

EXECUTION VERSION

LEHMAN BROTHERS SECURITIES N.V.

and

CITIBANK, N.A., LONDON  
as Principal Warrant Agent

CITIBANK, N.A., ZURICH  
as Swiss Warrant Agent

LEHMAN BROTHERS HOLDINGS INC.  
as Guarantor

LEHMAN BROTHERS INTERNATIONAL (EUROPE)  
as Broker-Dealer

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MASTER WARRANT AGREEMENT

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**THIS MASTER WARRANT AGREEMENT** is dated as of 17 March 2008

**BETWEEN**

- (1) **LEHMAN BROTHERS SECURITIES N.V.**, a company incorporated in the Netherlands Antilles whose registered office is E-Commercepark, E-Zone Vredenberg, Hoek Heelsumstraat, Hugenolzweg Z/N, Curaçao, The Netherlands Antilles, (the "**Issuer**");
- (2) **CITIBANK, N.A., LONDON**, (the "**Principal Warrant Agent**" and, where the context requires, together with the Swiss Warrant Agent (as defined below) and any additional warrant agent that may be appointed by the Issuer, the "**Warrant Agents**");
- (3) **CITIBANK, N.A., ZURICH**, (the "**Swiss Warrant Agent**" and, where the context requires, together with the Principal Warrant Agent (as defined above), the "**Original Warrant Agents**" and together with any additional warrant agent that may be appointed by the Issuer, the "**Warrant Agents**");
- (4) **LEHMAN BROTHERS HOLDINGS INC.**, a company incorporated, validly existing and in good standing under the laws of the State of Delaware whose principal offices are at 745 Seventh Avenue, New York, NY 10019, United States of America (the "**Guarantor**"); and
- (5) **LEHMAN BROTHERS INTERNATIONAL (EUROPE)**, a company incorporated under the laws of England and Wales whose principal offices are at 25 Bank Street, London, E14 5LE, England.

**WHEREAS:**

- (A) The Issuer, together with other subsidiaries of the Guarantor, has established a programme (the "**Programme**") and has decided to issue Warrants (the "**Warrants**") under it pursuant to and in accordance with the terms of this Agreement.
- (B) Warrants issued under the Programme may be issued pursuant to the programme prospectus prepared in connection with the Programme (the "**Programme Prospectus**") and an associated pricing supplement ("**Pricing Supplement**") prepared in connection with a particular series of Warrants.
- (C) Any information relating to the Warrants which is not included in the Programme Prospectus and which is required in order to complete the necessary information in relation to an issue of Warrants will be contained in the relevant Pricing Supplement.
- (D) The Issuer wishes to appoint the Principal Warrant Agents to be its agent to perform the functions set out in this Agreement in connection with issues of Warrants under the Programme from time to time.
- (E) The Issuer wishes to appoint the Swiss Warrant Agent to perform the functions set out in Art. 26 of the Listing Rules of the SWX Swiss Exchange (the "**Listing Rules**" and "**SWX**", respectively) and any implementing regulations.

- (F) In order to induce the Warrant Agents to enter into this Agreement and to perform the functions as set out herein, the Guarantor has agreed to be a party to the Agreement to provide the Warrant Agents with the benefit of the covenant set out in Clause 5.3.

**IT IS HEREBY AGREED AS FOLLOWS:**

**1 INTERPRETATION**

**1.1 *Number and gender***

Words denoting the singular number only shall include the plural number also and vice versa and words denoting one gender only shall include the other genders.

**1.2 *Taxes***

All references in this Agreement to costs, commissions, charges or expenses shall include (in relation thereto) any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.

**1.3 *Conditions***

The expression Conditions shall, unless the context otherwise requires, be construed as meaning the terms and conditions set out in Schedule 4 hereto and expressions defined in the Conditions and not otherwise herein defined shall have the same meanings herein unless otherwise stated.

**1.4 *Amendments***

All references in this Agreement to an agreement, instrument or other document (including, without limitation, this Agreement and the Guarantee), shall be construed as a reference to that agreement, instrument or document as the same may be amended, modified, varied, supplemented or novated from time to time.

**1.5 *Headings***

In this Agreement, clause headings are inserted for convenience and ease of reference only and shall not affect the interpretation of this Agreement. All references in this Agreement to the provisions of any statute shall be deemed to be references to that statute as from time to time modified, extended, amended or re enacted.

**1.6 *Relevant currency***

All references in this Agreement to the "relevant currency" shall be construed as references to the currency in which the relevant Warrants are denominated.

**1.7 *Separate series***

For the purposes of this Agreement, the Warrants of each series shall form a separate series of Warrants and accordingly the provisions of this Agreement and the Schedules hereto shall apply *mutatis mutandis* separately and independently to the Warrants of each series and in such provisions and Schedules the expressions "**Warrants**", "**Holders**", "**holder of Warrants**" and "**Conditions**" shall be construed accordingly.

## 2 **APPOINTMENT OF PRINCIPAL WARRANT AGENT, SWISS WARRANT AGENT AND OTHER WARRANT AGENTS**

### 2.1 ***Principal Warrant Agent***

The Principal Warrant Agent is hereby appointed to act as Principal Warrant Agent of the Issuer in respect of all such issues of Warrants under the terms of the Programme unless otherwise specified in the applicable Pricing Supplement upon the terms and subject to the conditions set out below and the Principal Warrant Agent accepts such appointment.

### 2.2 ***Swiss Warrant Agent***

The Swiss Warrant Agent is hereby appointed to act as agent of the Issuer in respect of all such issues of Warrants under the terms of the Programme where so specified in the applicable Pricing Supplement upon the terms and subject to the conditions set out below and the Swiss Warrant Agent accepts such appointment.

### 2.3 ***Additional Warrant Agents***

If so specified in the applicable Pricing Supplement the Issuer may, in connection with any Series of Warrants, appoint additional Warrant Agents and any additional Warrant Agent appointed by the Issuer to act as such, shall accept such appointment and agree to act in such capacity on the terms and conditions set out in this Agreement and in the applicable Pricing Supplement. Any appointment shall become effective upon the execution and delivery of an appropriate number of counterparts to this Agreement each bearing the signature of an authorised representative of such additional Warrant Agent together with an address for notices to such additional Warrant Agent and thereupon such additional Warrant Agent shall become a party hereto with like effect as if originally named as a Warrant Agent hereunder with respect to that particular Series of Warrants.

### 2.4 ***Alternative Principal Warrant Agent***

If specified in the applicable Final Terms or, as the case may be, the applicable Prospectus, the Issuer may, in connection with any Series of Warrants, appoint an alternative warrant agent as principal warrant agent and any principal warrant agent appointed by the Issuer to act as such shall accept such appointment and agree to act in such capacity on the terms and conditions set out in this Agreement and in the applicable Pricing Supplement. Any appointment shall become effective upon the execution and delivery of an appropriate number of counterparts to this Agreement each bearing the signature of an authorised representative of such principal warrant agent together with an address for notices to such Principal Warrant Agent and thereupon such alternative principal warrant agent shall become (if not already) a party hereto with like effect as if originally named as the principal warrant agent hereunder with respect to that particular Series of Warrants.

## 2.5 ***Powers and authority***

The Warrant Agents and each and every other warrant agent and/or principal warrant agent appointed in connection with a particular series of Warrants shall have the powers and authority granted to and conferred upon it in the Pricing Supplement and in this Agreement and such further powers and authority, acceptable to it, to act on behalf of the Issuer as the Issuer may hereafter grant to or confer upon it. All of the terms and provisions with respect to such powers and authority contained in the relevant Pricing Supplement are subject to and governed by the terms and provisions hereof.

## 3 **DUTIES OF THE WARRANT AGENTS**

### 3.1 ***Duties of the Principal Warrant Agent***

The Principal Warrant Agent shall:

- (a) once executed by the Issuer, authenticate, issue and deliver the Global Warrant(s) in respect of each issue of Warrants to the common depository for the relevant Clearing System or, if applicable, a depository thereof;
- (b) pay sums and/or deliver Underlying due on Warrants (but only to the extent that the Issuer (failing whom the Guarantor) has already provided such sums or Underlyings to the Principal Warrant Agent by such time as agreed between both parties);
- (c) arrange on behalf of and at the reasonable expense of the Issuer for notices to be communicated to the Holders in accordance with the Conditions;
- (d) issue replacement Warrants (in such capacity, the "**Replacement Agent**") in accordance with the terms of this Agreement and the Conditions;
- (e) where applicable provide to the relevant Clearing System originals or copies of each Exercise Notice received and of such other notices and documents as are required or customary under the rules and regulations of the relevant Clearing System;
- (f) on each Settlement Date with respect to a series of Warrants endorse or cause the relevant Clearing System or a depository thereof to endorse, as the case may be, the relevant Global Warrant to reflect the number of Warrants which have been exercised and/or to perform such other acts as are required or customary in relation to the exercise of such Warrants under the rules governing issuances deposited with the relevant Clearing System and/or listed on the SWX; and
- (g) once the Cash Settlement Amount has been paid or delivery of the Physical Settlement Amount has been made, as the case may be, to all the Holders in respect of which the Global Warrant was issued and upon delivery by the relevant Clearing System (or a depository thereof) of such Global Warrant, cancel such Global Warrant or cause it to be cancelled as soon as practicable and shall destroy such Global Warrant (unless otherwise instructed by the Issuer and shall deliver such Global Warrant to the Issuer) and upon the request of the Issuer

or the Guarantor, provide a certificate of destruction to the Issuer and/or the Guarantor;

in each case in accordance with the applicable rules of the SWX and the relevant Clearing System and customary market practice.

For the purpose of sub-clause 3.1(b), the Issuer shall procure that the bank effecting payment or delivery of Underlyings confirms to the Principal Warrant Agent, on or prior to the second business day before the due date of each payment by the Issuer, the payment or delivery instructions relating to such payment. The Issuer (failing whom the Guarantor) shall transfer the amount payable and/or the Underlyings to be delivered on the due date to such account with such bank as the Principal Warrant Agent may from time to time by notice to the Issuer and the Guarantor have specified for the purpose.

### **3.2 *Duties of the Swiss Warrant Agent***

The Swiss Warrant Agent shall perform the functions imposed by Art. 26 of the Listing Rules and implementing regulations. In performing such duties and functions, the Swiss Warrant Agent may involve other offices of Citibank, N.A., Zurich or any of its branches, subsidiaries or affiliates, provided that (i) it shall remain fully responsible for the due and punctual performance of such services, and (ii) compliance with the requirements of Art. 26 of the Listing Rules of the SWX is at all times ensured.

### **3.3 *Number of Warrants exercised and redeemed***

The Warrant Agents shall, upon request of the Issuer, within one month of the end of the calendar quarter in which exercise is made, furnish the Issuer (and in the case of a Warrant Agent that is not the Principal Warrant Agent, to the Principal Warrant Agent) with a certificate stating the aggregate number of Warrants exercised.

### **3.4 *Record of exercise***

Each Warrant Agent shall keep a full and complete record of exercise of Warrants and shall make such record available at all reasonable times to the Issuers (and in the case of a Warrant Agent that is not the Principal Warrant Agent, to the Principal Warrant Agent).

## **4 ISSUE, EXECUTION AND DELIVERY OF WARRANTS**

### **4.1 *Application of this Agreement***

This Agreement shall apply to each Series of Warrants in respect of which the Issuer shall have delivered a copy of the applicable Pricing Supplement with respect to such Series to each of the Principal Warrant Agent and the Swiss Warrant Agent. Each of the Principal Warrant Agent and the Swiss Warrant Agent shall take such action as it is authorised to take hereunder and in the applicable Pricing Supplement with respect to any issue of Warrants.

### **4.2**

(a) The Warrants of each Series may be represented by a global warrant (the "**Global Warrant**") substantially in the form set forth in Schedule 1 unless otherwise specified in the Pricing Supplement relating to such Warrants. The term "**Global Warrant**" as used herein shall be deemed to refer to the Global Warrant(s) representing a particular Series of Warrants. The Global Warrant representing each Series of Warrants shall be dated as of the date of issue of such Warrants (the "**Issue Date**") and shall be executed manually or in facsimile as a deed on behalf of the Issuer by any officer or director of the Issuer and may have such letters, numbers or other marks of identification or designation and such legends, summaries or endorsements printed, lithographed or engraved thereon as the Issuer may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation of the SWX, or to conform to usage.

(b)

(i) If the applicable Pricing Supplement for Warrants of any Series indicates that Type 2 US Selling Restrictions apply, the Global Warrant(s) representing such Series shall contain a legend in the following form:

"THE WARRANTS AND THE [RELEVANT ASSETS] WHICH MAY BE DELIVERED UPON EXERCISE OF THE WARRANTS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE WARRANTS MAY NOT BE EXERCISED BY OR ON BEHALF OF ANY U.S. PERSON OR ANY PERSON WITHIN THE UNITED STATES), EXCEPT IN TRANSACTIONS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. TERMS USED IN THIS PARAGRAPH HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT."

(ii) If the Pricing Supplement for Warrants of any series indicates that Type 3 US Selling Restrictions apply, the Global Warrant(s) representing such series shall contain a legend in the following form:

"THE WARRANTS AND THE [RELEVANT ASSETS] WHICH MAY BE DELIVERED UPON EXERCISE OF THE WARRANTS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND TRADING IN THE WARRANTS HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE COMMODITIES EXCHANGE ACT. THE WARRANTS MAY NOT AT ANY TIME BE OFFERED, SOLD, TRADED 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 WARRANTS. THE WARRANTS MAY NOT BE EXERCISED BY OR ON BEHALF OF ANY U.S. PERSON OR ANY PERSON IN THE UNITED STATES. TERMS

USED IN THIS PARAGRAPH HAVE THE MEANING GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT".

- (c) The Principal Warrant Agent shall procure that the Swiss Warrant Agent shall, upon receipt of (i) a Global Warrant duly executed as provided in Clause 4.2(a) and (ii) such other information enabling it, and instructions, to do so, complete and authenticate such Global Warrant and deliver it to the relevant Clearing System or any depositary thereof, together with appropriate instructions to the relevant Clearing System to credit the Warrants represented by the relevant Global Warrant to the securities account of the Principal Warrant Agent at such Clearing System. Any such Global Warrant representing such Warrants shall be deposited, and until expiration or exercise in full of the Warrants represented thereby, will remain deposited, with the relevant Clearing System or any depositary thereof against confirmation of receipt of the relevant Global Warrant. In addition, if the Warrants represented by such Global Warrant will be listed on the SWX, the Principal Warrant Agent shall, or shall procure that the Swiss Warrant Agent shall forward a photocopy of such Global Warrant to the issuer representative according to article 50 of the Listing Rules (the "**Issuer Representative**") for the SWX filing purposes and shall do all such other things as are reasonably requested by the Issuer in connection with the crediting of the Warrants to the account(s) of the relevant person(s) maintained with the relevant Clearing System.
- (d) If, following the issue of Warrants of any Series, the Issuer wishes to issue further Warrants identical to the Warrants of that Series, the Principal Warrant Agent shall procure that the Swiss Warrant Agent shall, upon the instructions of the Issuer take such action as shall be necessary to (i) in relation to any Series of Warrants in relation to which the Global Warrant is deposited with SIS (or a depositary thereof), complete, authenticate and deliver a supplemental Global Warrant representing such further Tranche or, (ii) in relation to any other Series of Warrants, to exchange the Global Warrant then representing such Series of Warrants for a new Global Warrant representing such Series of Warrants for a new Global Warrant representing such Series of Warrants including the further Tranche to be issued by the relevant Issuer in accordance with the foregoing provisions relating to the issue of the original Global Warrant. In the case of any Series of Warrants in relation to which the Global Warrant is not deposited with SIS (or a depositary thereof), upon receipt of the original Global Warrant, the Principal Warrant Agent shall, or shall procure that the Swiss Warrant Agent shall forthwith cancel it and shall destroy such Global Warrant (unless otherwise instructed by the relevant Issuer to deliver such Global Warrant to the relevant Issuer) and shall, upon the request of the Issuer or the Guarantor provide a certificate of destruction to the Issuer or the Guarantor.
- (e) Each Global Warrant shall be and remain subject to the provisions of this Agreement until such time as all of the Warrants evidenced thereby shall have been duly exercised or shall have expired or shall have been redeemed, as the case may be.

- (f) Transactions in the Warrants of any Series represented by a Global Warrant, in the open market or otherwise, must be cleared through the relevant Clearing System and title to such Warrants will pass in accordance with the rules and procedures for the time being of the relevant Clearing System.

#### 4.3

- (a) Interests in Global Warrants will be transferable in accordance with the rules and procedures of SIS SegInterSettle AG, Olten, Switzerland or any other relevant Clearing System, if applicable.
- (b) The Principal Warrant Agent shall require the payment of any sum (including costs of the Principal Warrant Agent) of which the Issuer is entitled to require the payment pursuant to the relevant Warrants and no transfer, exchange or replacement shall be effected until the sum in question has been paid or has been secured to the satisfaction of the Principal Warrant Agent and the Issuer.
- (c) Promptly upon request from time to time, the Issuer will provide the Warrant Agents and the Warrant Agent shall provide Holders with Exercise Notices in the forms set out in Schedule 2 or in such other form (which shall not be inconsistent with or derogate from the rights of the Holders) as shall have been agreed between the Issuer and the Principal Warrant Agent.
- (d) If the Pricing Supplement for Warrants of any series indicates that Type 3 US Selling Restrictions apply, the Exercise Notice for such series shall contain a certification in the following form:

"[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 United States Securities Act of 1933, as amended (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."

- (e) Upon receipt of a copy of an Exercise Notice in accordance with Condition 5 of the Conditions, the Swiss Warrant Agent shall immediately notify the Principal Warrant Agent by authenticated SWIFT message or telex and subsequently by registered airmail letter.

## 5 THE WARRANT AGENTS

### 5.1 *No responsibility for Issuer*

The Warrant Agents shall not be responsible for any failure of the Issuer to comply with any of the covenants contained in this Agreement and in the Global Warrants to be complied with by the Issuer and shall not at any time, except as provided in this Agreement, be under any duty or have any responsibility to any Holder.

#### 5.2 ***Consult with counsel***

Each Warrant Agent may consult at any time with counsel satisfactory to it (which counsel may be counsel for the Issuer) and such Warrant Agent shall incur no liability or responsibility to the Issuer or any Holder in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

#### 5.3 ***Compensation***

The Issuer agrees to pay each Warrant Agent the compensation to be agreed upon with the Issuers for all services rendered by such Warrant Agent. The Issuer agrees to reimburse each Warrant Agent upon demand for all reasonable expenses, taxes and governmental charges and other charges of any kind and nature incurred by such Warrant Agent in connection with the performance of its duties under this Agreement or any Pricing Supplement and to indemnify and hold harmless each Warrant Agent against any and all losses, liabilities and expenses (including reasonable counsel fees and expenses associated with the delivery of Global Warrants to a Clearing System) incurred by such Warrant Agent in the performance of its duties under this Agreement or any Pricing Supplement except to the extent such expenses, taxes and governmental charges or such losses, liabilities and expenses result from such Warrant Agent's negligence, bad faith or wilful default of this Agreement. To the extent that the Issuer fails to meet any of its obligations under this Clause 5.3, the Guarantor undertakes to each Warrant Agent that it will perform any such obligation promptly upon written demand being served upon it by the relevant Warrant Agent. The provisions of this Clause 5.3 shall survive any termination of this Agreement.

In no circumstances will a Warrant Agent be liable to the Issuer or to any other party to this Agreement for losses which are not a reasonably foreseeable consequence of an act or omission of the relevant Warrant Agent. For the avoidance of doubt loss of business, goodwill, opportunity or profit shall not be a reasonably foreseeable consequence for the purposes of this clause, even if a Warrant Agent is advised of the possibility of such loss.

#### 5.4 ***No obligation to institute proceedings***

Each Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Issuer or one or more Holders shall furnish such Warrant Agent with reasonable security and indemnity for any costs or expenses which may be incurred. All rights of action under this Agreement or under any Series of Warrants may be enforced by each Warrant Agent without the possession of the relevant Global Warrant or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by such Warrant Agent shall be brought in its name as Warrant Agent, and any

recovery or judgment shall be for the rateable benefit of the Holders, as their respective rights or interests may appear.

5.5 ***Freedom to deal***

To the full extent permitted under applicable law, each Warrant Agent, and any stockholder, director, officer or employee thereof or of any affiliated corporation thereof, may buy, sell or deal in any of the Warrants or other securities of the Issuer or any of its affiliates or become pecuniary interested in any transaction in which the Issuer or any of its affiliates may be interested, or contract with or lend money to the Issuer or any of its affiliates or otherwise act as fully and freely as though it were not a Warrant Agent under this Agreement, or a stockholder, director, officer or employee of a Warrant Agent or of one of its affiliated corporations, as the case may be. Nothing herein shall preclude a Warrant Agent from acting in any other capacity for the Issuer or for any other legal entity.

5.6 ***Limit of duties***

Each Warrant Agent shall act hereunder solely as agent for the Issuer and its duties shall be determined solely by the provisions hereof and each Warrant Agent shall not be liable for any action taken or omitted to be taken except in the case of its gross negligence, bad faith or breach of this Agreement.

5.7 ***Further acts***

The Issuer agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Warrant Agents for the carrying out or performing of the provisions of this Agreement or any Pricing Supplement.

5.8 ***Validity of this Agreement***

Each Warrant Agent shall be under no responsibility with respect to the validity of this Agreement or any Pricing Supplement or the execution and delivery of this Agreement (except with respect to the due execution and delivery hereof by such Warrant Agent) or with respect to the validity or execution of the Global Warrant in respect of any Series (except with respect to the authentication thereof by the Principal Warrant Agent).

5.9 ***Authority to accept instructions***

Each Warrant Agent is hereby authorised and directed to accept instructions with respect to the performance of its duties hereunder from any officer, director or agent of the Issuer or other person designated in a certificate furnished by any officer, director or agent of the Issuer to such Warrant Agent and to apply to such officers, directors, agents or other persons for advice and instructions in connection with its duties, and shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer, director, agent or other person or in good faith reliance upon any statement signed by any such officer, director, agent or other person with respect to any fact or matter (unless other evidence in respect thereof is herein

specifically prescribed) which may be deemed to be conclusively proved and established by such signed statement.

#### 5.10 *Agents or attorneys*

The Principal Warrant Agent may execute any of the powers under this Agreement or perform any duties hereunder either directly or indirectly by or through agents or attorneys or a custodian provided that, if the Principal Warrant Agent is to execute any of the powers under this Agreement or perform any duties hereunder indirectly by or through any agent, attorney or custodian, it will give written notice, prior to doing so, to the Issuer giving details of the identity of the proposed agent, attorney or custodian, as the case may be, and the powers or duties to be executed or performed by it. The Principal Warrant Agent shall not be responsible for the negligence or bad faith of any such agent or custodian selected by it with due care.

#### 5.11 *Exclusion of liens*

The Principal Warrant Agent shall be entitled to deal with amounts provided to it as referred to in Clause 3.1(e) or 3.1(d) in the same manner as other amounts paid to it as banker by its customers provided however that it shall not exercise any lien, right of set-off or similar claim in respect thereof.

#### 5.12 *Interest*

The Warrant Agents shall not be liable to account for interest on money paid to it by the Issuer. Money paid by the Warrant Agents need not be segregated except as required by law.

### 6 **RESIGNATION AND APPOINTMENT OF SUCCESSOR WARRANT AGENT**

#### 6.1 *Resignation*

A Warrant Agent may at any time (subject as provided below) resign as Warrant Agent by giving written notice to the Issuer of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall be at least 60 days after the date of receipt of such notice by the Issuer, unless the Issuer agrees to accept shorter notice. Upon receiving such notice of resignation, the Issuer shall (i) give not less than 30 days' prior notice thereof to the Holders, and (ii) promptly appoint a successor Warrant Agent by written instrument signed on behalf of the Issuer, one copy of which shall be delivered to the resigning Warrant Agent, and one copy to the relevant Clearing System. Such resignation shall become effective only upon the acceptance of the appointment by the successor Warrant Agent as provided in Clause 6.5 and provided further that the Issuer shall procure that there is at all times a Warrant Agent having a specified office in each country where the Programme and/or Warrants issued under it are listed until the Programme and/or any Warrants are no longer exercisable or redeemable. Notice of the termination of the appointment of any Warrant Agent hereunder shall not take effect until notice thereof shall have been given to the Holders.

#### 6.2 *Agents may appoint successors*

If the Principal Warrant Agent, the Swiss Warrant Agent or any additional Warrant Agent gives notice of its resignation in accordance with Clause 6.1 and by the tenth day before the expiry of such notice a successor has not been duly appointed in accordance with Clause 6.1, the Principal Warrant Agent or (as the case may be) the Swiss Warrant Agent or any additional Warrant Agent may itself, following such consultation with the Issuer and the Guarantor as is practicable in the circumstances, appoint as its successor any reputable and experienced financial institution and give notice of such appointment to the Issuer, the Guarantor, the remaining Warrant Agents, the relevant Clearing System(s) and the Holders.

### 6.3 ***Termination***

The Issuer may, at any time and for any reason, remove a Warrant Agent and appoint a successor Warrant Agent by written notice, specifying such removal and the date on which it is intended to become effective having given at least 60 days' notice, signed on behalf of the Issuer, one copy of which shall be delivered to the Warrant Agent being removed, one copy to the successor Warrant Agent and one copy to the relevant Clearing System provided always that no such notice relating to the termination of the appointment of an Original Warrant Agent shall take effect until a new Principal Warrant Agent or Swiss Warrant Agent has been appointed. Any removal of the Warrant Agent and any appointment of a successor warrant agent shall become effective only upon acceptance of appointment by the successor warrant agent as provided in Clause 6.4, and provided that the Issuer shall procure that there is at all times a warrant agent having a specified office in Switzerland until the Programme expires and/or any Warrants are no longer exercisable or redeemable. No such removal shall take effect until notice thereof shall have been given to the Holders at least 30 days' prior to the removal of the Warrant Agent. Upon resignation or removal, the Warrant Agent shall be entitled to payment by the Issuer of its fees for the services rendered hereunder up until the date on which such resignation or removal takes effect and to the payment of all reasonable out-of-pocket expenses incurred in connection with the services rendered hereunder by it up until the date on which such resignation or removal takes effect but shall not be entitled to any amount by way of compensation.

### 6.4 ***Successor warrant agent***

Any successor warrant agent appointed hereunder shall execute, acknowledge and deliver to each of its predecessor, the Issuer and the relevant Clearing System an instrument accepting such appointment hereunder, and thereupon such successor warrant agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, duties and obligations of such predecessor, with like effect as if originally named as Warrant Agent hereunder, and such predecessor, upon payment of its fees and disbursements then unpaid, shall thereupon become obliged to transfer, deliver and pay over, and such successor warrant agent shall be entitled to receive, all moneys, securities, records concerning warrants (including Warrants exercised) or other property on deposit with or held by such predecessor, as Warrant Agent hereunder.

### 6.5 ***Change of specified office***

If any Warrant Agent shall change its specified office, it shall give to the Issuer not less than 30 days' prior written notice to that effect giving the address of the new specified office. As soon as possible thereafter such Warrant Agent shall give to the Holders, on behalf of and at the expense of the Issuer, notice of such change and the address of the new specified office.

#### 6.6 ***Merger***

Any corporation into which any Warrant Agent hereunder may be merged or converted, or any corporation with which such Warrant Agent may be consolidated or any corporation resulting from any merger, conversion or consolidation to which such Warrant Agent shall be a party, or any corporation or bank to which the Warrant Agent shall sell or otherwise transfer all or substantially all of its business, shall, to the extent permitted by applicable law, be the successor to such Warrant Agent hereunder without the execution or filing of any document or any further act on the part of either of the parties hereto. Notice thereof shall as soon as practicable thereafter be given to the Holders.

#### 6.7 ***Automatic termination***

If at any time a Warrant Agent becomes incapable of acting, or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of an administrator, liquidator or administrative or other receiver of all or any substantial part of its property, or if an administrator, liquidator or administrative or other receiver of it or of all or a substantial part of its property is appointed, or it admits in writing its inability to pay or meet its debts as they may mature or suspends payment thereof, or if any order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law or if any public officer takes charge or control of such Warrant Agent or of its property or affairs for the purpose of rehabilitation, administration or liquidation, the Issuer may forthwith without notice terminate the appointment of such Warrant Agent, in which event notice thereof shall be given to the Holders as soon as practicable thereafter.

#### 6.8 ***Delivery of records***

If the appointment of any Warrant Agent hereunder is terminated (whether by the Issuer or by the resignation of such Warrant Agent), such Warrant Agent shall on the date on which such termination takes effect deliver to the successor warrant and certificate agent all Global Warrants surrendered to it but not yet destroyed and all records concerning the Warrants maintained by it (except such documents and records as it is obliged by law or regulation to retain or not to release in respect of which it shall provide copies to its successor, unless prohibited by applicable law) and shall cooperate as fully as applicable law may allow with its successor and the Issuer thereafter but shall have no other duties or responsibilities under this Agreement.

### 7 **MISCELLANEOUS**

#### 7.1 ***The Conditions***

The Conditions form a part of this Agreement as if the same were fully set forth in this Agreement, and the parties hereto shall have any and all such rights, duties and obligations as may be set forth herein.

## 7.2 *Custody rules*

All of the parties hereto acknowledge irrevocably that, pursuant to CASS 6.1.15 of the custody rules set out in the FSA's handbook of rules and guidance (the "**Handbook**") the custody rules referenced in CASS 6.1.15 do not apply to the arrangements contemplated herein since the Warrant Agents are intended by all of the parties hereto to handle the Underlyings on a temporary basis which the parties hereto anticipate would be no longer than one business day unless it is reasonably necessary to extend that period. This clause does not affect the Warrant Agents' obligation to comply with Principle 10 (Clients' assets) set out at PRIN 2.1.1.R of the Handbook.

## 7.3 *Amendments*

This Agreement may be amended by the parties hereto, without the consent of the Holders of any series, for the purposes of (i) permitting the issue by the Issuer of additional Warrants or other securities of any kind not contemplated herein, (ii) curing any ambiguity or (iii) curing, correcting or supplementing any defective provision contained herein, or (iv) in any manner which the parties may mutually deem necessary or desirable and which shall not materially adversely affect the interests of the Holders.

## 7.4 *Notices*

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 Listing Rules, 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 is so delivered and published more than once or on different dates, on the date of the first such delivery and publication.

## 7.5 *Notices from Holders*

If any Warrant Agent shall receive any notice or demand addressed to the Issuer by a Holder pursuant to the provisions of this Agreement and/or the Global Warrant representing a Warrant, such Warrant Agent shall promptly forward such notice or demand to the Issuer.

## 7.6 *Communications*

Any communication required to be given hereunder shall be given to the parties hereto and to the relevant Clearing System as follows:

If to the Issuer, to:

Lehman Brothers Securities N.V.  
E-Commercepark

E-Zone Vredenberg  
Hoek Heelsumstraat  
Hugenolzweg Z/N  
Curaçao  
The Netherlands Antilles

Att: Managing Director

Fax: +5999 461 8421

If to the Guarantor:

Lehman Brothers Holdings Inc.  
745 Seventh Avenue  
New York  
NY 10019  
United States of America

Att: Treasurer

Fax: 1-646-758-3195

with copies to:

Lehman Brothers Inc.  
745 Seventh Avenue  
New York  
NY 10019  
United States of America

Att: Equity Legal

Fax: 1-646-758-4709

If to LBIE to:

Lehman Brothers International  
(Europe)  
25 Bank Street  
Canary Wharf  
London E14 5LE  
England

Att: EDMO SDS

Fax: +44 20 7102 2499

If to the Principal Warrant Agent, to:

Citibank, N.A., London  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
Att: Warrant Issuance  
Desk/Warrant Exercise Notices Desk

Fax: +44 20 7508 3875/+44 207

508 3866

If to the Swiss Warrant Agent, to:

Citibank, N.A., Zurich  
Seestrasse 25  
8002 Zurich  
Switzerland  
Att: Gregory Bannier / Viraj  
Kulkarni

Fax: +41 58 750 7188

If to the relevant Clearing System

To the address specified in the applicable Pricing Supplement or such other address as the relevant Clearing System may from time to time notify to the Issuer and the Warrant Agents,

If to the Issuer Representative

Naegeli & Partners Attorney at  
LawKlausstrasse 33  
CH-8008 Zurich  
Switzerland

Att: Dr. Christoph Steiner

Fax: +41 44 385 50 01

(or such other address or for the attention of such other person, department or group as shall be specified in writing by the relevant person to the other persons listed above). Communications shall be mailed, delivered, faxed or telexed and shall be effective on receipt.

## 7.7 ***Law and Jurisdiction***

### (a) *Governing law*

This Agreement and the Global Warrants issued hereunder and all matters arising from or connected with them are governed by, and shall be construed in accordance with, English law.

### (b) *English courts*

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement).

### (c) *Appropriate forum*

The parties agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

(d) *Rights of the parties to take proceeding outside England*

Clause 7.7(b) is for the benefit of the parties hereto other than the Issuer and the Guarantor. As a result, nothing in this Clause 7.7 prevents such parties from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the parties 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 party to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

7.8 ***Counterparts***

This Agreement may be signed and delivered in more than one counterpart, all of which, taken together, shall constitute one and the same instrument. Execution and delivery of this Agreement by exchange of facsimile copies bearing the facsimile signature of a party hereto shall constitute a valid and binding execution and delivery of this Agreement by such party.

7.9 ***Documents available for inspection***

A copy of:-

- (a) this Agreement and the Pricing Supplement relating to the Warrants of each Series;
- (b) the Programme Prospectus issued in connection with the Programme and other information incorporated therein by reference;
- (c) the Guarantee given by the Guarantor;
- (d) the Master Calculation Agency Agreement; and
- (e) any supplemental Programme Prospectus issued in respect of any Warrants listed on the SWX and other information incorporated therein by reference,

shall be available for inspection by any Holder during usual business hours on a weekday (Saturdays, Sundays and public holidays excepted) at the specified offices of each of the Warrant Agents and, with respect to any particular series of Warrants, at any other offices specified in the Pricing Supplement relating to such Warrants so long as the Warrants remain outstanding and unexpired and throughout the term of the Programme

(save that a Pricing Supplement relating to an unlisted Warrant will only be available to a Holder of such Warrant and such Holder must produce evidence satisfactory to the Warrant Agent as to the identity of such Holder).

7.10 ***Third Parties***

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**LEHMAN BROTHERS SECURITIES N.V.** )  
as Issuer )

**LEHMAN BROTHERS HOLDINGS INC.** )  
as the Guarantor )

**CITIBANK, N.A., LONDON** )  
as Principal Warrant Agent )

**CITIBANK, N.A., ZURICH** )  
as Swiss Warrant Agent )

**LEHMAN BROTHERS INTERNATIONAL** )  
**(EUROPE)** )  
as LBIE )

**SCHEDULE 1**  
**FORM OF GLOBAL WARRANT**

**[INSERT APPLICABLE TAXATION OR OTHER LEGEND IF REQUIRED]**

LEHMAN BROTHERS SECURITIES N.V.  
GLOBAL WARRANT CERTIFICATE

Representing

[Number and Title of Warrants]

Guaranteed by

LEHMAN BROTHERS HOLDINGS INC.

This Global Warrant Certificate, entered into by way of deed, represents a duly authorised series of [Name of Warrants] (the "**Warrants**") relating to [Description of underlying asset(s)] [expiring/redeemable on] [Specify date], subject to and in accordance with the terms and conditions set forth herein and in the Master Warrant Agreement dated as of 17 March 2008 (the "**Master Warrants Agreement**"), between Lehman Brothers Securities N.V. (the "**Issuer**"), Lehman Brothers Holdings Inc., Citibank, N.A., London (the "**Principal Warrant Agent**") and Citibank, N.A., Zurich (the "**Swiss Warrant Agent**"). [The Schedule attached hereto forms part of this Global Warrant Certificate and the information provided in the Schedule in respect of the Issuer is accurate at the date of this Global Warrant Certificate.]

References in this Global Warrant Certificate to the Conditions are to the terms and conditions applicable to Warrants issued by the Issuer pursuant to the Master Warrant Agreement and are set out in Schedule 4 thereof and incorporate any additional provisions forming part of such Conditions and set out in the Pricing Supplement forming the Schedule hereto (the "**Pricing Supplement**"), and references to specific Conditions shall be construed accordingly. In the event of any conflict between the contents of the Pricing Supplement and the Conditions, the contents of the Pricing Supplement shall prevail. Expressions defined in the Master Warrant Agreement, the Conditions the Pricing Supplement shall bear the same meanings herein.

The Warrants have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws. The Warrants may not be offered, sold or delivered within the United States or to U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

[If this Global Warrant Certificate is originally issued in respect of a number of Warrants less than the maximum number of [ ] Warrants, then, at any time any further Warrants are issued, the number of Warrants represented by this Global Warrant Certificate shall be increased by the number of such further Warrants.]

The Issuer covenants with the holders of the Warrants and each of them duly to comply with the Conditions, which form part of this Global Warrant Certificate and shall have the same effect as if set forth herein and the Pricing Supplement attached hereto.

The Issuer's obligations in respect of the Warrants are guaranteed by Lehman Brothers Holdings Inc. in accordance with the terms of the guarantee made by it dated 17 March 2008.

This Global Warrant Certificate shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by a duly authorised officer of the Principal Warrant Agent or the Swiss Warrant Agent acting in accordance with the Master Warrant Agreement.

This Global Warrant Certificate shall be governed by and construed in accordance with the laws of England.

In witness whereof, **LEHMAN BROTHERS SECURITIES N.V** has caused this Global Warrant to be executed as a deed in its corporate name by a duly authorised officer or director.

Dated: [ \_\_\_\_\_ ]

Swiss Security Number (Valorennummer):

ISIN:

Executed as a deed by  
**LEHMAN BROTHERS SECURITIES N.V.**

and signed and delivered as a deed on its behalf

By:

Name:

Title:

**CERTIFICATE OF AUTHENTICATION**

This is the Global Warrant Certificate representing the [Description of Warrants] described in the Master Warrant Agreement.

For or on behalf of

**CITIBANK N.A., LONDON**

By:

Name:

Title:

**Schedule**

**Form of Pricing Supplement**

*[Form of Pricing Supplement to be attached to the Global Warrant Certificate]*

**SCHEDULE 2**  
**FORMS OF EXERCISE NOTICE**

**Part A**  
**Form of Exercise Notice for Cash Settled Warrants**

LEHMAN BROTHERS SECURITIES N.V.  
(the "**Issuer**")

Issue of [Description of Warrants] (the "**Warrants**")

Expiring [Insert Date]

Guaranteed by  
Lehman Brothers Holdings Inc.  
(the "**Guarantor**")

ISIN:           [•]  
Valor No:       [•]

When completed this Exercise Notice should be sent by fax (to be confirmed in writing) or delivered in writing to [insert name(s) of relevant Clearing System(s)] records), with a copy to the Principal Warrant Agent and the Issuer, to arrive not later than, in the case of American Style Warrants, the Exercise Notice Deposit Time, on any Business Day (the Exercise Date) during the Exercise Period and, in the case of European Style Warrants, the Exercise Notice Deposit Time on the Expiration Date. Any capitalised term used but not defined herein shall have the meaning set forth in the Terms and Conditions of the above-captioned Warrants.

To:             [Insert name(s) of relevant Clearing System(s)]

With a copy to:     [Name of Principal Warrant Agent]  
                          [Address]  
                          [Address]  
                          [Address]

Lehman Brothers Securities N.V.

Failure properly to complete this Exercise Notice (in the determination of the Principal Warrant Agent or to submit a substantially similar form of Exercise Notice (in the determination of the Principal Warrant Agent) or failure to deliver it by the Exercise Notice Deposit Time on the Expiration Date, will result in the Exercise Notice being treated as null and void.

**PLEASE USE BLOCK CAPITALS**

1. Name(s) of Holder(s)

2. Address(es) of Holder(s)

3. Exercise of Warrants

The undersigned, being the holder of the Warrants referred to below forming part of the above issue of Warrants, hereby exercises the number of Warrants to which this notice relates in accordance with the terms and conditions thereof.

4. Number of Warrants

The Number of Warrants referred to in paragraph 3 above is as follows:

Holders are advised to refer to the terms and conditions of the Warrants with respect to the minimum number of Warrants and multiples in excess thereof which may be exercised on the same day.

5. Account details

I/We\* hereby irrevocably instruct [insert name(s) of relevant Clearing System(s)] to debit on or before the Settlement Date (A) my/our\* account with the number of Warrants hereby being exercised.

My/Our account with [insert name(s) of relevant Clearing System(s)] to be debited is as follows:

6. Account details for payment of Cash Settlement Amount

My/Our\* account with [insert name(s) of relevant Clearing System(s)] to be credited with the Cash Settlement Amount (or the Alternative Settlement Amount) for each Warrant exercised, is as follows:

7. Expenses

I/We\* hereby undertake to pay any applicable Expenses and I/we\* hereby irrevocably instruct [insert name(s) of relevant Clearing System(s)] to debit my/our\* account specified in paragraph 5 above with an amount or amounts in respect thereof and to pay such Expenses to the extent of such amount or amounts.

8. US Selling Restrictions Certification

[Insert appropriate US Selling Restrictions certification required by Condition 6(e) if applicable]

9. Name of Holder\*

Signed/By:

Name:

Dated:

---

\* Delete as appropriate.

**Part B**  
**Form of Exercise Notice for Physical Delivery Warrants**

LEHMAN BROTHERS SECURITIES N.V.  
(the "**Issuer**")

Issue of [Description of Warrants] (the "**Warrants**")

Expiring [Insert Date]

Guaranteed by  
Lehman Brothers Holdings Inc.  
(the "**Guarantor**")

ISIN:           [•]  
Valor No:       [•]

When completed this Exercise Notice should be sent by fax (to be confirmed in writing) or delivered in writing to [insert name(s) of relevant Clearing System(s)] records), with a copy to the Principal Warrant Agent and the Issuer, to arrive not later than, in the case of American Style Warrants, the Exercise Notice Deposit Time, on any Business Day (the Exercise Date) during the Exercise Period and, in the case of European Style Warrants, the Exercise Notice Deposit Time on the Expiration Date. Any capitalised term used but not defined herein shall have the meaning set forth in the Terms and Conditions of the above-captioned Warrants.

To:    [Insert name(s) of relevant Clearing System(s)]

With a copy to:     [Name of Principal Warrant Agent]  
                          [Address]  
                          [Address]  
                          [Address]

Lehman Brothers Securities N.V.

Failure properly to complete this Exercise Notice (in the determination of the Principal Warrant Agent) or to submit a substantially similar form of Exercise Notice (in the determination of the Principal Warrant Agent) or failure to deliver it by the Exercise Notice Deposit Time on the Expiration Date, will result in the Exercise Notice being treated as null and void.

**PLEASE USE BLOCK CAPITALS**

1. Name(s) of Holder(s)
2. Address(es) of Holder(s)
3. Exercise of Warrants

The undersigned, being the holder of the Warrants referred to below forming part of the above issue of Warrants, hereby exercises the number of Warrants to which this notice relates in accordance with the terms and conditions thereof.

4. Number of Warrants

The Number of Warrants referred to in paragraph 3 above is as follows:

Holders are advised to refer to the terms and conditions of the Warrants with respect to the minimum number of Warrants and multiples in excess thereof which may be exercised on the same day.

5. Account details for debit of Warrants and Strike Price

I/We\* hereby irrevocably instruct [insert name(s) of relevant Clearing System(s)] to debit on or before the Settlement Date (A) my/our\* account with the number of Warrants hereby being exercised and (B) my/our\* cash account with the aggregate Strike Price in respect of the Warrants relating to such Shares, if applicable, and the amount of any applicable taxes.

My/Our\* account with [insert name(s) of relevant Clearing System(s)] to be debited Warrants is:

My/Our\* cash account with [insert name(s) of relevant Clearing System(s)] to be debited in accordance with (B) above is:

6. Details for delivery of Physical Settlement Amount

I/We\* hereby instruct the Issuer to deliver or procure the delivery of the Physical Settlement Amount to:

(in respect of the Relevant Assets):

(in respect of evidence):

---

\* Delete as appropriate.

whose address is:

whose address is:

7. Expenses

I/We\* hereby undertake to pay any applicable Expenses and I/we\* hereby irrevocably instruct [insert name(s) of relevant Clearing System(s)] to debit my/our\* account specified in paragraph 6 above with an amount or amounts in respect thereof and to pay such Expenses to the extent of such amount or amounts.

8. US Selling Restrictions Certification

[Insert appropriate US Selling Restrictions certification required by Condition 6(e) if applicable]

9. Name of Holder

\*Signed/By:

Name:

Dated

---

\* Delete as appropriate.

**SCHEDULE 3**  
**FORM OF 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 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<br>[Index Warrants]<br>[Share Warrants]<br>[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 [Specify details if applicable]  
[Not Applicable]

Conditions 1(a) and 7(c):

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 [Applicable] [Not Applicable]

- Warrant: [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 relevant Subject Currency or Subject Currencies: [Applicable] [Not Applicable] [Specify details if applicable]
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 (Valorennummer): [•]

Swiss Symbol: [•]

Any clearing system(s) other than SIS [Not Applicable/give name(s) and  
SegaInterSettle AG, Olten, Switzerland and number(s)]  
the relevant identification 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 Naegeli & Partners Attorneys at Law,  
LR): 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.*

**SCHEDULE 4**  
**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 depositary 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 adjustments(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, Hugenzweg 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, Depositary 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), Depositary Receipts (in the case of Warrants relating to a Basket of Depositary 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 Depositary Receipt (in the case of Depositary 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 depository receipts or global depository 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 Depository Receipt (in the case of Depository 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 SegaInterSettle 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.