dealer (as defined in the Swiss federal stamp tax act) is a party or an intermediary to the transaction and no exemption applies.

2. Swiss Withholding Tax

Payments on a Security are not subject to Swiss federal withholding tax provided that the respective Issuer is at all times resident and managed outside Switzerland for Swiss tax purposes.

3. Income Taxation

(A) Non-Swiss resident Holders

A holder of a Security who is not resident in Switzerland and who during the taxation year has not engaged in trade or business carried on through a permanent establishment or a fixed place of business in Switzerland, and who is not subject to income taxation in Switzerland for any other reason, will not be subject to any income tax in Switzerland.

(B) Securities held as Private Assets by a Swiss resident Holder

(a) Structured Notes

If a Security classifies as a structured note, its income taxation depends on whether the bond and the derivative financial instrument(s) embedded therein are recorded separately from each other and whether the Security classifies as a structured note with or without a predominant one-time interest payment:

Non-transparent derivative financial instruments: If the embedded bond is not recorded separately from the embedded derivative financial instrument(s), the Security classifies as non-transparent structured note and any return over the initial investment classifies as a taxable interest payment. Non-transparent derivative financial instruments generally include a predominant one-time interest payment and are taxed in accordance with the principles set forth below under “—*Transparent derivative financial instruments with a predominant one-time interest payment*”.

Transparent derivative financial instruments without a predominant one-time interest payment: If the embedded bond is recorded separately from the embedded derivative financial instrument(s) and the yield-to-maturity predominantly derives from periodic interest payments and not from a one-time-interest-payment (see below “—*Transparent derivative financial instruments with a predominant one-time interest payment*”), then any periodic interest payment and the one-time interest payment is taxed when paid to the holder of the Security. A gain, including interest accrued, a loss, respectively, realised on the sale of a Security is a tax-free private capital gain, a non-tax-deductible private capital loss, respectively.

Transparent derivative financial instruments with a predominant one-time interest payment: If the embedded bond is recorded separately from the embedded derivative financial instrument(s) and the yield-to-maturity predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments, then any periodic interest payments and, *in addition*, on the sale or redemption of the Security, the difference between the value of the embedded bond at redemption or sale, as applicable, and its value at issuance or secondary market purchase, as applicable, converted, in each case, into Swiss Francs at the exchange rate prevailing at the time of redemption or sale, issuance or purchase, respectively (modified differential taxation method) constitutes taxable income. A value decrease on the embedded bond respectively realised on the sale or redemption of the Security may be offset against any gains (including periodic interest payments) realised within the same taxation period from all instruments with a predominant one-time interest payment. Any residual return realised on the embedded derivative financial instrument(s) is a tax-free private capital gain, and any residual loss is a non-tax-deductible private capital loss, respectively.

(b) Pure Derivative Financial Instruments

A capital gain realised by an individual on the sale or redemption of a Security which classifies as a pure derivative financial instrument (such as pure call and put options, including low exercise price options with a maturity not exceeding one year, pure futures, static certificates replicating an index or a basket of at least five shares and with a fixed maturity or an annual redemption right) and which is held as part of their private assets constitutes a tax-free private capital gain. A capital loss realised analogously on the sale or redemption of a Security cannot be set off against taxable income. Periodic and one-time dividend equalization payments on a Security which is a pure derivative financial instrument constitute taxable investment income.

(c) Fund-like Instruments

A Security classified as a fund-like instrument will be considered a pass-through instrument for Swiss tax purposes if dividend and interest income (less attributable costs) from, and capital gains and losses (less attributable costs) realised on, the underlying investments, are reported and distributed separately. Under

such conditions, an individual holding a fund-like Security as part of private assets only receives taxable income (which he or she must report annually) over such portion of the distributions (in case the fund is distributing the income realised on the underlying investments) or earnings credits (in case the fund is reinvesting the income realised on the underlying investment) as derive from dividends and interest (less attributable costs) on the underlying instruments. Any distributions or credits deriving from capital gains realised on the underlying investments constitute a tax-free private capital gain, and any respective loss a non-tax-deductible private capital loss. Any gain realised within a taxation period on the sale of a fund-like Security (including accrued dividends and interest) is exempt from income taxation as a private capital gain, and, conversely, any loss realised a non-tax-deductible capital loss.

(d) Low Exercise Price Options

According to the current practice of the Swiss Federal Tax Administration low exercise price options are given if the underlying of a call option has been pre-financed by at least 50 per cent. at the time of issuance.

For low exercise price options with a maturity exceeding one year the interest component of the low exercise price option (i.e. issue discount) constitutes taxable investment income.

(C) Securities held as Assets of a Swiss Business

Corporate entities and individuals who hold Securities as part of a trade or business in Switzerland, in the case of residents abroad carried on through a permanent establishment or a fixed place of business in Switzerland, are required to recognise any payments on, and any capital gains or losses realised on the sale or redemption of, such Securities (irrespective of their classification) in their income statement for the respective taxation period and will be taxed on any net taxable earnings for such period.

The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as “professional securities dealers” for reasons of, *inter alia*, frequent dealing and leveraged investments in securities.

4. **Savings Directive**

An interest payment on a Security made by a Swiss paying agent to an individual resident in an EU member state is subject to the EU savings tax. The tax is withheld at a rate of 15% on interest payments made before 1 July 2008, 20% on interest payments made before 1 July 2011 and 35% on interest payments made thereafter, with the option of the individual to have the paying agent and Switzerland provide to the tax authorities of the EU member state the details of the interest payments in lieu of the withholding. The individual may be entitled to a tax credit or refund of the withholding, provided that he or she is the beneficial owner of the interest payments and certain other conditions are met.

UNITED STATES TAXATION

The following shall replace the "United States Taxation" section on page 157 of the November Programme Prospectus in its entirety:

This discussion of U.S. tax matters in this Programme Prospectus is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing of the Warrants and Certificates issued under the Programme. Prospective purchasers of the Warrants or Certificates should consult their own tax advisors regarding the application of U.S. federal income tax law, as well as any state, local, foreign or other tax laws, to the purchase, ownership and disposition of Warrants or Certificates in light of their particular circumstances.

It is expected that neither (i) payments on or (ii) the proceeds from the sale of Warrants or Certificates will be subject to U.S. withholding tax. However, investors that hold Warrants or Certificates in a manner that is considered to be effectively connected with a U.S. trade or business or that are in the United States for 183 days in any year that they hold Warrants or Certificates should consult their own advisors about their particular U.S. tax position.

A Pricing Supplement for an issue of Warrants or Certificates may specify with respect to the issue to which it relates (and where relevant) the potential U.S. federal income tax consequences to investors of the purchase, ownership, disposition, lapse and exercise or, as the case may be, redemption of the Warrants or Certificates.

The relevant Issuer may not have access to information that would permit it to ascertain, and will not investigate, whether any Share Company or any of the Basket Companies is a United States real property holding company for U.S. federal tax purposes.

This discussion does not address the consequences of holding any securities received upon physical settlement of a Warrant.

NETHERLANDS ANTILLES TAXATION

The following shall replace the "Netherlands Antilles Taxation" section on page 160 of the November Prospectus in its entirety:

The following is a general description of certain Netherlands Antilles tax issues in relation to the Securities. It should not be considered as advice. Neither should the information provided be considered as an analysis of all relevant tax issues relating to the Securities. It is recommended that a holder of Securities consult his own professional tax advisers as to the consequences under the tax laws of the country of residence and for the tax laws applicable in the Netherlands Antilles or other jurisdictions concerned. This summary only addresses the position of the holders of the Securities who do not have any connection with the Netherlands Antilles other than the holding of the Securities. The information does not refer to Netherlands Antilles companies, which become the holder of the Securities. Nor may it be applicable to certain persons, which have a specific qualification, such as dealers or traders. This summary is based upon the law as in effect on the date of this Programme Prospectus and is subject to any change in law that may take effect after such date.

1. Withholding tax

All payments in respect of the Securities will be made clear and free of withholding or deduction of, for or on account of withholding taxes imposed, levied, withheld or assessed by the Netherlands Antilles or any political subdivision or taxing authority thereof or therein, except as may be required by any law to comply with the commitment of the Netherlands Antilles to introduce measures similar as those contained in European Council Directive 2003/48/EC.

2. Taxes on Income and Capital Gains

An individual who holds Securities and who is neither a resident nor deemed to be a resident of the Netherlands Antilles will not be subject to any Netherlands Antilles taxes on income or capital gains (any withholding required on the basis of paragraph 1 in connection with European Council Directive 2003/48/EC not being regarded as Netherlands Antilles taxes) in respect of any payment under the Securities or in respect of any gain realised on the sale, redemption, exchange or conversion of the Securities, provided that:

- (i) such holder does not have an enterprise or a profession or an interest in any enterprise or profession that is, in whole or in part, carried on in the Netherlands Antilles by a permanent representative of or other person holding a power of attorney from the holder or, in the case of an enterprise, for the account of such holder, and to which the Securities are attributable; or
- (ii) the Securities can not be considered to be (profit) rights which are dependent or contingent on the profits or turnover of any enterprise or profession exercised within the Netherlands Antilles or on the amounts or proceeds of any product mined or processed in the Netherlands Antilles;
- (iii) the Securities cannot be considered to be a payment for present or past services rendered by the holder, if same is an individual, or another person as a director (*bestuurder*) or member of a supervisory board (*commissaris*) of a corporate entity established in the Netherlands Antilles; or
- (iv) the Securities are not secured by a mortgage on real property located within the Netherlands Antilles.

Where the Securities are held by a corporate entity, which is not organised under the laws of the Netherlands Antilles nor is a resident or deemed resident of the Netherlands Antilles, such entity will not

be subject to any Netherlands Antilles tax on income, profit or capital gains in respect of any payment under the Securities or in respect of any gain realised on the sale, redemption, exchange or conversion of the Securities, provided that: (a) such holder is not engaged or deemed to be engaged in trade or business in the Netherlands Antilles through a permanent establishment or permanent representative; or (b) the Securities are not secured by a mortgage on real property located in the Netherlands Antilles.

3. **Gift, Estate or Inheritance Taxes**

No gift, estate or inheritance tax liability arises in the Netherlands Antilles with respect to an acquisition of Securities through a gift from an individual or corporate holder of Securities or, in the case of an individual, on the death of a holder, who is neither a resident nor deemed to be a resident of the Netherlands Antilles.

4. **Turnover Tax**

In the Netherlands Antilles no turnover tax (*Omzetbelasting*) or similar tax will be levied from the Issuers on the invoicing of or payments by the Issuers of principal, premium and/or interest with respect to the Securities, provided that the conditions for exemption are met. These conditions follow:

the Issuer is neither a resident nor deemed to be a resident of the Netherlands Antilles;

the Issuer does not have a permanent establishment or a permanent representative in the Netherlands Antilles; and

the Securities are not and will not be offered or sold directly or indirectly within the Netherlands Antilles.

The aforementioned conditions are not met with respect to LBS, pertaining to LBS a turnover tax exemption applies with respect to trading in securities as defined in the Decree of the Minister of Finance dated November 2nd, 2001 (*Decree 00/5839/JAZ*). The Netherlands Antilles tax authorities have confirmed the application of the aforementioned turnover tax exemption for both Issuers.

4. **Other Taxes and Duties**

No registration tax, stamp duty, transfer tax, or any similar levy, will be payable in the Netherlands Antilles in relation to the execution, delivery and/or enforcement by legal proceedings of the issue documents or the Securities or the performance by the Issuer of its obligations thereunder, provided these actions take place outside the Netherlands Antilles. If, however, the registration of the Securities and/or the issue documents take place within the Netherlands Antilles and/or if such documents are brought into the courts of the Netherlands Antilles, stamp duty amounting to not more than ANG 10 (USD 5.60) per page of document and registration tax of ANG 5 (USD 2.80) per document is due.

No registration tax, transfer tax, stamp duty or any other similar levy or duty by reason of the mere acquisition, ownership or disposal of the Securities will be payable in the Netherlands Antilles.

5. **Residence**

A holder of a Certificate will not be treated as a resident of the Netherlands Antilles by reason only of the holding of a Certificate or the execution, performance, delivery and/or enforcement of the Securities.

6. **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, as of 1 July 2005, a Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident, or certain limited types of entity established, in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are required (unless during that period they

elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland and the Netherlands Antilles have adopted similar measures (a withholding system in the case of Switzerland and the Netherlands Antilles) with effect from the same date.

On 29 July 2006 the Netherlands Antilles Ordinance on the taxation of savings income entered into force (hereinafter referred to as the "Ordinance"). The Ordinance was introduced in order to conform to the aforementioned EC Council Directive 2003/48/EC on the taxation of savings income.

In this respect the Netherlands Antilles have chosen for the implementation of a withholding tax instead of the obligation to exchange information on the deposits of residents of European Union Member States. Pursuant to the Ordinance, LBS has the obligation to withhold 15% withholding tax on interest paid to the individuals, beneficial owners, that are residents of a European Union Member State. As of 1 July 2008 the percentage will amount to 20% and as of 1 July 2011 the withholding tax will amount to 35%. No withholding tax will be withheld, if the EU resident/ beneficial owner files a written request with the payer of the interest not to withhold any tax on the interest payment. The request implies that the holder authorizes the payer of the interest to supply information in the sense of the EC Council Directive 2003/48/EC to the Netherlands Antilles tax authorities with regard to the interest payment. If such a request is made, the Netherlands Antilles tax authorities will exchange information with the tax authorities of the resident state of the beneficial owner and no withholding shall be executed by the payer of the interest.

At the moment the Securities are sold by a Netherlands Antilles withholding agent on behalf of a holder, who is a resident of an EU Member State, a part of the amount paid to the EU resident may be considered as capitalised interest. Consequently, 15% withholding tax or the higher percentage as is referred to above, as the case may be, should be withheld. The beneficial owner could opt for exchange of information in the sense of the EC Directive 2003/48/EC in the latter case as well.

SUBSCRIPTION AND SALE

The following shall replace the "United States" section on page 163 of the November Programme Prospectus in its entirety:

United States

Set out below are the forms of selling restrictions that will apply in respect of Securities issued under the Programme unless otherwise amended, supplemented or modified in any particular Pricing Supplement.

Type 1 U.S. Selling Restriction

This U.S. Selling Restriction envisages an offer or sale of Cash Settled Certificates or Cash Settled Warrants where the underlying is a security, rather than a commodity, outside the United States to non-U.S. persons. If the applicable Pricing Supplement for Securities of any Series indicates that the Type 1 U.S. Selling Restrictions apply, the U.S. Selling Restrictions will be as follows:

Neither the Securities nor, where applicable, the Guarantee in respect of the relevant Issuer's obligations in relation to the Securities has been or will be registered under the Securities Act and neither the Securities nor, where applicable, the Guarantee may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from the registration requirements of the Securities Act.

Each Manager is required to agree, and each further Manager appointed under the Programme will be required to agree, with the Issuers and the Guarantor (in its capacity as such) that it will not offer or sell the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Securities are a part, as determined and certified to the relevant Issuer by the relevant Manager (or, in the case of a sale of a series of Securities sold to or through more than one Manager, by each of such Managers as to Securities of such Series purchased by or through it, in which case the relevant Issuer shall notify each such Manager when all such Managers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities in the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by a Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Type 2 U.S. Selling Restrictions

This U.S. Selling Restriction envisages an offer or sale of Physical Delivery Certificates or Physical Delivery Warrants where the underlying is a security rather than a commodity, outside the United States to non-U.S. persons. If the applicable Pricing Supplement for Securities of any Series indicates that the Type 2 U.S. Selling Restrictions apply, the U.S. Selling Restrictions will be as follows:

None of the Securities, the Guarantee (where applicable) in respect of the relevant Issuer's obligations in relation to the Securities and any securities to be delivered upon exercise or redemption of the Securities have been or will be registered under the Securities Act and none of the Securities, the Guarantee (where applicable) and any securities to be delivered upon exercise or redemption of the Securities may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from the registration requirements of the Securities Act. Exercise or redemption of a Security will be conditioned on certification that the holder (or any person on whose behalf the holder is directly or indirectly acting) is neither a U.S. person nor located within the United States (both within the

meaning of Regulation S). Each Manager is required to agree and each further Manager appointed under the Programme will be required to agree, with the Issuers and the Guarantor (in its capacity as such) that it will not offer or sell the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which the Securities are a part, as determined and certified to the relevant Issuer by the relevant Manager (or, in the case of a Series of Securities sold to or through more than one Manager, by each of such Managers as to Securities of such Series purchased by or through it in which case the relevant Issuer shall notify each such Manager when all such Managers have so certified), within the United States or to, or for the account of benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities in the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Type 3 U.S. Selling Restrictions

This U.S. Selling Restriction envisages an offer or sale of Securities where the underlying is a commodity, offered or sold outside the United States to non-U.S. persons. If the applicable Pricing Supplement for Securities of any Series indicates that Type 3 U.S. Selling Restrictions apply, the U.S. Selling Restrictions will be as follows:

None of the Securities, the Guarantee (where applicable) in respect of the relevant Issuer's obligations in relation to the Securities and any securities which may be delivered upon exercise or redemption of the Securities have been nor will be registered under the Securities Act and that trading in the Securities has not been approved by the U.S. Commodity Futures Trading Commission (the "CFT") under the Commodity Exchange Act (the "CEA"). The Securities may not at any time be offered, sold or delivered in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person or any person in the United States at any time trade or maintain a position in the Securities. Exercise or redemption of a Security will be conditioned on certification that the holder (or any person on whose behalf the holder is directly or indirectly acting) is not a U.S. person or located within the United States (both within the meaning of Regulation S). Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager is required to represent and agree that it has not acquired any Securities for the account or benefit of any U.S. person and that it has not offered, sold, traded or delivered, and will not at any time offer, sell, trade or deliver, any Securities, whether acquired in connection with the distribution of the Securities or otherwise, in the United States or to, or for the account or benefit of, U.S. persons.

Each Manager is also required to agree that it will send to each securities dealer to which it sells Securities at any time a confirmation or other notice setting forth the restrictions on offers, sales and deliveries of the Securities in the United States or to, or for the account or benefit of, U.S. persons.

Transfer Restrictions

Each purchaser of any Security offered and sold in reliance on Regulation S will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (a) the purchaser is, and the person, if any, for whose account it is acquiring such Security is (1) located outside the United States and is not a U.S. person (both within the meaning of Regulation S), and (ii) is acquiring the offered Securities in an offshore transaction meeting the requirements of Regulation S;

- (b) the purchaser is aware that the Securities have not been and will not be registered under the Securities Act and that the Securities are being distributed and offered outside the United States in reliance on Regulation S and, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Securities except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;
- (c) the purchaser acknowledges that the relevant Issuer, the Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Securities is no longer accurate, it shall promptly notify the relevant Issuer and the Managers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

The following shall be inserted after the second paragraph under the heading "Netherlands Antilles" on page 166 of the November Programme Prospectus:

The Warrants to be issued by LBS under the Programme have not been, directly or indirectly, offered, sold, transferred or delivered and will not be, directly or indirectly, offered, sold, transferred or delivered (including rights representing an interest in a Global Warrant) in The Netherlands Antilles.

Warrants issued by LBS under the Programme with a denomination of less than Netherlands Antillean guilder (Naf) 100,000 (or the equivalent in any other currency) have not been, directly or indirectly, offered, sold, transferred or delivered and will not be, directly or indirectly, offered, sold transferred or delivered (including rights representing an interest in a Global Warrant) to the account of any person or entity other than to persons or entities which trade or invest in securities in the conduct of a profession or business, which includes banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises.

PRO FORMA PRICING SUPPLEMENT FOR CERTIFICATES

The following shall replace the "Pro Forma Pricing Supplement" section on page 167 of the November Programme Prospectus in its entirety:

PRO FORMA PRICING SUPPLEMENT

Set out below is a pro forma Pricing Supplement which, subject to completion and amendment, will be issued in respect of issues of Certificates under the Programme. Text in this section appearing in italics does not form part of the Pricing Supplement but denotes guidance for completing the Final Terms.

Pricing Supplement dated []

**[LEHMAN BROTHERS TREASURY CO. B.V./LEHMAN BROTHERS SECURITIES
N.V./LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A.]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Certificates]
under the Certificates Programme of Lehman Brothers Treasury Co. B.V.,
Lehman Brothers Securities N.V. and
Lehman Brothers (Luxembourg) Equity Finance S.A.
dated as of [•], 2008**

**Unconditionally and Irrevocably Guaranteed by
Lehman Brothers Holdings Inc.**

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions set forth in the Programme Prospectus dated November 29, 2007 and the Programme Prospectus Supplement dated 17 March 2008 [and the Programme Prospectus Supplement dated [•]]. This Pricing Supplement comprises the Final Terms of the Certificates described herein and must be read in conjunction with such Programme Prospectus [as so supplemented].

PART A – FINAL TERMS

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

- | | | | |
|----|--------|-----------------------------------|--|
| 1. | (i) | Issuer: | [Lehman Brothers Treasury Co. B.V./Lehman Brothers Securities N.V./Lehman Brothers (Luxembourg) Equity Finance S.A.] |
| | (ii) | Guarantor: | Lehman Brothers Holdings Inc. |
| 2. | [(i)] | [Series Number:] | [•] |
| | [(ii)] | Tranche Number: | [•] |
| | | | [(If fungible with an existing Series, details of that Series, including the date on which the Certificates become fungible).] |
| 3. | | Specified Currency or Currencies: | [•] [(being the equivalent of [•] Units)] ¹ |

¹ Insert only in case Trading in Units is specified as being applicable.

4. Aggregate Nominal Amount: [•]
- [(i)] Series: [•]
- [(ii)] Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)] [/[amount in specified currency] per Unit]²
- A fee may have been paid by the Lead Manager to an introducing agent/distributor. Further information is available from the Lead Manager upon request at any time
6. Specified Denomination(s) and Units
- (i) Specified Denomination(s): [•]
- (ii) Calculation Amount [•]
- (iii) Trading in Units: [Applicable/Not Applicable]
- If Trading in Units is specified as being Applicable then the Certificates will be tradeable by reference to the number of Certificates being traded (each having the Specified Denomination) as opposed to the aggregate principal amount of Certificates being traded.
- [Trading in Units may only be specified as being Applicable if the Certificates have a single Specified Denomination.]*
7. Minimum initial purchase of the Securities: [Minimum initial purchase]
8. Minimum transferable number (for the purposes of Condition 1(c)): [Minimum transferable number]
- [(i)] Issue Date: [•]
- [(ii)] Interest Commencement Date: [•]
9. Maturity Date: [Fixed Rate – specify date/Floating Rate – specify Interest Payment Date falling in or nearest to month and year]
10. Strike Fixing Date: [•]
11. Interest Basis: [[•] per cent. Fixed Rate]
- [specify reference rate +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- [Index-Linked Interest]

² Insert only in case Trading in Units is specified as being applicable.

- [Equity-Linked Interest]
 [Other (*specify*)]
 (further particulars specified below)
12. Redemption/Payment Basis: [Redemption at par]
 [Index-Linked Redemption Amount]
 [Equity-Linked Redemption Amount]
 [Dual Currency Redemption]
 [Partly Paid]
 [Instalment]
 [Extendible]
 [Other (*specify*)]
- Change of Interest or Redemption/Payment Basis: [*(Specify details of any provision for convertibility of Certificates into another interest or redemption/payment basis)*]
14. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
15. Last Trading Day (for the purposes of Condition 1(c): [3 Business Days before the commencement of Certificate Settlement Notice Period]
16. Underlying: Commodity (or Basket of Commodities)/Debt Security (or Basket of Debt Securities)/Share (or Basket of Shares) /Index (or Basket of Indices) [*please specify*]/[Not Applicable]
17. Commodity: [*specify*]/[Not Applicable]
18. Debt Security: [*specify*]/[Not Applicable]
19. Depository Receipt: [*specify*]/[Not Applicable]
20. Share(s): [*specify*]/[Not Applicable]
21. Index or Indices: [*specify*]/[Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

22. Fixed Rate Certificate Provisions [Applicable/Not Applicable]*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Fixed Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semiannually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [•] in each year up to and including the Maturity Date]/[*specify other – consider whether to adjust*]

in accordance with a Business Day Convention – see items 22(vi) and (vii)]

- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
 - (iv) Fixed Day Count Fraction: [30/360]/[Actual/Actual (ICMA)][*If neither of these options applies, give details*]
 - (v) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
 - (vi) Other terms relating to the method of calculating interest or Fixed Rate Certificates: [Not Applicable/*give details*]
 - (vii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
23. Floating Rate Certificate Provisions [Applicable/Not Applicable. (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)]
- (i) Interest Period(s)/Interest Payment Date(s): [•]
 - (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other (*give details*)]
 - (iii) Additional Business Centre(s) for interest accrual only (Condition 3(b)(B)): [*If Euro is the Specified Currency and Business Days are defined only by reference to TARGET or London, specify "Not Applicable". If any other currency is the Specified Currency and Business Days are defined only by reference to London and the principal financial centre of that currency, specify "Not Applicable". Otherwise give details*]
 - (iv) Manner in which the Rate(s) if Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (*give details*)]
 - (v) Screen Rate Determination:
 - Reference Rate: [*For example, LIBOR, EURO LIBOR BBA, EURIBOR or HIBOR*]]
 - Interest Determination Date(s): [(*Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR or if HK Dollars, HIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)]
 - Relevant Screen Page: [*For example, Reuters page LIBOR 01 for LIBOR/EUROBOR01 for EURIBOR*]

- Relevant Time: *[For example, 11.00 a.m. London time in the case of LIBOR/Brussels time in the case of EURIBOR]*
 - Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]*
- (vi) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: *[For example, Reset Date, for USD-LIBOR-BBA should be the first day of each Interest Period]*
- (vii) Margin(s): [+][•] per cent. per annum
- (viii) Multiplier: [Not Applicable/give details]
- (ix) Minimum Interest Rate: [•] per cent. per annum
- (x) Maximum Interest Rate: [•] per cent. per annum
- (xi) Day Count Fraction: [•]
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Certificates, if different from those set out in the Conditions: [Not Applicable/give details]
24. Zero Coupon Certificate Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [•] per cent. per annum
 - (ii) Reference Price: [•]
 - (iii) Day Count Fraction (for the purposes of Condition 5): [•]
 - (iv) Any other formula/basis of determining amount payable: [•]
25. Index-Linked Interest Certificate/Equity-Linked Interest Certificate/Other Variable-Linked Interest Certificate Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula/other variable: *[(give or annex details)]*
 - (ii) Name and address of Calculation Agent, if any, responsible for Calculating the principal and/or interest due [•]

- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [•]
 - (iv) Provisions for determining reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
 - (v) Interest Period(s)/Interest Payment Dates: [•]
 - (vi) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
 - (vii) Additional Business Centre(s) (Condition 3(b)(B)): [*If Euro is the Specified Currency and Business Days are defined only by reference to TARGET or London, specify "Not Applicable". If any other currency is the Specified Currency and Business Days are defined only by reference to London and the principal financial centre of that currency, specify "Not Applicable". Otherwise give details*]
 - (viii) Minimum Interest Rate for interest accrual only (Condition 3(b)(iv)): [•] per cent. per annum
 - (ix) Maximum Interest Rate: [•] per cent. per annum
 - (x) Interest Determination Date(s): [•]
 - (xi) Day Count Fraction: [•]
26. Dual Currency Certificate Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate of exchange/method of calculating rate of exchange: [*give details*]
 - (ii) Provisions applicable where calculation by reference to rate of exchange is impossible or impracticable: [•]
 - (iii) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO SETTLEMENT AND REDEMPTION

27. Form of Settlement (for the purposes of Condition 1(d)): [Cash Settled Certificates [subject to the Holder's option to elect physical delivery]][Physical Delivery Certificates [subject to the Holder's option to elect cash settlement]]
- [Specify detailed terms of Holder's option if applicable, or for any other form of settlement]*

- applicable]*
28. Issuer's option to vary settlement in respect of the Certificates (for the purposes of Conditions 1(d) and 22): *[Specify details if applicable]*
[Not Applicable]
29. Valuation Date: [Date]
30. Averaging Dates: [Dates]
[Not Applicable]
31. Valuation Time: [Time][am/pm/noon] [City] time
32. Consequences of Averaging Date Disruption (for the purposes of Condition 25(b)): [Omission][Postponement][Modified Postponement]
[Not Applicable]
33. Certificate Settlement Notice Period: [From and including *[date]* to and including *[date]*]
[Not Applicable]
34. Business Day Centre(s): [City/cities]
35. Exchange Rate, including details of when such rate is to be ascertained: [*Rate*] as determined by [Specify] ascertained at [•] on [the Valuation Date / *other*]
[Not Applicable]
36. If Physical Delivery Certificates:
- (i) the Relevant Asset(s) (for the purposes of the definition in Condition 32): [Applicable] [Not Applicable]
[Specify details if applicable]
- (ii) method of delivery of the Physical Settlement Amount (for the purposes of Condition 23(a)): [Applicable] [Not Applicable]
[Specify details if applicable]
- (iii) method of evidencing the Physical Settlement Amount (for the purposes of Condition 23 (a)) [Applicable] [Not Applicable]
[Specify details if applicable]
- (iv) treatment of dividends payable on the Relevant Assets(s) (for the purposes of Condition 23(b)): [Not Applicable][Applicable]
[Specify details if Condition 23(b) does not apply][Condition 23(b) applies]
37. If Physical Delivery Certificates, any modification of minimum Board Lot requirement in relation to settlement (for the purpose of Condition 22): *[Specify details if applicable]*
[Not Applicable]
38. Call Option [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s) (Call): [(Consider for Fixed Rate Certificates adjustment in accordance with a Business Day Convention – see items 22(vi) and (vii)]
- (ii) Optional Redemption Amount(s) of each Certificate (Call) and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Higher Redemption Amount: [•] per Calculation Amount
- (iv) Notice period (if other than as set out in the Conditions): *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between such Issuer and the Agent.)*
39. Put Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [(Consider for Fixed Rate Certificates adjustment in accordance with a Business Day Convention – see items 22(vi) and (vii)]
- (ii) Optional Redemption Amount(s) of each Certificate (Call) and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) If redeemable in part: [•]
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Higher Redemption Amount: [•] per Calculation Amount
- (iv) Notice period (if other than as set out in the Conditions): *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between such Issuer and the Agent.)*
40. Final Redemption Amount of each Certificate: [•] per Calculation Amount

[In cases where the Final Redemption Amount is Index-Linked/Equity-Linked/Other variable-linked:

- (i) Index/Share/Formula/variable: [give or annex details]
 - (ii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [•]
 - (iii) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
 - (iv) Payment Date: [•]
 - (v) Minimum Final Redemption Amount: [•] per Calculation Amount
 - (vi) Maximum Final Redemption Amount: [•] per Calculation Amount
41. Early Redemption Amount of each Certificate

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [•]

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

42. If Commodity-Linked Certificates, provisions for calculations: [Applicable] [Not Applicable]
[Specify details if applicable]
43. If Index-Linked Certificates:
- (a) Exchange: [Specify relevant exchange or quotation system in relation to each Index] [Specify relevant Multi-exchange Index] [Not Applicable]
 - (b) Related Exchange: [Specify relevant exchange or quotation system in relation to each Index][All Exchanges] [Not Applicable]
 - (c) Consequences of Index Adjustment Event (for the purposes of Condition 26(a)(ii)):
 - (i) Index Modification: [Calculation Agent Adjustment] [Cancellation and Payment] [Not Applicable]
 - (ii) Index Cancellation: [Calculation Agent Adjustment] [Cancellation and Payment] [Not Applicable]
 - (iii) Index Disruption: [Calculation Agent Adjustment] [Cancellation

and Payment] [Not Applicable]

44. If Equity-Linked Securities:

- (a) Exchange: *[Specify relevant exchange or quotation system in relation to each Share]* [Not Applicable]
- (b) Related Exchange: *[Specify relevant exchange or quotation system in relation to each Share]* [Not Applicable]
- (c) Method of Adjustment (for the purposes of Condition 26(b)): [Options Exchange Adjustment] [Calculation Agent Adjustment] [Not Applicable]
- (d) Consequences of Merger Events (for the purposes of Condition 27(a)):
 - (i) Share-for-Share: [Alternative Obligation] [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
 - (ii) Share-for-Combined: [Alternative Obligation] [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
 - (iii) Share-for-Other: [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
- (e) Consequences of Tender Offers (for the purposes of Condition 27(b))
 - (i) Share-for-Share: [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
 - (ii) Share-for Combined: [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
 - (iii) Share-for-Other: [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
- (f) Options Exchange (for the purposes of Condition 32) *[Specify relevant exchange or quotation system]*

45. Additional Disruption Events:

- (a) Applicable Additional Disruption Events: [The following Additional Disruption Events apply:
[Change in Law]

- [Failure to Deliver]
- [Hedging Disruption]
- [Increased Costs of Hedging]
- [Increased Cost of Stock Borrow. For the purposes of such event, the Initial Loan Rate is [Specify details if applicable]]
- [Insolvency Filing]
- [Loss of Stock Borrow. For the purposes of such event, the Maximum Loan Rate is [Specify details if applicable]]
- [None]
- (b) Consequences of Additional Disruption Event: [Specify details if applicable]
- [Not Applicable]
46. Details relating to Partly Paid Certificates: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Certificates and interest due on late payment: [Not Applicable/give details]
47. Details relating to Instalment Certificates: Instalment Amounts and Instalment Dates: [Not Applicable/Condition 4 [(a)/(b)] applies-give details]
48. Details relating to Extendible Certificates: [Not Applicable/give details (see Condition 4 (Extendible Certificates))]
49. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [] apply]
50. Consolidation provisions: [Not Applicable/The provisions [in Condition 17 (Further Issues of Certificates)] [annexed to these Final Terms] apply]
51. Calculation Agent: Lehman Brothers International (Europe)
52. Other final terms: [Not Applicable/give details]
- (When adding any other final terms consideration should be given as to whether such terms constitute "significant new factor" and consequently trigger the need for a Supplement.)*

DISTRIBUTION

53. Name and address of Lead Manager: [Not Applicable/give name and address]
54. Selling restrictions:
- (i) U.S. Selling Restrictions: [Type 1/Type 2/Type 3] [specify one category for every issue of Certificates]

(ii) Additional Selling Restrictions: [Not Applicable/give details]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement in accordance with ref. no. 68 of the Directive for the Listing of Derivatives of the SWX Swiss Exchange and with section 5 of Scheme C of the Annex to Listing Rules of the SWX Swiss Exchange. The Issuer confirms that to the best of its knowledge and belief, the information contained in this Pricing Supplement in relation to the Issuer and to the Certificates, excluding information regarding the Underlying, is correct and that no material fact relating to the Issuer or the Certificates has been omitted from this Pricing Supplement. The Guarantor confirms that to the best of its knowledge and belief, the information contained in this Pricing Supplement in relation to the Guarantor and to the Guarantee is correct and that no material fact relating to the Guarantor or the Guarantee has been omitted from this Pricing Supplement.

Except as disclosed in this Pricing Supplement there has been no material change in the assets and liabilities, the financial position and profits and losses of the Issuer or Guarantor since [• Date of the Programme Prospectus].

Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of the Guarantor:

By:

Duly authorised

PART B – OTHER INFORMATION

1. OPERATIONAL INFORMATION

- ISIN Code: [•]
- Swiss Security Number (Valorenummer): [•]
- Swiss Symbol: [•]
- Any clearing system(s) other than SIS SegalInterSettle AG, Olten, Switzerland and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- Names and addresses of additional Paying Agent(s) (if any): [•]

2. LISTING

- (i) Listing: [The SWX/ other (*specify*)/ None] [Application has been/will be made for the Certificates to be provisionally admitted to trading on Scoach Schweiz AG and/or listing on SWX Swiss Exchange. Together, this Pricing Supplement and the Programme Prospectus shall form one document (the “Prospectus”) and comprise the listing prospectus according to Article 32 et seq. of the Listing Rules and ref. no. 54 and 65 of the Directive for the Listing of Derivatives of the SWX Swiss Exchange respectively.]
- (ii) Provisional Admission to Trading: No assurance can be given as to whether or not or when such application for listing/provisional admission to trading will be granted.

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)
- (iii) Recognised Representative (Art. 50 LR): Naegeli & Partners Attorneys at Law, Zurich
- (iv) Regulatory Qualification of the Certificates: The Certificates described herein do not constitute a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes. Therefore, the Certificates are not subject to approval, registration or supervision by any regulatory authority in Switzerland. Accordingly, prospective investors do not have the benefit of the specific investor protection provided under the Swiss Federal Act on Collective Investment Schemes. Investors should therefore be aware that they are exposed to the Credit Risk of the Issuer and the Guarantor.
- (v) Last Trading Day and Time Valuation Date, 17:00 (Zurich time)
- (vi) Ex-Coupon Date (s) [Not Applicable/*give details*]

3. ADDITIONAL RISK FACTORS

[NON-CAPITAL PROTECTED CERTIFICATES]

In addition to the Risk Factors set out above under Regulatory Qualification of the Certificates and in the Programme Prospectus, Investors should be aware that they are exposed to the risk of total loss of the capital invested including any transaction costs to purchase the Certificates

[CAPITAL PROTECTED CERTIFICATES]

In addition to the Risk Factors set out above under Regulatory Qualification of the Certificates and in the Programme Prospectus, Investors should be aware that they are exposed to a risk of loss which is, if the Certificates are not sold until the Redemption Date, limited to the difference of the capital invested to purchase the Certificates and the Capital Protection. However, the Certificates may trade below the Capital Protection during their life.

4. INFORMATION REGARDING THE UNDERLYING

The following information with regard to the Underlying is based on excerpts from, or summaries of publicly available information. The Issuer only accepts responsibility for the correct extraction or summary of such information.

[Underlying – Equity-Linked Certificates]

Share Company:	[•]
Country/Place of Domicile:	[•]
Headquarters:	[•]
Exchange:	[•]
Type and Form of Shares:	[•]
ISIN/Security Nr.:	[•]
Transferability and Limitations:	[•]
Price Development as per Issue Date in [Currency]:	2007: H: [•]/ L: [•] 2006: H: [•]/ L: [•] 2005: H: [•]/ L: [•]
Price Publication:	[Bloomberg or Reuterspages]

Current financial reports related to the issuer of the Underlying can be obtained cost-free during the entire term of the Certificates from the Swiss Paying Agent and/or the Lead Manager.

[Underlying – Equity Basket-Linked Certificates]

Share	ISIN/Security Nr.	Exchange	Initial Weight
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]

[Underlying – Investment Fund Units Basket-Linked Certificates]

Investment Fund	ISIN/Security Nr.	Exchange	Initial Weight
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]

All the Investment Funds listed above have been approved by the Swiss Federal Banking Commission for public distribution in and from Switzerland.

[Underlying – Index-Linked Certificates]

Index:

Description of the Index: [•]

ISIN: [if any]

Price Publication: [Bloomberg or Reuterspages]

Price Development as per Issue Date in [Currency]: 2007: H: [•] / L: [•]

2006: H: [•] / L: [•]

2005: H: [•] / L: [•]

PRO FORMA PRICING SUPPLEMENT FOR WARRANTS

The following shall be inserted after the "Pro Forma Pricing Supplement" section in the November Programme Prospectus.

Set out below is a pro forma Pricing Supplement which, subject to completion and amendment, will be issued in respect of issues of Warrants under the Programme. Text in this section appearing in italics does not form part of the Pricing Supplement but denotes guidance for completing the Pricing Supplement.

Pricing Supplement dated as of [•]

LEHMAN BROTHERS SECURITIES N.V.

**Issue of [Numbered Title of Warrants]
under the Certificates and Warrants Programme of Lehman Brothers Treasury Co. B.V.,
Lehman Brothers Securities N.V. and
Lehman Brothers (Luxembourg) Equity Finance S.A.
dated as of [•], 2008**

**Unconditionally and Irrevocably Guaranteed by
Lehman Brothers Holdings Inc.**

Terms used herein shall be deemed to be defined as such for the purposes of the Warrants Terms and Conditions set forth in the Programme Prospectus dated 29 November 2007 and the Supplement to the Programme Prospectus dated [•] March 2008 [and the Supplement to the Programme Prospectus dated [•]]. This Pricing Supplement comprises the Final Terms of the Warrants described herein and must be read in conjunction with such Programme Prospectus as so supplemented.

Part A Information about the Warrants

[Risk Factors

Risk factors that are material to the securities being offered and/or admitted to trading need to be disclosed in order to assess the market risk associated with these securities. This must include a risk warning to the effect that investors may lose the value of their investment or part of it, as the case may be, and/or, if the investor's liability is not limited to the value of his investment, a statement of that fact, together with a description of the circumstances in which such additional liability arises and the likely financial effect.]

General

1. Issuer: Lehman Brothers Securities N.V.
2. Guarantor: Lehman Brothers Holdings Inc.
3. Description of the Warrants: The Warrants are
[Index Warrants]
[Share Warrants]
[Depositary Receipt Warrants]
[Debt Instrument Warrants]
[Currency Warrants]
[Commodity Warrants]
[Interest Rate Warrants]

- [Specify details if other]*
4. Form of Warrants: Global Warrant: see Condition 1(b))
5. Description of the Underlying: [As described in Part C (Information on the Underlying)]
[As described in Paragraph [40]/[41] below]
6. American Style Warrants, European Style Warrants or other: [American Style] [European Style]
[Specify details if other]
[Not Applicable]
7. Call Warrants, Put Warrants or other: [Call Warrants] [Put Warrants]
[Specify details if other]
[Not Applicable]
8. [(a) Warrants being issued: [(a) *[Number]*
- [(b) Aggregate Specified Notional Amount: [(b) Not Applicable/*Specify aggregate amount*]
- [(c) Specified Notional Amount(s) per Warrant:] [(c) Not Applicable/*Specify Notional Amount(s)*]
- (Details for (b) and (c) to be included if Warrants are to be traded by reference to a Notional Amount*
9. (a) Series Number: *[Number]*
- (b) Tranche Number: *[Number]*
10. Issue Date: *[Date]*
11. Issue Price(s): *[Currency][Amount]* per Warrant
Each Dealer reserves the right, in its sole discretion, at any time and from time to time, to offer and sell the Warrants at one or more prices that differ from the Issue Price
12. Minimum initial purchase of the Warrants: *[Minimum initial purchase]*
13. Minimum transferable number (for the purposes of Condition 1(c)): *[Minimum transferable number]*
14. Last Trading Day (for the purposes of Conditions 1(c) and 6(c): *[3 Business Days before the Actual Exercise Date (in the case of American Style Warrants) or the Expiration Date (in the case of European Style Warrants)]*

Warrants - Provisions relating to exercise

15. If American Style Warrants, the Exercise Period: [From and including *[date]* to but excluding *[date]*]
[Not Applicable]
16. If European Style Warrants, the Expiration *[Date]*

- Date: [Not Applicable]
17. Exercise Notice Deposit Time(s) (for the purposes of Condition 5(a)): [Time][am / pm / noon] [City] time
[Not Applicable]
18. Minimum Exercise Number (for the purposes of Condition 5(b)): [Number] Warrants
[Not Applicable]
19. Integral multiple of Minimum Exercise Number (for the purposes of Condition 5(b)): [Number] Warrants
[Not Applicable]
20. If Physical Delivery Warrants, any modification of minimum Board Lot requirement in relation to exercise (for the purpose of Condition 6(e)): [Specify details if applicable]
[Not Applicable]
21. If American Style Warrants, the Maximum Exercise Number (for the purposes of Condition 5(b)): [Number] Warrants
[Not Applicable]
22. Automatic Exercise in respect of Cash Settled Warrants (for the purposes of Condition 4(a)): [Applicable]
[Not Applicable]
- Provisions relating to settlement and redemption**
23. Form of Settlement (for the purposes of Condition 1(a)): [Cash Settled Warrants [subject to the Holder's option to elect physical delivery]]
[Physical Delivery Warrants [subject to the Holder's option to elect cash settlement]]
[Specify detailed terms of Holder's option if applicable, or for any other form of settlement applicable]
24. Issuer's option to vary settlement in respect of the Warrants (for the purposes of Conditions 1(a) and 7(c)): [Specify details if applicable]
[Not Applicable]
25. Valuation Date: [Condition 25 applies or Date]
26. Averaging Dates: [Dates]
[Not Applicable]
27. Consequence of Averaging Date Disruption (for the purposes of Condition 13(b)): [Omission][Postponement][Modified Postponement]
[Not Applicable]
28. Valuation Time: [Time][am/pm/noon] [City] time
[Any time which shall not be later than the Exercise Notice Deposit Time, in the case of Warrants]
[Condition 25 applies]
29. Settlement Date: [Date] [A day which should not be less than 3 Business Days following the Valuation Date]
[Not Applicable]

30. Business Day Centre(s): [City/cities]
31. Exchange Rate, including details of when such rate is to be ascertained: [Rate] as determined by [Specify] ascertained at [the Relevant Time / specify if other] on [the Expiration Date / the Valuation Date / specify if other]
[Not Applicable]
32. If Cash Settled Warrants, Settlement Currency for the payment of the Cash Settlement Amount and/or Alternative Settlement Amount: [Currency]
[Not Applicable]
33. If Cash Settled Warrants, Cash Settlement Amount or method of calculation of the Cash Settlement Amount (for the purposes of Condition 7(a)): [Specify details if applicable]
[Not Applicable]
34. If Physical Delivery Warrants, the Strike Price(s): [Currency][Amount] per Warrant
[Not Applicable]
35. If Physical Delivery Warrants:
- (a) the Relevant Asset(s) (for the purposes of the definition in Condition 25): [Applicable] [Not Applicable]
[Specify details if applicable]
- (b) Physical Settlement Amount per Warrant: [Applicable] [Not Applicable]
[Specify details if applicable]
- (c) method of delivery of the Physical Settlement Amount (for the purposes of Condition 7(b)(i) or (ii)): [Applicable] [Not Applicable]
[Specify details if applicable]
[The Physical Settlement Amount shall be delivered through the Holder's account with the relevant Clearing System]
- (d) method of evidencing the Physical Settlement Amount (for the purposes of Condition 7(b)(i) or (ii)): [Applicable] [Not Applicable]
[Specify details if applicable]
[As shown in the Holder's account at the relevant Clearing System]
- (e) treatment of dividends payable on the Relevant Assets(s) (for the purposes of Condition 7(b)(ii)): [Not Applicable][Applicable]
[Specify details if Condition 7(b)(ii) does not apply][Condition 7(b)(ii) applies]
36. Other circumstances where Holder will receive the Alternative Settlement Amount (for the purposes of Condition 7(c)): [Applicable] [Not Applicable]
[Specify details if applicable]
37. Other additional conditions to settlement (for the purposes of Condition 7(a)(i) and 7 (b)(i)): [Applicable] [Not Applicable]
[Specify details if applicable]

Other specified terms and modifications to the Conditions

38. If Currency Warrants, details of the Relevant Screen Page, the Base Currency and the [Applicable] [Not Applicable]
[Specify details if applicable]

- relevant Subject Currency or Subject Currencies:
39. If Commodity Warrants, provisions for calculations: [Applicable] [Not Applicable] [Specify details if applicable]
40. If Index Warrants:
- (a) Index or Indices: [As specified in Part C of this Pricing Supplement] [Not Applicable]
- (b) Exchange: [Specify relevant exchange or quotation system in relation to each Index] [Specify relevant Multi-exchange Index] [Not Applicable]
- (c) Related Exchange: [Specify relevant exchange or quotation system in relation to each Index][All Exchanges] [Not Applicable]
- (d) Consequences of Index Adjustment Event (for the purposes of Condition 11(a)(ii)):
- (i) Index Modification: [Calculation Agent Adjustment] [Cancellation and Payment] [Not Applicable]
- (ii) Index Cancellation: [Calculation Agent Adjustment] [Cancellation and Payment] [Not Applicable]
- (iii) Index Disruption: [Calculation Agent Adjustment] [Cancellation and Payment] [Not Applicable]
41. If Share Warrants:
- (a) Share(s): [As specified in Part C of this Pricing Supplement] [Not Applicable]
- (b) Exchange: [Specify relevant exchange or quotation system in relation to each Share] [Not Applicable]
- (c) Related Exchange: [Specify relevant exchange or quotation system in relation to each Share] [Not Applicable]
- (d) Method of Adjustment (for the purposes of Condition 11(b)): [Options Exchange Adjustment] [Calculation Agent Adjustment] [Not Applicable]
- (e) Consequences of Merger Events (for the purposes of Condition 12(a)):
- (i) Share-for-Share: [Alternative Obligation] [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
- (ii) Share-for-Combined: [Alternative Obligation] [Cancellation and Payment] [Options Exchange Adjustment]

- [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
- (iii) Share-for-Other: [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
- (f) Consequences of Tender Offers (for the purposes of Condition 12(b))
- (i) Share-for-Share: [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
- (ii) Share-for Combined: [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
- (iii) Share-for-Other: [Cancellation and Payment] [Options Exchange Adjustment] [Calculation Agent Adjustment] [Modified Calculation Agent Adjustment] [Component Adjustment] [Not Applicable]
- (g) Options Exchange (for the purposes of Condition 11(b)(i), Condition 12(a)(iii) or Condition 12(b)(ii), where applicable) [*Specify relevant exchange or quotation system*]
42. Additional Disruption Events:
- (a) Applicable Additional Disruption Events: [The following Additional Disruption Events apply:
- [Change in Law]
[Failure to Deliver]
[Hedging Disruption]
[Increased Costs of Hedging]
[Increased Cost of Stock Borrow. For the purposes of such event, the Initial Loan Rate is [*Specify details if applicable*]]
[Insolvency Filing]
- [Loss of Stock Borrow. For the purposes of such event, the Maximum Loan Rate is [*Specify details if applicable*]]
- [For the purposes of [Change in Law][and][Increased Cost of Hedging] the Initial Date is [*Specify details if applicable*]]
- [None]

- (b) Consequences of Additional Disruption Event: [Specify details if applicable]
[Not Applicable]
43. Further adjustments:
- (a) whether provisions for market disruption apply other than as provided for in Condition 10: [Applicable][Not applicable]
[Specify details if applicable]
- (b) in relation to Debt Instrument Warrants, 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 Warrants): [Applicable] [Not Applicable]
[Specify details if applicable]
- (c) any supplemental adjustment provisions: [Applicable] [Not Applicable]
[Specify details if applicable]
44. Other special conditions and any modification to the Terms and Conditions of the Warrants: [Applicable] [Not Applicable]
[Specify details if applicable]
45. Relevant Clearing System(s) (for the purposes of the definition in Condition 25): [SIS]
[Euroclear]
[Clearstream, Luxembourg]
[Specify details if different]
[[] shall act as common depository
46. Name and address of Calculation Agent (if not the Issuer): [Insert details if applicable]
[Not Applicable]
47. U.S. Selling Restrictions and additional selling restrictions:
- (a) U.S. Selling Restrictions: [Type 1/Type 2/Type 3] [specify one category for every issue of Warrants]
- (b) details of any additional selling restrictions: [Applicable] [Not Applicable]
[Specify details if applicable]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement in accordance with ref. no. 68 of the Directive for the Listing of Derivatives of the SWX Swiss Exchange and with section 5 of Scheme C of the Annex to Listing Rules of the SWX Swiss Exchange. The Issuer confirms that to the best of its knowledge and believe, the information contained in this Pricing Supplement in relation to the Issuer and to the Warrants, excluding information regarding the Underlying, is correct and that no material fact relating to the Issuer or the Warrants has been omitted from this Pricing Supplement. The Guarantor confirms that to the best of its knowledge and belief, the information contained in this Pricing Supplement in relation to the Guarantor and to the Guarantee is correct and that no material fact relating to the Guarantor or the Guarantee has been omitted from this Pricing Supplement.

Except as disclosed in this Pricing Supplement there has been no material change in the assets and liabilities, the financial position and profits and losses of the Issuer or Guarantor since [• Date of the Programme Prospectus].

Signed on behalf of the Issuer:

By:
Duly authorised

Signed on behalf of the Guarantor:

By:
Duly authorised

Part B
Other Information

1. **OPERATIONAL INFORMATION:**

ISIN Code: [•]

Swiss Security Number (Valorenummer): [•]

Swiss Symbol: [•]

Any clearing system(s) other than SIS SegalInterSettle AG, Olten, Switzerland and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Names and addresses of additional Paying Agent(s) (if any): [•]

2. **LISTING:**

(i) Listing: [The SWX/other (*specify*)/None] [Application has been/will be made for the Warrants to be provisionally admitted to trading on Scoach Schweiz AG and/or listing on SWX Swiss Exchange. Together, this Pricing Supplement and the Programme Prospectus shall form one document (the "**Prospectus**") and comprise the listing prospectus according to Article 32 et. seq. of the Listing Rules and ref. no. 54 and 65 of the Directive for the Listing of Derivatives of the SWX Swiss Exchange respectively.]

(ii) Provisional Admission to Trading: No assurance can be given as to whether or not or when such application for listing/provisional admission to trading will be granted.

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)

(iii) Recognised Representative (Art. 50 LR): Naegeli & Partners Attorneys at Law, Zurich.

(iv) Regulatory Qualification of the Warrants: The Warrants described herein do not constitute a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes. Therefore, the Warrants are not subject to approval, registration or supervision by any regulatory authority in Switzerland. Accordingly, prospective investors do not have the benefit of the specific investor protection provided under the Swiss Federal Act on Collective Investment Schemes. Investors should therefore be aware that they are exposed to the Credit Risk of the

Issuer and the Guarantor.

(v) Last Trading Day and Time Valuation Date: 17:00 (Zurich time)

3. **ADDITIONAL RISK FACTORS**

[Insert, if applicable]

4. **INFORMATION REGARDING THE UNDERLYING**

The following information with regard to the Underlying is based on excerpts from, or summaries of publicly available information. The Issuer only accepts responsibility for the correct extraction or summary of such information.

[Underlying - Equity Linked Warrants]

Share Company: [•]

Country/Place of Domicile: [•]

Headquarters: [•]

Exchange: [•]

Type and Form of Shares: [•]

ISIN/Security Nr.: [•]

Transferability and Limitations: [•]

Price Development as per Issue Date in 2007: H: [•] / L: [•]
[Currency]:

2006: H: [•] / L: [•]

2005: H: [•] / L: [•]

Price Publication: [Bloomberg or Reuterspages]

Current financial reports related to the issue of the Underlying can be obtained cost-free during the entire term of the Warrants from the Swiss Paying Agent and/or the Lead Manager.

Part C
Information on the Underlying

In addition, the following will be included in an annex to the Pricing Supplement:

1. *For the purpose of describing the Underlying to which the Warrants relate:*
 - 1.1 *The exercise price or the final reference price of the Underlying.*
 - 1.2 *A statement setting out the type of the Underlying and details of where information on the Underlying can be obtained:*
 - *an indication where information about the past and the further performance of the Underlying and its volatility can be obtained;*
 - *where the Underlying is a security:*
 - *the name of the issuer of the security;*
 - *the ISIN (international security identification number) or other such security identification code;*
 - *where the Underlying is an index:*
 - *the name of the index and a description of the index if it is composed by the Issuer. If the Index is not composed by the issuer, where information about the index can be obtained;*
 - *where the Underlying is an interest rate:*
 - *a description of the interest rate;*
 - *where the Underlying is a basket of underlyings:*
 - *disclosure of the relevant weightings of each Underlying in the basket.*
 - *others:*
 - *where the Underlying does not fall within the categories specified above, equivalent information should be included;*
 - 1.3 *A description of any market disruption or settlement disruption events that affect the Underlying.*
 - 1.4 *Adjustment rules with relation to events concerning the Underlying.*

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