

This Offering Circular is dated as of 8 August 2008 and replaces the amended and restated Offering Circular dated as of 8 August 2007.

LEHMAN BROTHERS SECURITIES N.V.

(Incorporated in The Netherlands Antilles)

LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A.

(Incorporated in the Grand Duchy of Luxembourg)

LEHMAN BROTHERS BANKHAUS AG

(Incorporated in the Federal Republic of Germany)

Warrant and Certificate Programme

Guaranteed by

LEHMAN BROTHERS HOLDINGS INC.

(Incorporated in the State of Delaware)

Under the terms of their Warrant and Certificate Programme (the "**Programme**"), Lehman Brothers Securities N.V., ("**LBS**") Lehman Brothers (Luxembourg) Equity Finance S.A. and Lehman Brothers Bankhaus AG (including when acting through its London Branch, "**LBB**") (each an "**Issuer**" and together the "**Issuers**") may from time to time issue warrants ("**Warrants**") or certificates ("**Certificates**" and, together with Warrants, "**Securities**") of any kind including, but not limited to, Warrants or Certificates relating to: a specified index or a basket of indices ("**Index Securities**"); a specified share or basket of shares or a specified depository receipt in respect of a specified share or a basket of depository receipts in respect of the shares of a basket of companies (together "**Share Securities**" unless otherwise specified as "**Depository Receipt Securities**"); a specified debt instrument or basket of debt instruments ("**Debt Instrument Securities**"); a specified currency or basket of currencies ("**Currency Securities**"); a specified interest rate ("**Interest Rate Securities**"); or a specified commodity or basket of commodities ("**Commodity Securities**"). Each issue of Securities will be issued on the terms set out herein which are relevant to such Securities under "Terms and Conditions of the Securities" (the "**Conditions**") and on such additional terms as may be set out in the final terms (the "**Final Terms**") which, with respect to Warrants or Certificates which, under the Directive 2004/39/EC on Markets in Financial Instruments ("**MiFID**") are to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange or listed on any other stock exchange (including the SWX Swiss Exchange), will be delivered to such stock exchange on or prior to the date of listing of such Securities. As used in this Offering Circular, "regulated market" shall have the meaning given to it in article 4, paragraph 1.(14) of MiFID. All Securities of each Issuer are guaranteed by Lehman Brothers Holdings Inc. (the "**Guarantor**" or "**LBHI**").

None of the Securities, the Master Guarantees (as such expression is defined in the Conditions) and any securities to be delivered upon exercise or settlement of the Securities have been, nor will be, registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws. Securities may not be offered, sold or delivered within the United States or to US persons (as defined in Regulation S under the Securities Act), 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. The Dealers may arrange for the offer and sale of the whole or a portion of the Securities of a certain series (each a "**Series**") within the United States exclusively to persons that are "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**") and the rules thereunder that are also (i) reasonably believed to be qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act) in reliance on the exemption provided by Rule 144A under the Securities Act or (ii) "accredited investors" (as defined in Rule 501(a) under the Securities Act) in the United States under restrictions and other circumstances reasonably

designed to preclude a distribution that would require registration of the Securities under the Securities Act, in reliance on Regulation D thereunder. See "Offering and Sale". Prospective purchasers of Securities offered within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) are hereby notified that the offer and sale of such Securities may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. In certain circumstances, exercise or settlement of Securities will be conditional upon certification as to non-US beneficial ownership. See "Terms and Conditions of the Securities".

This Offering Circular has been approved by the Luxembourg Commission de Surveillance du Secteur Financier (the "CSSF"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") and the Luxembourg law on prospectuses for securities of 10 July 2005 (the "**Prospectus Law**"), as a base prospectus issued in compliance with the Prospectus Directive and the Prospectus Law implementing the Prospectus Directive in Luxembourg for the purpose of giving information with regard to the issue of Securities under the Programme during the period of twelve months after the date hereof. Application has been made for Securities issued under the Programme to be admitted to trading, under MiFID, on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange.

Securities to be issued pursuant to the Programme may have a minimum denomination specified in the relevant Final Terms or Prospectus (each term as defined below), subject to compliance with the Prospectus Directive and all other applicable legal and/or regulatory and/or central bank requirements. 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, exercise or redemption of any Securities and/or the resulting transfer of the Relevant Assets 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.

Except as otherwise specified in the relevant Final Terms, each series of Securities is issued in registered form and (other than Securities sold to "accredited investors" in the United States that are not QIBs) will be represented by one or more global warrants or certificates (each a "**Global Security**"). In the event that sales of a series of Securities will not be made within the United States or to, or for the account or benefit of, US persons, a Global Security will be issued and deposited with a common depository for Euroclear Bank S.A./N.V. of 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg of 42 Avenue JF Kennedy L-1855 Luxembourg, Luxembourg ("**Clearstream, Luxembourg**"), or with a common depository for any additional or alternative clearing system which is specified in an applicable Final Terms, on the date of issue of the relevant Securities. In the event of sales of Securities in the United States to QIBs, one or more Global Securities (issued pursuant to either or both of Regulation S and Rule 144A, respectively) will be required, each of which will be deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company of 55 Water Street, New York, NY 10041 USA ("**DTC**") and the Securities of such series will be cleared through DTC, Euroclear and Clearstream, Luxembourg. In the event that Securities are sold to "accredited investors" in the United States that are not QIBs, such Securities will be issued and registered in definitive form. Save as aforesaid, Definitive Securities will not be issued unless specified in the applicable Final Terms.

Prospective investors of Securities should ensure that they understand the nature of the relevant Securities and the extent of their exposure to risks and they should consider the suitability of the relevant Securities as an investment in the light of their own circumstances and financial condition. Securities involve a high degree of risk, including the potential risk of expiring worthless. Potential investors should be prepared in certain circumstances to sustain a total loss of the purchase price of their Securities. See "Risk Factors relating to Securities" on pages 9 to 27.

Arranger and Dealer
LEHMAN BROTHERS

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

The relevant Final Terms will (if applicable) specify the nature of the responsibility taken by the relevant Issuer for the information relating to the underlying asset (or basket of assets), Commodity (or basket of Commodities), Currency (or basket of Currencies), Debt Instrument (or basket of Debt Instruments), depository receipt (or basket of depository receipts), Index (or basket of Indices), Share (or basket of Shares) (as all such terms are defined in the Conditions) or other item(s) (the "**Underlying**") to which the Securities relate which is contained in such Final Terms.

A *pro forma* Final Terms is set out herein on pages 33 to 50. A Final Terms for an issue of Securities will specify with respect to the issue of Securities to which it relates (and where relevant), *inter alia*, the specific name of the Securities, the aggregate number and type of the Securities, the date of issue of the Securities, the issue price, the Underlying to which the Securities relate, the strike price and exercise period or date (in the case of Warrants) and certain other terms relating to the offering and sale of the Securities. The Final Terms supplements the Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, supplement, replace or modify the Conditions. The Final Terms relating to an issue of Securities will be attached to, or endorsed upon, the Global Security representing such Securities or any Securities in definitive form, as the case may be.

Each issue of Securities will entitle the holder thereof (on due exercise or settlement notification and subject to certification, where appropriate) either to receive a cash amount (if any) calculated in accordance with the relevant terms and/or to receive physical delivery of certain assets (which may be made against payment of a specified sum) all as set forth herein and in the applicable Final Terms.

No person is authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular, an applicable Final Terms or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised or made by all or any of the Issuers, the Guarantor, the Arranger, any dealer for an issue of Securities (as applicable to such issue of Securities, the "**Dealer**" and, if more than one, the "**Dealers**", and each a "**Dealer**") or the Calculation Agent (as described in the applicable Final Terms). The Dealer(s) in relation to an issue of Securities will be specified in the applicable Final Terms. This Offering Circular does not constitute an offer or solicitation, and may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Securities or the distribution of this Offering Circular in any jurisdiction where any such action is required.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Securities are the persons named in the applicable Final Terms as the relevant Dealer or Dealers.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*" on page 29). This Offering Circular shall be read and construed on the basis that such Information is incorporated and forms part of this Offering Circular.

This Offering Circular (together with supplements to this Offering Circular from time to time (each a "**Supplement**" and together the "**Supplements**")) comprises three base prospectuses, one in respect of

each of the Issuers, for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regards to the Issuers and the Guarantor.

Certain series of Warrants may create options exercisable by the relevant holder. In such circumstances there is no obligation upon any holder to exercise the Warrants nor, in the absence of such exercise, any obligation upon the relevant Issuer to pay any amount to any Holder (as defined in the Conditions). The Warrants will be exercisable in the manner set forth herein and in the applicable Final Terms. Upon exercise of Warrants and as a condition of settlement of payments and deliveries in respect of Certificates, the Holder may be required to certify (in accordance with the provisions outlined in "Offering and Sale" below) that it is not a US person, is not exercising the Warrants on behalf of a US person, and is not in the United States. Securities may be issued to a single Dealer or to more than one Dealer on a syndicated basis. Also, in certain circumstances, another company which is a subsidiary or holding company of the relevant Issuer or any subsidiary of any such holding company may be substituted as the principal obligor under the Securities and a subsidiary or holding company of the Guarantor or any subsidiary of any such holding company may be substituted as guarantor in respect of the Securities. See "Terms and Conditions of the Securities - Substitution".

Each Issuer, the Guarantor, or any Dealer or any affiliates of any of them may hold, retain, buy or sell the Underlying and may hold, retain, buy or sell the Securities of each issue and/or enter into transactions relating thereto or derived therefrom, from time to time, in such amounts, with such purchasers and/or counterparties and at such prices (including at different prices) and on such terms as any such entity may determine as part of its business and/or any hedging transactions in connection with the arrangements described in this Offering Circular or otherwise. There is no obligation upon the relevant Issuer or any Dealer to sell all of the Securities of any issue. The Securities of any issue may be offered or sold from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the relevant Issuer and/or the Dealer(s), as the case may be, subject as provided above. In addition, each Issuer or the Guarantor or any Dealer or any affiliate of any of them may enter into arrangements with Basket Companies (as defined in the Conditions) the effect or consequence of which may be to affect the price of the Underlying and/or the Securities or which otherwise may have an effect on the Underlying, the Basket Companies and/or the Securities.

Neither the Arranger nor any Dealer has separately verified the information contained herein or in any applicable Final Terms. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger or any Dealer as to the accuracy or completeness of the information contained in this Offering Circular or in any applicable Final Terms or any other information provided by each Issuer and the Guarantor. Neither the Arranger nor any Dealer accepts any liability in relation to the information contained in this Offering Circular or in any applicable Final Terms or any other information provided by each Issuer and the Guarantor in connection with the Programme or any applicable Final Terms.

Neither this Offering Circular nor any other information supplied in connection with the Programme (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuers, the Guarantor, the Arranger or any Dealer or the Calculation Agent (if any) (as described in the applicable Final Terms) that any recipient of this Offering Circular (or any other information supplied in connection with the Programme) should purchase any Securities. Each investor contemplating purchasing any Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of each Issuer and the Guarantor. Investors should review, *inter alia*, the most recently published annual report and accounts of the relevant Issuer and the Guarantor when deciding whether or not to purchase any Securities. Neither this Offering Circular nor any other information supplied in connection with the Programme constitutes an offer or an

invitation by or on behalf of each Issuer, the Guarantor, the Arranger and/or any Dealer or any person to subscribe for or to purchase any Securities.

The delivery of this Offering Circular does not at any time imply that the information contained herein concerning each Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Arranger nor any Dealer undertakes to review the financial condition or affairs of any of the Issuers and/or the Guarantor during the life of the Programme.

The Securities have not been approved or disapproved by the United States Securities and Exchange Commission ("SEC") or any state securities commission in the United States or the Commodities Futures Trading Commission (the "CFTC") nor has the SEC or any state securities commission, or the CFTC passed upon the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

In this Offering Circular, references to "US Dollars", "USS", "\$", "Dollars", "USD" and "cents" are to the lawful currency of the United States of America, references to "€", "EUR" or "euro" are to the single currency introduced at the start of the third stage of European Economic Monetary Union pursuant to the Treaty establishing the European Communities, as amended and references to "CHF" and "Swiss francs" are to the lawful currency of Switzerland.

NOTICE TO NEW HAMPSHIRE RESIDENTS:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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SUMMARY OF THIS OFFERING CIRCULAR

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Securities should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the responsible persons in any such Member State solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to the information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular before the legal proceedings are initiated.

Issuers: Lehman Brothers Securities N.V., Lehman Brothers (Luxembourg) Equity Finance S.A. and Lehman Brothers Bankhaus AG (including when acting through its London Branch).

A description of each Issuer is set out in the appropriate sections of this Offering Circular.

Summary financial information in respect of each Issuer is set out on pages 118 to 120, 123 to 124 and 127 to 130 respectively, of this Offering Circular. The tables below sets out selected financial highlights in respect of each Issuer:

Lehman Brothers Securities N.V.

<i>\$ Thousands</i>	<i>Year ended 30 November 2007</i>	<i>Year ended 30 November 2006</i>
Gross income.....	315	197
Total assets	8,380,572	3,213,489
Shareholders' Equity	160	138
(Loss)/profit before taxation.....	33	24
Net (loss)/profit.....	22	16

Lehman Brothers (Luxembourg) Equity Finance S.A.

<i>\$ Thousands</i>	<i>Year ended 30 November 2007</i>	<i>Year ended 30 November 2006</i>
Gross Income.....	1,706	755
Total assets	735,120	126,765
Shareholders' Equity	250	150
(Loss)/profit before taxation.....	142	72
Net (loss)/profit.....	100	51

Lehman Brothers Bankhaus AG

<i>€ EUR Mn</i>	<i>Year ended 30 November 2007</i>	<i>Year ended 30 November 2006</i>
Gross Income.....	890.1	595.3
Total assets	16,157.1	9,310.9
Shareholders' Equity	821.5	538.6
Income before taxation	153.5	62.9
Net profit.....	121.3	48.4

Guarantor:

Lehman Brothers Holdings Inc.

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

<i>\$ Mn</i>	<i>Year ended 30 November 2007</i>	<i>Year ended 30 November 2006</i>
Gross Income.....	59,003	46,709
Total assets	691,063	503,545
Stockholders' Equity	22,490	19,191
Income before taxation	6,013	5,905
Net profit.....	4,192	4,007

The Securities to be issued by Lehman Brothers Securities N.V., Lehman Brothers (Luxembourg) Equity Finance S.A. and Lehman Brothers Bankhaus AG (including when acting through its London Branch) will in each case, benefit from a guarantee agreement dated 8 August 2007 (as amended, restated and supplemented from time to time, each a "**Guarantee**" and together the "**Master Guarantees**") under which, the Guarantor guarantees the performance of the obligations of the relevant Issuer under the Securities in accordance with the Conditions.

Dealers:

Lehman Brothers International (Europe), Lehman Brothers Inc., Lehman Brothers Securities Asia Limited or as specified in the applicable Final Terms

Principal Securities Agent:

Unless otherwise specified in the applicable Final Terms (a) where the Securities are represented by a Regulation S Global Security, the Belgian Securities Agent and (b) where the Securities are represented (1) by a 144A Global Security and/or Definitive Security Certificates or (2) by a Regulation S Global Security and a 144A Global Security and/or Definitive Security Certificates, the US Securities Agent.

US Securities Agent:

The Bank of New York Mellon, New York Branch

Belgian Securities Agent:

The Bank of New York Mellon, Brussels Branch

Luxembourg Securities Agent:	The Bank of New York (Luxembourg) S.A. in respect of all Securities listed on the official list of the Luxembourg Stock Exchange
German Securities Agent:	The Bank of New York, Filiale Frankfurt am Main
Luxembourg Listing Agent:	The Bank of New York (Luxembourg) S.A.
Swiss Listing Agent:	As specified in the applicable Final Terms (if relevant)
Swiss Securities Agent:	As specified in the applicable Final Terms (if relevant)
Listing and Admission to Trading:	The Securities issued under the Programme may, under MiFID, be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the official list of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation on the SWX Swiss Exchange or any other listing authority, stock exchange and/or quotation system so specified in the applicable Final Terms or may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.
Final Terms or Prospectus:	<p>Securities issued under the Programme may be issued either (1) pursuant to this Offering Circular and associated final terms ("Final Terms") or (2) pursuant to a prospectus (constituted either (i) by a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Securities or (ii) by a registration document (the "Registration Document") containing the necessary information relating to the Issuers and the Guarantor, a securities note (the "Securities Note") containing the necessary information relating to the relevant Securities and, if necessary, a summary note) (together, a "Prospectus"), in each case prepared in connection with a particular series of Securities.</p> <p>Any information relating to the Securities which is not included in this Offering Circular and which is required in order to complete the necessary information in relation to an issue of Securities will be contained either in the relevant Final Terms or in a Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Offering Circular in which case such information, together with all of the other necessary information in relation to the relevant Securities will be contained in a Prospectus.</p> <p>In addition, if the Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Securities will be included in the Securities Note.</p>

For a series of Securities which is the subject of Final Terms, those Final Terms will, for the purposes of that series only, supplement the Conditions of the Securities and this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to a particular series of Securities which is the subject of Final Terms are the Conditions of the Securities as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to a particular series of Securities which is the subject of a Prospectus will be the Conditions of the Securities as supplemented, amended and/or replaced to the extent described in the relevant Prospectus. In the case of a series of Securities which is the subject of a Prospectus, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Prospectus.

Type of Securities: The Issuer may from time to time issue Warrants or Certificates (together "**Securities**") of any kind, including but not limited to Index Securities, Share Securities, and Depository Receipt Securities.

The Warrants may either be European Style Warrants or American Style Warrants or such other styles as may be described in the applicable Final Terms.

Settlement: The Securities may be cash or physically settled as indicated in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the Physical Settlement Amount in respect of Physical Delivery Securities will be delivered subject to (i) payment of the applicable Strike Price (in the case of Warrants) and any expenses and (ii) satisfaction of all applicable representations and conditions to physical settlement.

Index Securities: The Cash Settlement Amount in respect of Index Securities that are cash settled will be calculated by reference to a single index or basket of indices.

Share Securities: The Cash Settlement Amount in respect of Share Securities that are cash settled will be calculated by reference to a single share or basket of shares as specified in the applicable Final Terms. The Physical Settlement Amount in respect of Share Securities that are physically settled will be as set out in the applicable Final Terms and, without limitation, may be determined by reference to a single share or basket of shares.

Depository Receipt Securities: The Cash Settlement Amount in respect of Depository Receipt Securities that are cash settled will be calculated by reference to a single depository receipt of a basket of depository receipts as specified in the applicable Final Terms. The Physical Settlement Amount in respect of Depository Receipt Securities that are physically settled will be as set out in the applicable Final Terms and, without limitation, may be determined by reference to a single depository receipt or basket of depository receipts.

Other Securities: Securities relating to other underlying instruments or bases of reference may be issued on such terms as may be determined by the Issuer and

specified in the applicable Final Terms.

Exercise Rights:

European Style Warrants are only exercisable on the Expiration Date.

European Style Warrants where Automatic Exercise is not specified in the applicable Final Terms or deemed by the Issuer with respect to which no Exercise Notice has been delivered in the manner set out in Conditions 5 and 9 at or prior to the Exercise Notice Deposit Time on the Expiration Date shall become void.

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

American Style Warrants where Automatic Exercise is not specified in the applicable Final Terms or deemed by the Issuer with respect to which no Exercise Notice has been delivered in the manner set out in Conditions 5 and 9 at or prior to Exercise Notice Deposit Time on the Expiration Date shall become void.

Exercise rights may attach to other styles of Warrants, as described in the applicable Final Terms.

Redemption:

In order to obtain payment of the Cash Settlement Amount or delivery of the Physical Settlement Amount in respect of a Certificate, a Holder may be required to deliver a settlement notice during the applicable Certificate Settlement Notice Period.

Interest:

If so specified in the applicable Final Terms, each Certificate pays interest at the Interest Rate on each Interest Payment Date.

Issue Price:

Such amount as may be decided by the relevant Issuer and as indicated in the applicable Final Terms. Each Dealer reserves the right, in its sole discretion, at any time and from time to time, to purchase and sell the Securities at one or more prices that differ from the Issue Price.

The Securities may be issued with such denomination as may be decided by the relevant Issuer and as indicated in the applicable Final Terms, save that, in relation to Lehman Brothers Bankhaus AG (including when acting through its London Branch), the minimum denomination of the Securities will be EUR 1,000 or an amount in any other currency which is at least equal to EUR 1,000 on the issue date or the Securities will give the right to acquire any transferable securities or to receive a cash amount, as a consequence of their being converted or the rights conferred by them being exercised, provided that Lehman Brothers Bankhaus AG is not the issuer of the underlying securities or an entity belonging to the group of the latter issuer (with the exception of Securities which are not being admitted to trading and listing on a regulated market within the meaning of MiFID in a Member State of the European Economic Area ("EEA") or publically offered in an EEA Member State and, further, such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency.

Save as set out above, Securities may be issued in a denomination lower than EUR1,000 (or its equivalent in any other currency). It is expected that the CSSF shall be the competent authority in respect of the relevant Issuer of such series of Securities issued.

Form of Securities:

Each series of Securities other than those sold to "accredited investors" in the United States that are not QIBs will be represented on issue by one or more global securities (each a "**Global Security**"). In the event that sales of a series of Securities will not be made within the United States or to US persons, a Global Security will be issued and deposited with a common depository for Euroclear Bank S.A./N.V. of 1 Boulevard de Roi Albert 11, B-1210 Brussels, Belgium ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg of 42 Avenue JF Kennedy L-1855 Luxembourg, Luxembourg ("**Clearstream, Luxembourg**"), or with a common depository for any additional or alternative clearing system which is specified in an applicable Final Terms, on the date of issue of the relevant Securities. In the event of sales of a series of Securities in the United States to QIBs, two Global Securities (representing Securities to be offered and sold in reliance on each of Regulation S and Rule 144A) will be issued, each of which will be deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company of 55 Water Street, New York, NY 10041 USA ("**DTC**"). In the event that Securities are sold to "accredited investors" in the United States that are not QIBs, such Securities will be issued and registered in definitive form. Save as aforesaid, Definitive Securities will not be issued unless specified in the applicable Final Terms.

Danish Securities:

Securities issued pursuant to the Programme may include Danish Securities. Danish Securities will be issued by LBS or LBB pursuant to the Securities Agency Agreement as supplemented by a Danish Agency Agreement with Skandinaviska Enskilda Banken AB as Danish Issuing Agent and will be registered in uncertificated and dematerialised book-entry form with the Danish Securities Centre ("**VP**"). For the purposes of Danish Securities, the Danish Issuing Agent shall be the Principal Securities Agent. For so long as it is a requirement of the VP Rules (as defined below) (i) Danish Securities may not provide for any form of settlement (including in respect of payment of interest) other than payment in cash; (ii) where Warrants are to be issued as Danish Securities, the Warrants must be European Style Warrants; (iii) where Certificates are to be issued as Danish Securities, a Series of Certificates must have the same Redemption Date; and (iv) Danish Securities shall not be issued where certification of non-US beneficial ownership as contemplated in Condition 9(e) is required.

Finnish Securities:

Securities issued pursuant to the Programme may include Finnish Securities. Finnish Securities will be issued by LBS or LBB pursuant to the Securities Agency Agreement as supplemented by a Finnish Issuing and Paying Agency Agreement with Nordea Bank Finland Plc as Finnish Issuing Agent and will be registered in uncertificated book-entry form with the Finnish Central Securities Depository Ltd. (the "**APK**"). For the purposes of Finnish Securities, the Finnish Issuing Agent shall be the Principal Securities Agent.

Norwegian Securities:	Securities issued pursuant to the Programme may include Norwegian Securities. Norwegian Securities will be issued by LBS or LBB pursuant to the Securities Agency Agreement as supplemented by a Norwegian Agency Agreements with DnB NOR Bank ASA as Norwegian Issuing Agent and will be registered in uncertificated and dematerialised electronic book-entry form with the Norwegian Central Securities Depository (the "VPS"). For the purposes of Norwegian Securities, the Norwegian Issuing Agent shall be the Principal Securities Agent.
Swedish Securities:	Securities issued pursuant to the Programme may include Swedish Securities. Swedish Securities will be issued by LBS or LBB pursuant to the Securities Agency Agreement as supplemented by a Swedish Agency Agreement with Swedbank AB (publ) as Swedish Issuing Agent and will be registered in uncertificated and dematerialised book-entry form with the Swedish Central Securities Depository (the "VPC"). For the purposes of Swedish Securities, the Swedish Issuing Agent shall be the Principal Securities Agent. For so long as it is a requirement of the VPC Rules (as defined below), Swedish Securities may not provide for any form of settlement (including in respect of payment of interest) other than payment in cash.
Status of Master Guarantees:	The obligations of the Guarantor under the Master Guarantees, will constitute direct, unsubordinated, unsecured and irrevocable obligations of the Guarantor and will rank <i>pari passu</i> with all other direct, unsubordinated and unsecured obligations of the Guarantor.
Taxation:	Purchasers of Securities may be required to pay stamp taxes and/or charges in connection with the Securities, in addition to the issue (or purchase) price and Strike Price (where relevant) of each Security.
Selling Restrictions:	With the exception of the approval by the CSSF of this Offering Circular as a base prospectus issued in compliance with the Prospectus Directive and the Prospectus Law implementing the Prospectus Directive in Luxembourg, no action has been taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Securities, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Each Dealer and each purchaser of Securities must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Securities or distribute this Offering Circular or any offering material in relation to Securities. The Offering Circular contains a summary of certain selling restrictions in the United States, the United Kingdom, The Netherlands Antilles, Luxembourg and the European Economic Area. These are set out in more detail on pages 136 to 146 of this Offering Circular.
Governing Law:	English Law, except for the Master Guarantees, which are governed by the laws of the State of New York and save that the registration of Scandinavian Securities shall be governed by applicable local law.

Risk Factors:

No person should deal in the Securities unless that person understands the nature of the relevant transaction and the extent of that person's exposure to potential loss. Holding Securities involves a high degree of risk, which may include interest rate, corporate, market, foreign exchange, time value and/or political risks. Some Securities may expire worthless or be redeemable without any payment. The relevant Issuer may vary the settlement in respect of a particular series of Securities and the Calculation Agent may be entitled to make adjustments to the Terms and Conditions of the Securities and/or the Securities may be cancelled following the occurrence of certain events, each as described in such Terms and Conditions and/or the applicable Final Terms. If further Securities relating to a particular Underlying are subsequently issued or sold, this may cause the price at which the Securities trade in the secondary market to decline significantly. Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in the Underlying should recognise the complexities of utilising Securities in this manner. There can be no assurance that an active secondary market for the Securities will come into being. The Securities are not standardised options of the type traded on various options exchanges. The market value of the Securities may not have a direct relationship with the prevailing price of the Underlying. The Issuers, the Guarantor and their subsidiaries or affiliates may engage in transactions involving the Underlying for their proprietary accounts and/or for accounts under their management or clients. Such transactions may have a positive or negative effect on the value of the Underlying and consequently on the value of the Securities.

Additionally, Lehman Brothers' financial condition and results of operations may be affected by uncertain or unfavourable economic, market, legal and other conditions. These conditions include but are not limited to market and competitive risk, changes in investor sentiment, liquidity risk, changes to credit ratings, credit exposure and operational risk and legal regulatory risk. These risks are set out in more detail on pages 9 to 27 of this Offering Circular.

RISK FACTORS

Certain capitalised terms used in this section are defined in the Terms and Conditions of the Securities and/or the applicable Final Terms.

Important Considerations

The information set out in this Offering Circular is included for the purpose of assisting prospective purchasers and their advisors to make an informed assessment of the terms and conditions of the Securities, general risks of investing in the Securities and the capacity of the relevant Issuer and the Guarantor to fulfil their respective obligations in respect of the Securities. No person should deal in the Securities unless that person understands the nature of the relevant transaction and the extent of that person's exposure to potential loss.

Prospective purchasers of Securities should be experienced with respect to options and derivatives transactions, should understand the risks of transactions involving the relevant Securities and should reach an investment decision only after careful consideration, with their advisors, of the suitability of such Securities in the light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Securities and the particular Underlying to which the value of the relevant Securities may relate.

Notwithstanding its capability to understand and make independent decisions regarding investing in the Securities, by purchasing Securities, a purchaser of Securities implicitly represents and warrants to the relevant Issuer that, and is willing to assume that, the complexity and risks inherent in the Securities are suitable for its objectives and the size, nature and condition of its business, regardless of whether the same have been disclosed to the relevant Issuer, the Guarantor, the Dealers or the Arranger.

RISKS RELATING TO THE SECURITIES

General Risk

Holding Securities involves a high degree of risk, which may include interest rate, corporate, market, foreign exchange, time value and/or political risks. Prospective purchasers of Securities should recognise that their Securities, other than any Securities having a minimum expiration or redemption value, may expire worthless or be redeemable without any payment and, therefore, purchasers should in such circumstances be prepared to sustain a total loss of the purchase price of Securities. In particular purchasers of Warrants must understand that, other factors held constant, the value of Warrants tends to decline over time and Warrants may become worthless when they expire (except to the extent of any minimum expiration value). See "Certain Factors Affecting the Value and Trading Price of Warrants" below. Assuming all other factors are held constant, the more a Warrant is "out of the money" and the shorter its remaining term to expiration, the greater the risk that purchasers of such Warrants will lose all or part of their investment.

The risk of the loss of some or all of the purchase price of a Security upon expiration or redemption means that, in order to recover and realise a return upon his/her investment, a purchaser of a Security must generally have correctly anticipated the direction, timing and magnitude of an anticipated change in the value of the Underlying. With respect to Securities which are European Style Warrants or Certificates, the only means through which a holder can realise value from such Security prior to the Expiration Date (in relation to such Warrant) or the Redemption Date (in relation to such Certificate) is to sell it at its then market price in a secondary market (if available). See "Possible Illiquidity of the Secondary Market" below.

Each Issuer and its respective affiliates perform a wide range of hedging activities in relation to the Underlying and such hedging activities might affect the value of the Underlying and therefore the value of the Securities.

Securities can be volatile financial instruments and may involve the risk of expiring worthless. Securities are subject to a number of risks, including (i) sudden and large falls in value, (ii) changes in the price, market value or level of the relevant Underlying or the reference basis of the Securities and/or changes in the circumstances of the issuers of any securities comprising the Underlying or of the reference basis of the Securities, (iii) changes in the rates of exchange of any of the currencies in which the underlying securities or reference basis of the Securities are denominated and (iv) a complete or partial loss of the investment in the Securities.

Fluctuation in the value of Underlying

Fluctuations in the value of the relevant Index or Basket of Indices will affect the value of Index Securities. Fluctuations in the price of the relevant Share or value of the Basket of Shares will affect the value of Share Securities. Fluctuations in the price or yield of the relevant Debt Instrument or value of the Basket of Debt Instruments will affect the value of Debt Instrument Securities. Also, due to the character of the particular markets on which Shares and Debt Instruments are traded, the absence of last sale information and the limited availability of quotations for such Shares or Debt Instruments may make it difficult for many investors to obtain timely, accurate data for the price or yield of such Shares or Debt Instruments. Fluctuations in the value of the relevant Commodity or Basket of Commodities will affect the value of Commodity Securities. Purchasers of Securities risk losing their entire investment if the value of the relevant Underlying does not move in the anticipated direction.

Fluctuations in exchange rates of the relevant Currency (or Basket of Currencies) will affect the value of Currency Securities. Furthermore, investors who intend to convert gains or losses from the exercise or sale of Currency Securities into their home currency may be affected by fluctuations in exchange rates between their home currency and the relevant Currency (or Basket of Currencies). Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value of a currency, regardless of other market forces. Purchasers of Currency Securities risk losing their entire investment if exchange rates of the relevant Currency (or Basket of Currencies) do not move in the anticipated direction.

Fluctuations in interest rates affecting the relevant Subject Interest Rate will affect the value of Interest Rate Securities. Interest rates may be affected by complex political and economic factors, including governmental action to raise or lower interest rates regardless of other market forces. Purchasers of Interest Rate Securities risk losing their entire investment if interest rates do not move or remain in the anticipated direction.

Adjustments and Cancellation

Pursuant to Condition 10, the relevant Issuer may, if specified in the applicable Final Terms, vary the settlement in respect of a particular series of Securities and thereby at its sole and unfettered 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, and in lieu thereof, deliver or procure delivery of the Physical Settlement Amount or make payment of the Cash Settlement Amount on the Settlement Date or, as the case may be, Redemption Date to the relevant Holders.

Pursuant to Conditions 11, 14, 15 and 16 and/or in other circumstances as specified in the applicable Final Terms the Calculation Agent may be entitled to make adjustments to the Terms and Conditions of the Securities and/or the Securities may be cancelled following the occurrence of certain events, as described in such Terms and Conditions and/or the applicable Final Terms.

Certain Factors Affecting the Value and Trading Price of Warrants

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

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

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

Limitations on Exercise and Settlement

If so indicated in the applicable Final Terms for a series of Warrants, the relevant Issuer will have the option to limit the number of Warrants exercisable on any date by any person or group of persons (whether or not acting in concert) to the maximum number specified in the applicable Final Terms. In the event that the total number of Warrants being exercised on any date exceeds such maximum number and the relevant Issuer elects to limit the number of Warrants exercisable on such date, a Holder may not be able to exercise on such date all Warrants that such holder desires to exercise, or any Warrants at all. Warrants to be exercised on such date will be selected at the discretion of the relevant Issuer or in any other manner specified in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Warrants may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

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

If specified in the applicable Final Terms, Securities which are Physical Delivery Securities may only be exercised (in the case of Warrants) or redeemed (in the case of Certificates) in such amounts as will ensure that the number of Relevant Assets to be delivered is equal to an integral multiple of the minimum of a Board Lot. Where the exercise or redemption of a holding of Physical Delivery Securities would not result in the delivery of a number of Relevant Assets equal to an integral multiple of the relevant Board Lot, delivery of the maximum number of Relevant Assets equivalent to the maximum integral multiple of a Board Lot will be required together with a payment in lieu at the option of the relevant Issuer in respect

of the remaining Relevant Assets unless any such payment is of a de minimis amount, in which case no such amount will be payable. To avoid such possibility Holders entitled to delivery under Physical Delivery Securities will, therefore, either have to sell their Securities or purchase additional Securities, incurring transaction costs in each case, in order to realise their investment.

Certain Considerations Regarding Hedging

Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in the Underlying should recognise the complexities of utilising Securities in this manner. For example, the value of the Securities may not exactly correlate with the value of the Underlying. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements of the Underlying.

Time Lag After Exercise and Delays

Unless otherwise specified in the applicable Final Terms, in the case of any exercise of Warrants, there will be a time lag between the time a Holder gives instructions to exercise and the time the applicable Cash Settlement Amount (in the case of Cash Settled Warrants) or the Physical Settlement Amount (in the case of Physical Delivery Warrants) relating to such exercise is determined. However, such time lag could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum exercise limitation, or following the imposition of any exchange controls, other similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies) or if there is any Market Disruption Event on the Valuation Date or any Settlement Interruption. The redemption of Certificates may also be delayed in such circumstances. The value of the applicable Cash Settlement Amount or the Physical Settlement Amount, as the case may be, may change significantly during any such delay and any adverse movement may reduce the value of the Cash Settlement Amount or the Physical Settlement Amount, as the case may be, to zero.

Possible Illiquidity of the Secondary Market

The Securities may or may not be listed on any stock exchange as specified in the applicable Final Terms. If the Securities are not listed, a purchaser of Securities will not have the option to buy or sell the Securities through a stock exchange platform, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. If the Securities are listed, in the event of a delisting or suspension of trading of the Securities on such exchange, the relevant Issuer will use all reasonable efforts to list the relevant Securities on another exchange. Purchasers of Securities should understand there can be no assurance that an active secondary market for the Securities will come into being and if one does come into being, that it will be sustained throughout the life of the Securities. Also, to the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a lessening of the liquidity of the Warrants. A lessening of the liquidity of the Warrants may cause, in turn, an increase in the volatility associated with the price of the Warrants. To the extent that the secondary market in an issue of Warrants becomes illiquid, an investor may have to exercise such Warrants to realise any value thereof.

Disrupted Day and Other Events

If the Calculation Agent determines that a Disrupted Day, Index Adjustment Event, Potential Adjustment Event, Extraordinary Event, Additional Disruption Event, or other adjustment event applicable in respect of the relevant Securities has occurred, any consequential postponement of (or any alternative provisions for) valuation provided for any Securities and/or any adjustment or other amendments to the Terms and Conditions may have an adverse effect on the value of such Securities.

Value of Baskets

The value of a Basket may be affected by the number of components of such Basket. Generally, the value of a Basket that includes securities of a number of companies or a number of other components and which gives relatively equal weight to each component will be less affected by changes in the value of any particular component included therein than a Basket that includes fewer components or that gives greater weight to some components. In addition, if the securities or other components of a Basket are all identified with a particular industry, the value of such a Basket will be more affected by the economic, financial and other factors affecting that industry than if the components included in the Basket are identified with various industries that are affected by different economic, financial or other factors or are affected by such factors in different ways.

Other Factors Affecting Value

If the volatility of the Underlying increases, the trading value of a Security is expected to increase; if the volatility decreases, the trading value of a Security is expected to decrease.

If the dividend rates on the Underlying, where applicable, increase, the trading value of a Put Warrant or similar Security (a "**Put Security**") is expected to increase and the trading value of a Call Warrant or similar Security (a "**Call Security**") is expected to decrease. Increased dividend rates may, however, positively affect the value of the Underlying and the trading value of a Put Security could then be expected to decrease and the trading value of a Call Security could then be expected to increase. If such dividend rates decrease, the trading value of a Put Security is expected to decrease and the trading value of a Call Security is expected to increase. Decreased dividend rates may, however, adversely affect the value of the Underlying, and the trading value of a Put Security could then be expected to increase and the trading value of a Call Security could then be expected to decrease. Spread Securities are also affected by the relative movements of the spread on which they are based.

Securities Not Standardised Options

Purchasers of Securities must understand that the Securities are not standardised options of the type traded on various options exchanges. For example, unlike purchasers of standardised options issued in the United States by the Options Clearing Corporation or standardised options issued outside the United States by similar non-U.S. options exchanges, who obtain the credit benefits of guarantees and margin and collateral deposits by the options exchange's clearing members to protect the options exchange from a clearing member's failure, purchasers of the Securities must look solely to the relevant Issuer (failing which to the Guarantor) for performance of the relevant Issuer's obligations to pay the Cash Settlement Amount or to deliver the Physical Settlement Amount, as applicable, upon the exercise or redemption of the Securities. Further, the market for the Securities is not generally expected to be as liquid as the market for some exchange-traded standardised options. See "Possible Illiquidity of the Secondary Market" above.

Issuer's Option to Vary Settlement

If specified in the applicable Final Terms, the Issuer may have sole and unfettered discretion to vary the method of settlement or redemption in respect of the Securities. The exercise of such option by the Issuer may have an adverse effect on the value of the relevant Securities.

Consequences of Settlement Interruption

In the case of Physical Delivery Securities, if Settlement Interruption occurs on any Settlement Date or Redemption Date, settlement may be indefinitely postponed if delivery of the Relevant Asset(s) cannot be effected in any other commercially reasonable manner. The occurrence of such postponement may have an adverse effect on the value of the Securities.

Consequences of Securities in Global Form

For so long as the Securities are Global Securities, the Securities will be held and traded through the relevant Clearing System. For the purposes of payments and delivery of notices required to be made by the Issuer to Holders of Securities, such payments and notices will be given by delivery to the Clearing System for delivery and communication by the Clearing System to the entitled clearing members. Therefore holders of Securities will have to rely on their clearing members to credit their respective accounts with payments and/or to distribute to the holders notices which such clearing members receive through the Clearing System from the Issuer. The Issuer will not be responsible for any failure or default by a clearing member to fulfil its obligations to the Holders.

Investing in the Securities is Not the Same as Investing in the Underlying

The market value of the Securities may not have a direct relationship with the prevailing price of the Underlying, in that changes in the prevailing price of the Underlying will not necessarily result in a comparable change in the market value of the Securities. In addition, prospective purchasers of Physical Delivery Securities should be aware that unless and until the Securities are settled or redeemed by the delivery of the Physical Settlement Amount they will not have any voting rights, rights to receive dividends or other distributions or any other rights that holders of the Underlying would have.

Potential Conflicts of Interest

The Issuers, the Guarantor and their subsidiaries or affiliates may from time to time engage in transactions involving the Underlying for their proprietary accounts and/or for accounts under their management or clients. Such transactions may have a positive or negative effect on the value of the Underlying and consequently on the value of the Securities. Certain subsidiaries or affiliates of the Guarantor will also be the counterparty to a hedge of the relevant Issuer's obligations under an issue of Securities. In addition, the Issuers, the Guarantor and their subsidiaries or affiliates may from time to time act in other capacities with regard to the Securities (such as in an agency capacity and/or as the Calculation Agent) and may issue other competing financial instruments in respect of the Underlying and the introduction of such competing financial instruments may affect the value of the Securities. The Issuers, the Guarantor and their subsidiaries or affiliates may also (i) act as underwriter or financial advisor in connection with future offerings of shares or other securities of the issuers of any securities comprising the Underlying, their respective subsidiaries or affiliates and/or (ii) act in a commercial banking capacity for the issuer in relation to any other related security. Such activities could present certain conflicts of interest with the interest of holders of the Securities and may affect the value of the Securities. The Issuer, the Guarantor and their subsidiaries and affiliates owe no duty or responsibility to any holder of Securities to avoid such conflicts.

Discretion of the Calculation Agent

The Calculation Agent has a sole and absolute discretion (i) to determine whether a Disrupted Day, Index Adjustment Event, Potential Adjustment Event, Extraordinary Event, Additional Disruption Event, Settlement Interruption and/or any other event so specified in the Terms and Conditions has occurred and (ii) to determine any resulting adjustments and calculations as described in the Terms and Conditions. Prospective purchasers should be aware that any determination made by the Calculation Agent may have an impact on the value and financial return of the Securities. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding on the Issuer and all holders of Securities.

United Kingdom Stamp Duty

Potential purchasers of Physical Delivery Securities should note that each Global Security representing Physical Delivery Securities may constitute an instrument which is subject to United Kingdom stamp duty on issue by reference to the amount of the consideration given for the Physical Delivery Securities so represented. However, each Global Security is being executed, authenticated and delivered outside the United Kingdom and should not be brought into the United Kingdom save for the purposes of enforcement. So long as a Global Security is held outside the United Kingdom, no requirement to pay United Kingdom stamp duty will arise. However, if a Global Security representing Physical Delivery Securities were brought into the United Kingdom to be used as evidence (for example, for enforcement purposes) or for any other purposes, in certain circumstances, United Kingdom stamp duty may be required to be paid on such Global Security. If stamp duty is payable on a Global Security, interest will be payable (in addition to the stamp duty) in respect of the period from 30 days after the date of execution of the Global Security to the date of payment. Furthermore penalties may also be payable if the Global Security is not stamped within 30 days of being brought into the United Kingdom. If a Global Security is subject to United Kingdom stamp duty, it would be inadmissible in evidence in an English court unless duly stamped.

Service of Process and Enforcement of Judgements

Each of the Issuers is a company incorporated under the laws of a country other than the United States or any state thereof. As a result, it may not be possible for investors to effect service of process within the United States upon any of the Issuers to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

RISKS RELATING TO THE GUARANTOR

The Guarantor is the ultimate parent company of the Lehman Brothers group. The Master Guarantees will be solely the Guarantor's obligations, and no other entity will have any other obligation, contingent or otherwise, to make any payments in respect thereof. Because the Guarantor is a holding company whose primary assets consist of shares of stock or other equity interests in or amounts due from subsidiaries, almost all of its income is derived from those subsidiaries. The Guarantor's subsidiaries will have no obligation to pay any amount in respect of the Master Guarantees or to make any funds available therefor. Accordingly, the Guarantor will be dependent on dividends and other distributions or loans from its subsidiaries to generate the funds necessary to meet obligations with respect to the Master Guarantees. Due to covenants contained in certain of the Guarantor's debt agreements and regulations relating to capital requirements affecting certain of its more significant subsidiaries, the ability of certain subsidiaries to pay dividends and other distributions and make loans to the Guarantor is restricted. The notes to the Guarantor's financial statements included in the most recent annual report on Form 10-K set forth the amount of net assets of its subsidiaries that are restricted as to the payment of dividends to the Guarantor. Additionally, as an equity holder, the Guarantor's ability to participate in any distribution of assets of any

subsidiary is subordinate to the claims of creditors of the subsidiary, except to the extent that any claims the Guarantor may have as a creditor of the subsidiary are judicially recognized. If these sources are not adequate, the Guarantor may be unable to make payments in respect of the Master Guarantees, and a holder of Securities could lose all or a part of its investment. The results of operations of the Guarantor as the ultimate parent company of the Lehman Brothers group and its Subsidiaries may be affected by the conditions described below under "Risk Relating to the Lehman Brothers Group".

Certain of Lehman Brothers' activities may adversely affect the value of the Securities

The Issuers or one or more of their affiliates may hedge their obligations under particular Securities by purchasing or selling the related Underlying, options or futures on such Underlying or other instruments linked to such Underlying, and may adjust the hedge by, among other things, purchasing or selling any of the foregoing, at any time and from time to time, and by unwinding the hedge by selling any of the foregoing. The Issuers or their affiliates also may enter into, adjust and unwind hedging transactions relating to other securities whose returns are linked to the same Underlying, or may engage in trading in the Underlying, or instruments whose returns are linked to the Underlying, to which particular Securities are linked, either for their or their affiliates' proprietary accounts, for other accounts under their management or to facilitate transactions on behalf of customers. In addition, affiliates of the Issuers may be a counterparty to hedges of their obligations under particular Securities that they may enter into from time to time. Any of these activities may adversely affect the market values or levels of a particular Underlying and therefore the market value of the related Securities. It is possible that the Issuers or their affiliates could receive positive returns with respect to these activities while the value of the Securities may decline.

The Issuers or their affiliates also have issued, or underwritten on behalf of other issuers, and in the future may issue or underwrite, other securities or financial or derivative instruments with returns linked to changes in the level of one or more Underlying to which particular securities may be linked. By introducing competing products into the marketplace in this manner, the Issuers or their affiliates could adversely affect the value of particular Securities and the amount payable on such Securities.

As a result of any of these transactions, potential conflicts of interest may exist between the Issuers or their affiliates and holders of Securities.

An affiliate of the Issuers may act as calculation agent on the Securities, creating a potential conflict of interest between the Issuers or their affiliates and holders of Securities

Affiliates of the Issuers may act as calculation agent for particular Securities, and may have discretion in calculating payments or other means of settlement and certain other adjustment events. The exercise of discretion by a calculation agent that is affiliated with an Issuer could adversely affect the value of particular Securities and may present the calculation agent with a conflict of interest to the extent that the determinations made by the calculation agent in respect of the particular Securities affect the payments due from the Issuer under the Securities, due to or from the Issuer or any of its affiliates under any related hedge transaction or the value of the investments held by the Issuer or any of its affiliates' proprietary or managed accounts.

RISKS RELATING TO THE ISSUERS

The risk factors set out below are not considered as likely to affect the ability of the Issuers to fulfil their respective obligations to investors under the Securities issued by them because such obligations are irrecoverably and unconditionally guaranteed by the Guarantor.

RISKS RELATING TO LEHMAN BROTHERS SECURITIES N.V.

Lehman Brothers Securities N.V. is part of the Lehman Brothers group and may be affected by uncertain or unfavourable economic, market, legal and other conditions that are likely to affect the Lehman Brothers group as a whole. The risks relating to the Lehman Brothers group as a whole are set out below.

RISKS RELATING TO LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A.

Lehman Brothers (Luxembourg) Equity Finance S.A. is part of the Lehman Brothers group and may be affected by uncertain or unfavourable economic, market, legal and other conditions that are likely to affect the Lehman Brothers group as a whole. The risks relating to the Lehman Brothers group as a whole are set out below.

RISKS RELATING TO LEHMAN BROTHERS BANKHAUS AG

Lehman Brothers Bankhaus AG is part of the Lehman Brothers group and may be affected by uncertain and unfavourable economic, market, legal and other conditions that are likely to affect the Lehman Brothers group as a whole. The risks relating to the Lehman Brothers group as a whole are set out below.

RISKS RELATING TO THE LEHMAN BROTHERS GROUP

Lehman Brothers' financial condition and results of operations of Lehman Brothers Holdings Inc. (the "**Guarantor**" or "**LBHI**") as the ultimate parent company of the Lehman Brothers group and its subsidiaries (including Lehman Brothers Securities N.V., Lehman Brothers (Luxembourg) Equity Finance S.A. and Lehman Brothers Bankhaus AG) (collectively the "**Group**") may be affected by uncertain or unfavourable economic, market, legal and other conditions. These conditions include but are not limited to:

Market Risk

As a global investment bank, risk is an inherent part of LBHI's business. LBHI's businesses are materially affected by conditions in the financial markets and economic conditions generally around the world. A favourable business environment is generally characterised by, among other factors, high global gross domestic product growth, stable geopolitical conditions, transparent and efficient capital markets, liquid markets with active investors, low inflation, high business and consumer confidence and strong business earnings. Slowing growth, contraction of credit, increasing energy prices, declines in business or investor confidence or risk tolerance, increases in inflation, higher unemployment, outbreaks of hostilities or other geopolitical instability, corporate, political or other scandals that reduce investor confidence in capital markets and natural disasters, among other things, can affect the global financial markets. In addition, economic or political pressures in a country or region may cause local market disruptions and currency devaluations, which may also affect markets generally. In the event of changes in market conditions, such as interest or foreign exchange rates, equity, fixed income, commodity or real estate valuations, liquidity, availability of credit or volatility, LBHI's businesses could be adversely affected in many ways, including those described below.

LBHI's Client-Flow Revenues May Decline in Adverse Market Conditions. Recently, the residential real estate market in the U.S. has experienced a significant downturn due to declining real estate values, substantially reducing mortgage loan originations and securitisations, and precipitating more generalised credit market dislocations and a significant contraction in available liquidity globally, which negatively

impacted LBHI's revenues. These factors have continued into the beginning of fiscal 2008 and, combined with rising oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and fears of a possible recession. Further declines in real estate values in the U.S. or elsewhere and continuing credit and liquidity concerns could further reduce LBHI's level of mortgage loan originations and securitisations and increase LBHI's mortgage inventory while adversely affecting its value. In addition, continued or further credit market dislocations or sustained market downturns may reduce client flow revenues and adversely affect the value of LBHI's inventory in other businesses.

Changes in interest rates, and in particular long-term rates, especially if such changes are rapid, may create a less favourable environment for certain of LBHI's businesses. Rising interest rates may cause a decline in LBHI's mortgage origination and securitisation businesses in particular, as the volume of LBHI's origination and securitisation activity may decline.

LBHI's Investment Banking revenues, in the form of financial advisory and debt and equity underwriting fees, are directly related to the number and size of the transactions in which LBHI participates and therefore it was adversely affected in the latter half of 2007 by the mortgage and credit market dislocations, and may be further impacted by continued or further credit market dislocations or sustained market downturns.

Sustained market downturns or continued or further credit market dislocations and liquidity issues would also likely lead to a decline in the volume of capital market transactions that LBHI executes for its clients and, therefore, to a decline in the revenues it receives from commissions and spreads earned from the trades it executes for its clients. In addition, because the fees that it charges for managing its clients' portfolios are in many cases based on the value of those portfolios, a market downturn that reduces the value of its clients' portfolios would reduce the revenues it receives from its asset management business. Heightened risk aversion among investors may cause them to shift their trading activity to higher quality and more liquid products, which are generally somewhat less profitable for LBHI.

Even in the absence of a market downturn, below-market investment performance by LBHI's fund and portfolio managers could reduce Investment Management revenues and assets under management and result in reputational damage that might make it more difficult to attract new investors.

LBHI May Incur Losses Due to Fluctuations in Market Rates, Prices and Volatility. Market risk is inherent in LBHI's client-driven market-making transactions and proprietary trading and principal investment activities in equity and fixed income securities, commodities, currencies and derivatives and LBHI's mortgage and loan origination and syndication activities. Fluctuations in market rates, prices and volatility, especially if the changes are rapid and without warning, can adversely affect the market value of LBHI's long or short inventory and proprietary and principal positions and, to the extent that such positions are not adequately hedged, cause the Group to incur losses. To the extent that LBHI holds long inventory positions, a downturn in the market could result in losses from a decline in the value of those positions. On the other hand, to the extent that LBHI has sold inventory short, an upturn in those markets could expose it to losses as it attempts to cover its short positions by acquiring assets in a rising market. The adverse conditions in the U.S. housing market, dislocations in the credit markets and corrections in certain asset-backed security market segments resulted in substantial valuation reductions in the past fiscal year, most significantly on mortgage- and real estate-related positions and lending obligations. Market credit spreads have recently gone from historically tight to historically wide levels, and a further widening of credit spreads or worsening of credit market dislocations or sustained market downturns could have additional negative effects on the value of LBHI's inventory.

In LBHI's market-making and specialist transactions, LBHI maintains substantial inventory positions from time to time, acting as a financial intermediary for its clients, and holds inventory positions in the normal course of business to allow clients to rebalance their portfolios and diversify risks across market

cycles. Current NYSE rules generally require LBHI's specialist business to maintain orderly markets in the securities for which it is a specialist. Specialists are obligated to take positions in their issues counter to the direction of the market in order to minimise short-term imbalances in the market, involving risk of loss during periods of market fluctuation and volatility.

In LBHI's mortgage and loan origination and securitisation businesses, LBHI is also subject to risks from decreasing interest rates. Most residential mortgages and consumer loans provide that the borrower may repay them early. Borrowers often exercise this right when interest rates decline. As prepayments increase, the value of mortgages and other loans with prepayment features held in inventory prior to securitisation generally will decrease, and to the extent that prepayment risk has not been hedged, prepayments may result in a loss.

LBHI also maintains long and short positions through its other proprietary trading activities and make principal investments (such as in real estate and real estate-related products and private equity), which are also subject to market risks. The value of these positions can be adversely affected by changes in market rates, prices and volatility. LBHI has increased its proprietary trading and principal investing activities and expect to continue to do so, which increases its exposure to market risk.

On the other hand LBHI's client-flow and proprietary trading businesses generally depend on market volatility to provide trading and arbitrage opportunities, and a decline in volatility may reduce these opportunities and adversely affect the results of these businesses.

Holding Large and Concentrated Positions May Expose LBHI to Losses. Concentration of risk may reduce revenues or result in losses in LBHI's market-making, specialist, block trading, underwriting, proprietary trading, principal investment and lending businesses in the event of unfavourable market movements even when economic and market conditions are generally favourable for others in the industry. LBHI has committed substantial amounts of capital to these businesses, which often require it to take large positions in the securities of, or make large loans to, a particular issuer or issuers in a particular industry, country or region. Moreover, the trend in all major capital markets is towards larger and more frequent commitments of capital in many of these activities, and LBHI expects this trend to continue. For example, large positions of securities are increasingly being sold in block trades rather than on a marketed basis, which could increase the risk that LBHI may be unable to resell the securities at favourable prices. While its activities expose it to many different counterparties, LBHI routinely executes a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment funds and other institutional clients, resulting in significant credit concentration with respect to this industry. In the ordinary course of business, LBHI may also be subject to a concentration of credit risk to a particular counterparty, borrower or issuer. Concentration of risk will increase as LBHI expands its proprietary trading and principal investing activities or commits additional capital to facilitate client-driven business.

Market Risk May Increase the Other Risks That LBHI Faces. In addition to the potentially adverse effects on LBHI's businesses described above, market risk could exacerbate other risks that LBHI faces. For example, if LBHI were to incur substantial market risk losses, its need for liquidity could rise significantly, while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, LBHI's clients and counterparties could incur substantial losses of their own, thereby weakening their financial condition and increasing LBHI's credit risk exposure to them.

Credit Risk

LBHI May Incur Losses Associated with its Credit Exposures. Credit risk represents the possibility that a counterparty or an issuer of securities or other financial instruments LBHI holds or a borrower of funds from LBHI will be unable to honour its contractual obligations to LBHI. These parties may default on their obligations to LBHI due to bankruptcy, lack of liquidity, operational failure or other reasons. Default

risk may also arise from events or circumstances that are difficult to foresee or detect, such as fraud. Credit risk may arise, for example, from holding securities of third parties; entering into swap or other derivative contracts under which counterparties have obligations to make payments to LBHI; executing securities, futures, currency or commodity trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries; and extending credit to LBHI's clients through bridge or margin loans or other arrangements. As a clearing member firm, LBHI finances its client positions, and LBHI could be held responsible for the defaults or misconduct of its clients. LBHI's principal focus has been acting as an intermediary of credit. In recent years, LBHI has expanded its activities associated with providing its clients access to credit and liquidity and have also expanded its swaps and derivatives businesses. The amount and duration of LBHI's credit exposures have been increasing, as has the diversity of the entities to which LBHI has credit exposures. The extension and pricing of credit is subject to competitive pressure. In addition, corporate clients sometimes seek to require credit commitments from LBHI in connection with investment banking and other assignments. Further, the recent widening of credit spreads and dislocations in the credit markets have in some cases made it more difficult to syndicate credit commitments to investors, and further widening of credit spreads or worsening of these dislocations could increase these difficulties, resulting in increased credit exposures.

Defaults by Another Large Financial Institution Could Adversely Affect Financial Markets Generally.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default by, one institution could lead to significant market-wide liquidity problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which LBHI interacts on a daily basis, and therefore could adversely affect the Group.

Liquidity Risk

Liquidity, that is ready access to funds, is essential to the businesses of LBHI. Financial institutions rely on external borrowings for the vast majority of their funding, and failures in this industry are typically the result of insufficient liquidity.

An Inability to Access the Debt Markets Could Impair LBHI's Liquidity. LBHI maintains a liquidity pool available to LBHI that is intended to cover all expected cash outflows for one year in a stressed liquidity environment, which assumes, among other things, that during that year LBHI cannot issue unsecured debt.

To the extent that a liquidity event lasts for more than one year, or LBHI's expectations concerning the market conditions that exist during a liquidity event, or LBHI's access to funds, prove to be inaccurate (e.g., the level of secured financing "haircuts" (the difference between the market and pledge value of the assets) required to fund LBHI's assets in a stressed market event is greater than expected, or the amount of drawdowns under LBHI's commitments to extend credit in a stressed market environment exceeds its expectations), LBHI's ability to repay maturing indebtedness and fund operations could be significantly impaired. Even within the one-year time frame contemplated by LBHI's liquidity pool, LBHI depends on continuous access to secured financing in the repurchase and securities lending markets, which could be impaired by factors that are not specific to the Group, such as a severe disruption of the financial markets.

Structured Instruments May Have Limited Liquidity. The financial instruments that LBHI holds and the contracts to which it is a party are increasingly complex, as LBHI employs structured products to benefit its clients and itself, and these complex structured products often do not have readily available markets to access in times of liquidity stress. The growth of LBHI's proprietary investing activities may lead to situations where the holdings of structured instruments represent a significant portion of specific markets,

which could restrict liquidity for its positions. Further, LBHI's ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

LBHI is a Holding Company and is Dependent on its Subsidiaries for Funds. Since LBHI is primarily a holding company, LBHI's cash flow and consequent ability to pay dividends and satisfy its obligations under securities it issues are dependent upon the earnings of its subsidiaries and the distribution of those earnings as dividends or loans or other payments by those subsidiaries to LBHI. Several of LBHI's principal subsidiaries are subject to various capital adequacy requirements promulgated by the regulatory, banking and exchange authorities of the countries in which they operate and/or to capital targets established by various ratings agencies. These regulatory rules, and certain covenants contained in various debt agreements, may restrict LBHI's ability to withdraw capital from its subsidiaries by dividends, loans or other payments. Additionally, LBHI's ability to participate as an equity holder in any distribution of assets of any subsidiary upon liquidation is generally subordinate to the claims of creditors of the subsidiary.

Credit Ratings

LBHI's borrowing costs and LBHI's access to the debt capital markets depend significantly on LBHI's credit ratings. A reduction in LBHI's long- or short-term credit ratings could increase LBHI's borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Credit ratings are also important to LBHI when competing in certain markets, such as longer-term over-the-counter derivatives. Therefore, a substantial reduction in our credit ratings would reduce LBHI's earnings and adversely affect its liquidity and competitive position.

Risks Relating to Use of Estimates and Valuations

LBHI makes various estimates that affect reported amounts and disclosures. Broadly, those estimates are used in measuring fair value of certain financial instruments, accounting for identifiable intangible assets and goodwill, establishing provisions for potential losses that may arise from litigation, regulatory proceedings and tax examinations, assessing its ability to realise deferred taxes and valuing equity-based compensation awards. Estimates are based on available information and judgment. Therefore, actual results could differ from LBHI's estimates and that difference could have a material effect on LBHI's consolidated financial statements.

Financial instruments and other inventory positions owned (including commitments and guarantees, but excluding real estate held for sale), and financial instruments and other inventory positions sold but not yet purchased, are presented at fair value, with realised and unrealised gains or losses reflected in Principal transactions in LBHI's Consolidated Statement of Income. LBHI accounts for real estate held for sale at the lower of its carrying amount or fair value less cost to sell. In addition, certain long and short-term borrowing obligations, principally hybrid financial instruments, and certain deposits at U.S. banks, are reflected at fair value. Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. In particular, certain mortgage and asset-backed securities, certain corporate debt, certain private equity investments, certain commitments and guarantees and certain derivatives have no direct observable levels, and their valuations require significant estimation and judgment and therefore are subject to significant subjectivity. Reliance on estimation and judgment increases in adverse market conditions with decreased liquidity, such as those experienced recently.

Risks Relating to Off-Balance Sheet Entities

In the normal course of LBHI's business, it enters into various transactions with special purpose entities ("SPEs"). LBHI does not consolidate certain SPEs in which it does not have a controlling financial interest as defined under applicable accounting standards. When LBHI does not consolidate an entity, it either presents its investment in the entity at fair value or applies the equity method of accounting. The assessment of whether the accounting criteria for consolidation are met requires management to exercise significant judgment. A determination of whether LBHI has a controlling financial interest in an entity, and therefore its assessment of consolidation of that entity, is initially made at the time it becomes involved with the entity. If certain events occur that require LBHI to re-assess its initial determination of non-consolidation or if its judgment of non-consolidation is in error, LBHI could be required to consolidate the assets and liabilities of an SPE onto its consolidated balance sheet and recognize its future gains or losses in its consolidated statement of income. Further, existing accounting standards may be changed, or interpretations of those standards may change, in the future in a manner that requires or increases the risk of consolidation of some SPEs. Consolidation could affect the size of LBHI's consolidated balance sheet and related funding requirements, its financial and regulatory capital ratios and, if the SPE's assets include unrealized losses, could require it to recognize those losses.

In addition, LBHI has various commitments to and obligations associated with SPEs, including liquidity commitments and funded loans to certain conduits and other SPEs, limited downside protection guarantees to investors in certain SPEs, obligations as a general partner and investment advisor to private equity and other investment partnerships, indemnification obligations to investors in certain securitization vehicles it sponsors with respect to customary representations and warranties it makes about the assets of SPEs, proprietary investments and retained interests in various SPEs and others.

Operational Risk

Operational Risks May Disrupt LBHI's Businesses, Result in Losses or Reputational Damage or Limit LBHI's Growth. LBHI faces operational risk arising from errors made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. Derivative contracts are not always confirmed by the counterparties on a timely basis; while the transaction remains unconfirmed, LBHI is subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract. LBHI's businesses are highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies and the transactions it processes have become increasingly complex. Consequently, LBHI relies heavily on its financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, LBHI could suffer financial loss, a disruption of its businesses, liability to clients, regulatory intervention or reputational damage. The inability of LBHI's systems to accommodate an increasing volume of complex transactions could also constrain its ability to expand its businesses. In recent years, LBHI has substantially upgraded and expanded the capabilities of its data processing systems and other operating technology, and it expects that it will need to continue to upgrade and expand in the future to avoid disruption of, or constraints on, its operations.

LBHI's businesses and operations rely on the secure processing, storage and transmission of confidential and other information, and, increasingly, on the internet. LBHI routinely transmits and receives personal, confidential and proprietary information by email and other electronic means. LBHI has made available to clients and counterparties certain secure transmission capabilities; however, LBHI's clients and counterparties do not always choose to avail themselves of these capabilities. LBHI takes extensive protective measures for its computer systems, internet sites, software and networks to protect against vulnerabilities to unauthorised access, computer viruses, denial of service attacks or other events that could have a security or business impact. If, nevertheless, such events should occur, they could result in significant losses or reputational damage. LBHI is exposed to similar risks arising from the interception of personal, confidential or proprietary information sent to or received from, or the misuse or mishandling

thereof by, vendors, service providers and other third parties who may receive such information from it, and LBHI's ongoing efforts to improve security over email and encrypted file transfers and to ensure that these third parties have appropriate controls in place may not be successful.

LBHI also faces the risk of operational or business failure of any of the clearing agents or other financial intermediaries or data providers it uses, and as its interconnectivity with its clients grows, it faces higher levels of operational risk that could adversely affect its ability to effect transactions, service its clients and manage its exposure to risk.

When LBHI originates or purchases residential mortgage loans, it relies heavily upon information supplied by third parties, including the information contained in the loan application, property appraisal, title information and employment and income documentation. If any of this information is intentionally or negligently misrepresented, whether by the loan applicant, the mortgage broker, another third party or one of LBHI's employees, and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected and/or be unsaleable or subject to repurchase if it is sold prior to detection of the misrepresentation. While relevant laws may not explicitly hold the originating lenders responsible for the legal violations of mortgage brokers, increasingly federal and state agencies have sought to impose such assignee liability.

In addition, despite the contingency plans LBHI has in place, LBHI's ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports its businesses and the communities in which it is located. This may include a disruption involving electrical systems, communications, transportation or other services used by LBHI or third parties with which LBHI conducts business, terrorist activities or disease pandemics.

Acquisitions or Joint Ventures Could Present Unforeseen Integration Obstacles or Costs. Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including difficulty with integrating personnel and financial and other systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of LBHI's operations. In addition, LBHI may not realise the anticipated benefits from an acquisition, and it may be exposed to additional liabilities of any acquired business.

Legal, Regulatory and Reputational Risk

LBHI faces the risk of litigation and intervention by regulatory authorities in all jurisdictions in which it conducts its businesses. Among other things, it could be subjected to judgments or fines, be prohibited from engaging in some of its business activities or be subjected to limitations or conditions on its business activities, all of which could result in significant losses or reputational damage.

LBHI Faces Significant Litigation Risks in its Businesses. The volume of litigation against financial services firms and the amount of damages claimed have increased over the past several years. LBHI is exposed to potential liability as an underwriter under securities or other laws for materially false or misleading statements made in connection with securities and other transactions, potential liability for the "fairness opinions" and other advice it provides to participants in corporate transactions and disputes over the terms, conditions and risks of trading arrangements. LBHI also faces the possibility that counterparties will claim that it improperly failed to tell them of the risks or that they were not authorised or permitted to enter into these transactions with it and that their obligations to LBHI are not enforceable. In LBHI's Investment Management segment, LBHI is exposed to claims against it for recommending investments that are not consistent with a client's investment objectives or engaging in unauthorised or excessive trading. The downturn in the mortgage and mortgage-backed securities markets may result in increased claims of this type, and during a prolonged market downturn, LBHI would expect these claims to further increase. LBHI is also subject to claims arising from disputes with employees for alleged discrimination or harassment, among other things. These risks often may be difficult to assess or quantify,

and their existence and magnitude often remain unknown for substantial periods of time. LBHI incurs significant legal expenses every year in defending against litigation, and LBHI expects to continue to do so in the future.

Extensive Regulation of LBHI's Businesses Limits its Activities and May Subject LBHI to Significant Penalties. LBHI, as a participant in the financial services industry, is subject to extensive regulation under both federal and state laws in the U.S. and under the laws of the many global jurisdictions in which it does business. It is also regulated by a number of self-regulatory organisations. The industry has experienced increased scrutiny from a variety of regulators, including the SEC, FINRA and state attorneys general. Over the last several years, penalties and fines sought by regulatory authorities in LBHI's industry have increased substantially, and certain regulators have been more likely to commence enforcement actions.

The requirements imposed by LBHI's regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with LBHI. Consequently, these regulations often serve to limit LBHI's activities, including through net capital, customer protection and market conduct requirements. If LBHI was found to have breached certain of these rules or regulations, it could face the risk of significant intervention by regulatory authorities in all jurisdictions in which it conducts its businesses, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, LBHI could be fined or prohibited from engaging in some of its business activities.

Additional legislation and regulations, changes in rules imposed by regulatory authorities, self-regulatory organisations and exchanges or changes in the interpretation or enforcement of existing laws and rules may adversely affect LBHI's business and profitability. LBHI's business may be materially affected not only by regulations applicable to it as an investment bank, but also by regulations of general application, including existing and proposed tax legislation and other governmental regulations and policies (including the interest rate and monetary policies of the Federal Reserve Board and other central banks) and changes in the interpretation or enforcement of existing laws and rules that affect the business and financial communities.

In emerging markets in particular, LBHI may be subject to risks of possible nationalisation, expropriation, price controls, capital controls, currency exchange controls and other restrictive governmental actions. In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for LBHI to determine the exact requirements of local laws in every market. LBHI is also subject to greater risk in these jurisdictions that transactions it structures might not be legally enforceable in all cases. In addition, in conducting business in these jurisdictions, LBHI is often faced with the challenge of ensuring that its activities are also consistent with U.S. or other laws with extra-territorial application, such as the USA Patriot Act and the U.S. Foreign Corrupt Practices Act. LBHI's failure to comply with such laws could result in significant losses or reputational damage.

In the past several years, intensified scrutiny of the energy market by federal, state and local authorities and the public has resulted in increased regulatory and legal proceedings involving electricity, natural gas and other energy commodities merchants. LBHI's business and reputation may be adversely affected by legal and regulatory proceedings arising out of its energy commodities activities.

LBHI is subject to the income tax laws of the jurisdictions in which it has business operations. These tax laws are complex and may be subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. LBHI must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes. LBHI is subject to contingent tax risk that could adversely affect its results of operations, to the extent that its interpretations

of tax laws are disputed upon examination or audit, and are settled in amounts in excess of established reserves for such contingencies.

LBHI's Mortgage Origination Business is Subject to Special Litigation and Regulatory Risks. The laws and regulations of the various jurisdictions in which LBHI conducts its mortgage lending business are complex, frequently changing and, in some cases, in direct conflict with each other. In particular, this business is subject to various laws, regulations and guidance that restrict non-prime loan origination or purchase activities. Some of these laws and regulations provide for assignee liability for warehouse lenders, whole loan buyers and securitisation trusts. In addition, the downturn in the U.S. residential real estate market has resulted in increased regulatory scrutiny, and may result in increased complaints and claims, relating to non-prime mortgage origination practices, and further difficulties in the mortgage markets could result in increased exposure to liability, including possible civil and criminal liability, demands for indemnification or loan repurchases from purchasers of LBHI's loans (including securitisation trusts), class action lawsuits or administrative enforcement actions. Moreover, LBHI's customer base and counterparties in this business are substantially different from the high-net-worth and institutional customers and counterparties of most of its other businesses, which presents a different litigation risk profile.

Exposure to Reputational Risks Could Impact the Value of LBHI's Brand. LBHI's reputation is critical in maintaining its relationships with clients, investors, regulators and the general public, and is a key focus in its risk management efforts. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest or other misconduct by employees in the financial services industry, and LBHI runs the risk that misconduct by its employees could occur. Misconduct by employees could include binding LBHI to transactions that exceed authorised limits or present unacceptable risks, or hiding from LBHI unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter employee misconduct, and the precautions taken by LBHI to prevent and detect this activity may not be effective in all cases. In addition, in certain circumstances LBHI's reputation could be damaged by activities of its clients in which it participates, or of hedge funds or other entities in which it invests, over which it has little or no control.

Potential Conflicts of Interest Are Increasing. As LBHI has expanded the scope of its businesses and its client base, it increasingly has to address potential conflicts of interest, including those relating to its proprietary activities. For example, conflicts may arise between LBHI's position as a financial advisor in a merger transaction and a principal investment it holds in one of the parties to the transaction. In addition, hedge funds and private equity funds are an increasingly important portion of LBHI's client base, and also compete with us in a number of LBHI's businesses. In addition, the SEC, FINRA, other federal and state regulators and regulators outside the U.S., including in the U.K. and Japan, have increased their scrutiny of potential conflicts of interest. LBHI has extensive procedures and controls that are intended to ensure that any potential conflicts of interest are appropriately addressed. However, properly dealing with conflicts of interest is complex and difficult, and LBHI's reputation could be damaged if it fails, or appears to fail, to deal appropriately with conflicts of interest and, it is possible that potential or perceived conflicts could give rise to litigation or enforcement actions.

Competitive Environment

All aspects of LBHI's business are highly competitive. LBHI's competitive success depends on many factors, including LBHI's reputation, the quality of LBHI's services and advice, intellectual capital, product innovation, execution ability, pricing, sales efforts, and the talent of LBHI's personnel. Many of LBHI's competitors have greater capital resources and greater geographic reach than LBHI does, which enhances their competitive positions.

LBHI Faces Increased Competition Due to a Trend Toward Consolidation. In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking and securities products with commercial banking, insurance and other financial services revenues in an effort to gain market share. These abilities have resulted in pricing pressure in LBHI's businesses. LBHI has experienced intense price competition in some of its businesses in recent years. For example, equity and debt underwriting and trading spreads and fees for lending and other activities have been under competitive pressure for a number of years.

LBHI's Revenues May Decline Due to Competition from Alternative Trading Systems. Securities and futures transactions are now being conducted through the internet and other alternative, non-traditional trading systems, and it appears that the trend toward alternative trading systems will continue and probably accelerate. A dramatic increase in computer-based or other electronic trading may adversely affect LBHI's commission and trading revenues, including in its specialist business. The NYSE's adoption of its hybrid market for trading securities may increase pressure on its Equities business as customers execute more of their NYSE-related trades electronically. LBHI has invested significant resources into the development of electronic trading systems and expects to continue to do so, but there is no assurance that the revenues generated by these systems will yield an adequate return on its investment, particularly given the relatively lower commissions arising from electronic trades.

LBHI's Ability to Retain its Key Employees is Critical to the Success of its Business. LBHI's people are its most important resource. LBHI's ability to continue to compete effectively in LBHI's businesses will depend upon its ability to attract top talent and retain and motivate its existing employees while managing compensation costs.

Risk Management

LBHI has devoted significant resources to develop LBHI's risk management policies and procedures and expects to continue to do so in the future. Although LBHI deploys various risk mitigation and risk monitoring techniques, they are subject to judgments as to the timing and duration of their application. Additionally, no risk management procedure can anticipate every market event, and LBHI's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of LBHI's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. The models that LBHI uses to assess and control its risk exposures reflect historical correlations among prices of various asset classes or other market indicators, and in times of market stress or other unforeseen circumstances there may be material changes in correlations between asset classes. In the past, including during the recent mortgage and credit market downturn, these types of market movements have at times limited the effectiveness of LBHI's hedging strategies and have caused LBHI to incur significant losses, and they may do so in the future. An increase in volatility would increase LBHI's measured risk, which might cause LBHI to reduce certain of LBHI's business activities. In such circumstances, LBHI may not be able to reduce its positions or its exposure in a timely, cost-effective way or in a manner sufficient to offset the increase in measured risk. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

Risks Relating To New Business Initiatives and New Markets

A number of LBHI's recent and planned business initiatives and expansions of existing businesses may bring it into contact, directly or indirectly, with new markets and new asset classes and with entities and individuals that are not within its traditional client base. For example, LBHI has expanded its businesses and investments in emerging markets such as Russia, the Middle East, India, Turkey and China, increased its activities in the markets for derivatives, commodities and foreign exchange and begun providing loans to small and mid-sized businesses and students. In addition, LBHI is increasingly offering complex structured products and alternative investments to a wider investor base, both directly and through third-party distribution channels. These business activities expose LBHI to new and enhanced risks, including increased credit-related and operational risks, regulatory risks and reputational concerns. As LBHI's business expands into new markets and new geographical regions, it will face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect its ability to expand.

AVAILABLE INFORMATION

The Guarantor files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document the Guarantor files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at +1 800 SEC 0330 (or +1 202 551 8090). The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The Guarantor's electronic SEC filings are available to the public at <http://www.sec.gov>.

The Guarantor's public internet site is <http://www.lehman.com>. The Guarantor makes available free of charge through its internet site, via a link to the SEC's internet site at <http://www.sec.gov>, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. The Guarantor also makes available through its internet site, via a link to the SEC's internet site, statements of beneficial ownership of the Guarantor's equity securities filed by its directors, officers, 10 per cent. or greater shareholders and others under Section 16 of the Exchange Act.

In addition, the Guarantor makes available on <http://www.lehman.com> its most recent annual report on Form 10-K, its quarterly reports on Form 10-Q for the current fiscal year, its most recent proxy statement and its most recent annual report to stockholders, although in some cases these documents are not available on that site as soon as they are available on the SEC's site.

Copies of the materials referred to in the preceding paragraph, as well as copies of any current supplement to this Offering Circular, may also be obtained from the persons set forth under "Information Incorporated By Reference".

So long as any of the Securities are outstanding and if the Guarantor ceases to be a reporting company under Section 13 or Section 15(d) of the Exchange Act, the Guarantor has agreed to furnish to a holder of Securities and a prospective purchaser designated by such holder, upon the request of such holder in connection with a transfer or proposed transfer of such Security pursuant to Rule 144A, the information required to be delivered under Rule 144A(d)(4) under the Securities Act.

INFORMATION INCORPORATED BY REFERENCE

The following information (the "**Information Incorporated by Reference**") shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) The annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended 30 November 2006 of LBHI filed with the SEC on Form 10-K including the audited consolidated and unconsolidated financial statements (including the auditors' report thereon and notes thereto) of LBHI in respect of the years ended 30 November 2006 and 30 November 2005;
- (b) the annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended 30 November 2007 of LBHI filed with the SEC on Form 10-K including the audited consolidated and unconsolidated financial statements (including the auditors' report thereon and notes thereto) of LBHI in respect of the years ended 30 November 2006 and 30 November 2007;
- (c) the quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended 29 February 2008 of LBHI filed with the SEC on Form 10-Q including the consolidated interim quarterly financial statements of LBHI in respect of the three months ended 29 February 2008;
- (d) the quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended 31 May 2008 of LBHI filed with the SEC on Form 10-Q including the consolidated interim quarterly financial statements of LBHI in respect of the three months ended 31 May 2008;

Certain of the financial data set out in the Information Incorporated by Reference in items (a) to (d) above is not audited and is derived from the Lehman Brothers' internal management and accounting records or publicly available information.

- (e) the LBHI notice of 2008 Annual Meeting of Stockholders and proxy statement dated 5 March 2008 (including the details relating to the LBHI's board of directors, director independence, audit committee and shareholders set out on pages 5 to 46 thereof) and notice of additional materials dated 20 March 2008;
- (f) the audited unconsolidated financial statements (including the auditors' report thereon and notes thereto) of Lehman Brothers Securities N.V. in respect of the years ended 30 November 2007 and 30 November 2006;
- (g) the audited unconsolidated financial statements (including the auditors' report thereon and notes thereto) of Lehman Brothers (Luxembourg) Equity Finance S.A. in respect of the years ended 30 November 2007 and 30 November 2006;
- (h) the audited unconsolidated financial statements (including the auditors' reports thereon and notes thereto) of Lehman Brothers Bankhaus AG in respect of the years ended 30 November 2007 and 30 November 2006; and
- (i) the current report of LBHI in full dated 16 June 2008 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 filed with the SEC on Form 8-K exhibiting LBHI's press release with respect to its earnings for its most recently completed fiscal quarter and related attachments.

The table below sets out the relevant page references for the financial statements, the notes thereto and the auditors' reports for the financial statements referred to above:

	Page reference
LBHI's 2006 Financial Statements (on Form 10-K)	
1. Cash flow	80
2. Notes to Financial Statements	81-120
3. Auditor's Report.....	74
4. Management's Discussion and Analysis of Financial Condition and Results of Operations	30-70
LBHI's 2007 Financial Statements (on Form 10-K)	
1. Cash flow	91
2. Notes to Financial Statements	92-137
3. Auditor's Report.....	85
4. Management's Discussion and Analysis of Financial Condition and Results of Operations	32-81
LBHI's 29 February 2008 Quarterly Financial Statements (on Form 10-Q)	
1. Cash flow	7
2. Notes to Financial Statements	8-41
3. Auditor's Report.....	42
LBHI's 31 May 2008 Quarterly Financial Statements (on Form 10-Q)	
1. Cash flow	7
2. Notes to Financial Statements	8-52
3. Auditor's Report.....	53
Lehman Brothers Securities N.V. 2006 Financial Statements	
1. Cash flow	5
2. Notes to Financial Statements	6-8
3. Auditor's Report.....	1
Lehman Brothers Securities N.V. 2007 Financial Statements	
1. Cash flow	5
2. Notes to Financial Statements	6-10
3. Auditor's Report.....	2
Lehman Brothers (Luxembourg) Equity Finance S.A. 2006 Financial Statements	
1. Cash flow	5
2. Notes to Financial Statements	6-10
3. Auditor's Report.....	1-2
Lehman Brothers (Luxembourg) Equity Finance S.A. 2007 Financial Statements	
1. Cash flow	3
2. Notes to Financial Statements	6-12
3. Auditor's Report.....	1-2
Lehman Brothers Bankhaus AG 2006 Financial Statements	
1. Notes to Financial Statements	6-17
2. Auditor's Report.....	3
Lehman Brothers Bankhaus AG 2007 Financial Statements	
1. Notes to Financial Statements	6-18
2. Auditor's Report.....	3

Investors who have not previously reviewed the Information Incorporated by Reference should do so in connection with their evaluation of any Securities admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the official list of the Luxembourg Stock Exchange. Each Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the written or oral request of such person, a copy of any or all of the documents which are incorporated herein by reference and copies of the Final Terms (save that a Final Terms or, as the case may be, a Prospectus relating to an unlisted Security will only be available to a holder of such Security

and such holder must produce evidence satisfactory to the relevant Issuer as to the identity of such holder). Written or oral requests for such documents should be directed to the relevant Issuer, for the attention of the managing director at Lehman Brothers Securities N.V., at E-Commercepark, E-Zone Vredenberg, Hoek Heelsumstraat, Hugenolzweg Z/N, Curaçao, The Netherlands Antilles or for the attention of the General Manager at Lehman Brothers (Luxembourg) Equity Finance S.A. at 1 Allée Scheffer, L-2520, Luxembourg, Luxembourg, or to the Listing Agent at The Bank of New York (Luxembourg) S.A., 1A, Hoehenhof, L-1736 Senningerberg, Luxembourg or such other party at its address as may be specified as the Listing Agent in the applicable Final Terms relevant to such Securities. Copies of such documents and copies of the Final Terms will also be available (i) free of charge at the office of the Luxembourg Securities Agent at The Bank of New York (Luxembourg) S.A., 1A, Hoehenhof, L-1736 Senningerberg, Luxembourg or, in the case of Securities sold to QIBs or "accredited investors" in the United States, from The Bank of New York Mellon, New York Branch, 101 Barclay Street, Floor 8E, New York, New York 10286, USA, or such other party at its address as may be specified as the Securities Agent in the applicable Final Terms relevant to such Securities or (ii) on the website of the Luxembourg Stock Exchange at www.bourse.lu, in each case in relation to Securities admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the official list of the Luxembourg Stock Exchange.

So long as any series of Securities remains outstanding and is admitted, under MiFID, to trading on the Luxembourg Stock Exchange's regulated market and listed on the official list of the Luxembourg Stock Exchange the Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Offering Circular which is capable of affecting the assessment of the Securities, prepare a supplement to this Offering Circular for use in connection with any subsequent issue of Securities to be admitted, under MiFID, to trading on the Luxembourg Stock Exchange's regulated market and listed on the official list of the Luxembourg Stock Exchange.

Any information which appears in the documents described above but which is not expressed to be incorporated by reference into this Offering Circular is given for information purposes only.

GENERAL DESCRIPTION OF THE PROGRAMME

The applicable terms of any Securities will be agreed between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Securities and will be set out in the Conditions of the Securities endorsed on, or annexed to, the Securities, as supplemented by the applicable Final Terms attached to, or endorsed on, such Securities. The Conditions of the Securities are set out in detail on pages 51 to 101 of this Offering Circular.

Securities issued under the Programme may be issued pursuant to this Offering Circular and associated Final Terms or pursuant to a Prospectus prepared in connection with a particular series of Securities. Accordingly references to terms and conditions and other items being as set out in this Offering Circular and applicable Final Terms should, as the context requires, be construed as being as set out in the relevant Prospectus and references to Final Terms should be construed as referring to the Prospectus as applicable.

Securities issued under the Programme will constitute direct, unsubordinated and unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and with all other direct, unsubordinated and unsecured obligations of the relevant Issuer.

FORM OF FINAL TERMS

The Final Terms relating to each issue of Securities will be substantially in the form set out below and will contain (without limitation) such of the following information as is applicable in respect of such Securities:

Final Terms dated as of [•]

**[LEHMAN BROTHERS SECURITIES N.V./
LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A./LEHMAN BROTHERS
BANKHAUS AG [(acting through its London Branch)]]**

Warrant and Certificate Programme

**Guaranteed by
LEHMAN BROTHERS HOLDINGS INC.**

[Details of particular issue of Warrants or Certificates]

The Offering Circular referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly any person making or intending to make an offer of the Securities may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 58 of Part A below, provided such person is one of the persons mentioned in Paragraph 58 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 8 August 2008 [and the Supplement to the Offering Circular dated [•]] [which [together] constitute[•] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Offering Circular [as so supplemented].¹ [This document constitutes the Final Terms of the Securities described herein and must be read in conjunction with such Offering Circular [as so supplemented].² Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Offering Circular. [The Offering Circular and the Supplement to the Offering Circular] [is/are] available for viewing at [address] [and] [website] and copies may be obtained from [address].

¹ Delete if no "Prospectus" is required for the purposes of the Prospectus Directive

² Delete if a "Prospectus" is required for the purposes of the Prospectus Directive

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Offering Circular dated [original date] [and the Supplement to the Offering Circular dated [•]]. This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Offering Circular dated [•] [and the Supplement to the Offering Circular dated [•]], which [together] constitute[•] a prospectus for the purposes of the Prospectus Directive, save in respect of the conditions which are extracted from the Offering Circular dated [•] [and the Supplement to the Offering Circular dated [•]] and are attached hereto. [This document constitutes the Final Terms of the Securities described herein and must be read in conjunction with such Offering Circular [as so supplemented].³ Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the [Offering Circulars]. [The [Offering Circulars] [and the Supplement to the Offering Circular] [is/are] available for viewing at [address] [and] [website] and copies may be obtained from [address].

[Save as disclosed in the Offering Circular [together with the Supplement[s] thereto specified above], neither the Issuer nor the Guarantor is involved in any litigation or arbitration proceedings which the Issuer or the Guarantor (as the case may be) believes would have a material adverse effect on the financial position of the Issuer or the Guarantor (as the case may be) nor is the Issuer or the Guarantor aware of any such proceedings pending or threatened.]

Subject as provided below, the Issuer and Guarantor accept responsibility for the information contained in this Final Terms and declare that, having taken all reasonable care to ensure that such is the case the information contained in this Final Terms is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

The information contained herein with regard to the underlying asset (or basket of assets), Commodity (or Basket of Commodities), Currency (or Basket of Currencies), Debt Instrument (or Basket of Debt Instruments), Depository Receipt (or Basket of Depository Receipts), Index (or Basket of Indices) or Share (or Basket of Shares) (as all such terms are defined in the Terms and Conditions) or other item(s) (the "**Underlying**") to which the Securities relate consists of extracts from or summaries of information that are publicly available. Except as mentioned herein, the Issuer accepts responsibility for accurately reproducing and/or summarising the information relating to the Underlying to which the Securities relate, which information is more particularly described in Part C hereto. The Issuer and the Guarantor accept no further or other responsibility in respect of such information. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant source specified in Part C, no facts that have been omitted which would render the reproduced information inaccurate or misleading.

[Lehman Brothers (Luxembourg) Equity Finance S.A. has been established, for an unlimited duration, as a *société anonyme* under the laws of the Grand Duchy of Luxembourg, by notarial deed dated 8 June 2004, which was published in the "*Mémorial, Journal Officiel du Grand-Duché de Luxembourg, Recueil Spécial des Sociétés et Associations*" ("**Memorial C**") on 8 July 2004 and registered with the Register of Commerce and Companies of Luxembourg (R.C.S. Luxembourg) under number B.101.448 on 6 July 2004. Its registered office is at 1 Allée Scheffer, L-2520, Luxembourg.]⁴

³ Delete if a "Prospectus" is required for the purposes of the Prospectus Directive

⁴ Include if Issuer is Lehman Brothers (Luxembourg) Equity Finance S.A.

[These Securities are Danish Securities. Holders of the Danish Securities are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the deed of covenant dated 8 August 2007 executed by the Issuer constituting the Danish Securities.]⁵

[These Securities are Finnish Securities in relation to which the place of issue and settlement system shall be the APK. Holders of the Finnish Securities are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the deed of covenant dated 8 August 2007 executed by the Issuer constituting the Finnish Securities.]⁶

[These Securities are Norwegian Securities. Holders of the Norwegian Securities are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the deed of covenant dated 8 August 2007 executed by the Issuer constituting the Norwegian Securities.]⁷

[These Securities are Swedish Securities. Holders of the Swedish Securities are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the deed of covenant dated 8 August executed by the Issuer constituting the Swedish Securities.]⁸

IN WITNESS WHEREOF, [LEHMAN BROTHERS SECURITIES N.V./LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A./LEHMAN BROTHERS BANKHAUS AG [(acting through its London Branch)] has caused this Final Terms to be executed by a duly authorised officer or director.

Dated: [date]

Executed by

**[LEHMAN BROTHERS SECURITIES N.V./
LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A./LEHMAN BROTHERS
BANKHAUS AG [(acting through its London Branch)]**
and signed and delivered on its behalf

By: _____
Name:
Title:

By: _____
Name:
Title:

⁵ Include if the Final Terms relates to Danish Securities.

⁶ Include if the Final Terms relates to Finnish Securities.

⁷ Include if the Final Terms relates to Norwegian Securities.

⁸ Include if the Final Terms relates to Swedish Securities.

Part A

Information about the Securities

[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. /
Lehman Brothers (Luxembourg)
Equity Finance S.A. / Lehman Brothers
Bankhaus AG [(acting through its
London Branch)]]
2. Guarantor Lehman Brothers Holdings Inc.
3. Description of the Securities:
 - (a) Warrants or Certificates: The Securities are
[Warrants/Certificates]
 - (b) Type of Securities: The Securities are
[Index Securities]
[Share Securities]
[Depository Receipt Securities]
[Debt Instrument Securities]
[Currency Securities]
[Commodity Securities]
[Interest Rate Securities]
[Specify details if other]
4. Form of Securities: [Global Security: Subject to the
Conditions, each person who is for the
time being shown in the records of the
relevant clearing system as the holder
of a particular amount of Securities
shall be treated for all purposes by the
Issuer, the Guarantor, any Securities
Agent and the relevant Clearing
System and all other persons dealing
with such person as the holder of such
amount of Securities]

[Global Security: Subject to the Conditions, each person shown in the records of DTC shall be treated by the Issuer, the Guarantor, any Securities Agent and the relevant Clearing System and all other persons dealing with such persons as the holder of such amounts of Securities]

[Definitive Security: Subject to the Conditions, each person shown in the book-entry records of Lehman Brothers Inc. or in the register maintained by the Principal Securities Agent as the holder of a particular amount of Securities shall be treated by the Issuer, the Guarantor, any Securities Agent and all other persons dealing with such person as the holder of such amounts of Securities]

[In the case of Danish/ Finnish/ Norwegian/ Swedish Securities: The Securities are [Danish/ Finnish/ Norwegian/ Swedish] Securities and are in uncertificated and dematerialised book-entry form. Annex [A/B/C/D] shall apply]

5. Description of the Underlying: [As described in Part C (Information on the Underlying)]
[As described in Paragraph [48]/[49] below]
6. If Warrants, American Style Warrants, European Style Warrants or other: [American Style] [European Style]
[Specify details if other]
[Not Applicable]
[In the case of Danish Securities only European Style Warrants may be issued]
7. If Warrants, Call Warrants, Put Warrants or other: [Call Warrants] [Put Warrants]
[Specify details if other]
[Not Applicable]
8. [(a) Securities being issued: [(a) [Number]]
[(b) Aggregate Specified Notional Amount: [(b) Not Applicable/Specify aggregate amount]
(c) Specified Notional Amount(s) per [(c) Not Applicable/Specify Notional

Security:]	Amount(s)]
	<i>* (Details for (b) and (c) to be included if Securities are to be traded by reference to a Notional Amount (see also paragraph 24).)</i>
9. (a) Series Number:	[Number]
(b) Tranche Number:	[Number]
10. Issue Date:	[Date]
11. Issue Price(s):	[Currency][Amount]* per Security Each Dealer reserves the right, in its sole discretion, at any time and from time to time, to offer and sell the Securities at one or more prices that differ from the Issue Price <i>*(Certificates issued by Lehman Brothers Bankhaus AG which are to be [publicly offered or] admitted to trading and listed on an EEA Regulated Market should either (a) have an issue price of at least EUR1,000 or (b) give the right to acquire transferable securities (other than those of Lehman Brothers Bankhaus AG or a group entity) or to receive a cash amount.</i>
12. Minimum initial purchase of the Securities:	[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 9(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) or the commencement of the Certificate Settlement Notice Period (in the case of Certificates)]

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)): | [<i>Time</i>][am / pm / noon] [<i>City</i>] time
[Not Applicable] |
| 18. | Minimum Exercise Number (for the purposes of Condition 5(b)): | [<i>Number</i>] Warrants
[Not Applicable] |
| 19. | Integral multiple of Minimum Exercise Number (for the purposes of Condition 5(b)): | [<i>Number</i>] Warrants
[Not Applicable] |
| 20. | If Physical Delivery Warrants, any modification of minimum Board Lot requirement in relation to exercise (for the purpose of Condition 9(h)): | [<i>Specify details if applicable</i>]
[Not Applicable] |
| 21. | If American Style Warrants, the Maximum Exercise Number (for the purposes of Condition 5(b)): | [<i>Number</i>] Warrants
[Not Applicable] |
| 22. | Automatic Exercise in respect of Cash Settled Warrants (for the purposes of Condition 4(a)): | [Applicable]
[Not Applicable] |

Certificates - Provisions relating to interest

- | | | |
|-----|---|--|
| 23. | Interest Payment Dates: | [[<i>Specify dates if applicable</i>] and the Redemption Date]
[Not Applicable] |
| 24. | Notional Amount per Certificate (for the purposes of Condition 6): | [<i>Currency</i>][<i>Amount</i>]
[Not Applicable] |
| 25. | Interest Rate (for the purposes of Condition 6): | [<i>Rate</i>] per cent. per annum
[Not Applicable] |
| 26. | Interest Rate Day Count Fraction (for the purposes of Condition 6): | [Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360 or 360/360 or Bond Basis]
[30E/360 or Eurobond Basis]
[Not Applicable] |
| 27. | Other terms relating to the method of calculating interest (for the purposes of Condition 6): | [<i>Specify details if applicable</i>]
[Not Applicable] |

Provisions relating to settlement and redemption

- | | | |
|-----|--|---|
| 28. | Form of Settlement (for the purposes of Condition 1(a)): | [Cash Settled Securities [subject to the Holder's option to elect physical delivery]]
[Physical Delivery Securities [subject to the Holder's option to elect cash settlement]]
[<i>Specify detailed terms of Holder's option if applicable, or for any other form of settlement applicable</i>] |
|-----|--|---|

		<i>[In the case of Danish Securities]</i> For so long as it is a requirement of the VP Rules, the Danish Securities may not provide for any form of settlement (including in respect of payment of interest) other than payment in cash.]
		<i>[In the case of Swedish Securities]</i> For so long as it is a requirement of the VPC Rules, the Swedish Securities may not provide for any form of settlement (including in respect of payment of interest) other than payment in cash.]
29.	Issuer's option to vary settlement in respect of the Securities (for the purposes of Conditions 1(a) and 10(c)):	<i>[Specify details if applicable]</i> [Not Applicable]
30.	Valuation Date:	<i>[If Certificates, Date]</i> <i>[If Warrants, Condition 28 applies or Date]</i>
31.	Averaging Dates:	[Dates] [Not Applicable]
32.	Consequence of Averaging Date Disruption (for the purposes of Condition 13(b)):	[Omission][Postponement][Modified Postponement] [Not Applicable]
33.	Valuation Time:	[Time][am/pm/noon] [City] time <i>[Any time which shall not be later than the Exercise Notice Deposit Time, in the case of Warrants]</i> [Condition 28 applies]
34.	If Warrants, the Settlement Date:	[Date] <i>[A day which should not be less than 3 Business Days which are also Scheduled Trading Days following the Valuation Date]</i> [Not Applicable]
35.	If Certificates, the Certificate Settlement Notice Period:	[From and including [date] to and including [date]] [Not Applicable]
36.	If Certificates, the Redemption Date:	[Date] <i>[A day which should not be less than 3 Business Days which are also Scheduled Trading Days following the Valuation Date]</i> [Not Applicable]
37.	Business Day Centre(s):	[City/cities]

38. 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]
39. If Cash Settled Securities, Settlement Currency for the payment of the Cash Settlement Amount and/or Alternative Settlement Amount: [Currency]
[Not Applicable]
40. If Cash Settled Securities, Cash Settlement Amount or method of calculation of the Cash Settlement Amount (for the purposes of Condition 7 or Condition 10(a), as applicable): [Specify details if applicable]
[Not Applicable]
41. If Physical Delivery Warrants, the Strike Price(s): [Currency][Amount] per Warrant
[Not Applicable]
42. If Physical Delivery Securities:
- (a) the Relevant Asset(s) (for the purposes of the definition in Condition 28): [Applicable] [Not Applicable]
[Specify details if applicable]
 - (b) Physical Settlement Amount per Security: [Applicable] [Not Applicable]
[Specify details if applicable]
 - (c) method of delivery of the Physical Settlement Amount (for the purposes of Condition 10(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 10(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 10(b)(iii)): [Not Applicable][Applicable]
[Specify details if Condition 10(b)(iii) does not apply][Condition 10(b)(iii) applies]
43. If Physical Delivery Certificates, any modification of minimum Board Lot requirement in relation to settlement (for the purpose of Condition 9(h)): [Specify details if applicable]
[Not Applicable]
44. Other circumstances where Holder will receive the Alternative Settlement Amount (for the purposes of Condition 18): [Applicable] [Not Applicable]
[Specify details if applicable]
45. Other additional conditions to settlement (for the [Applicable] [Not Applicable]

purposes of Condition 10(a)(i), 10(a)(ii), 10(b)(i) and 10(b)(ii):	<i>[Specify details (including any time as of which any condition is to be satisfied) if applicable]</i>
Other specified terms and modifications to the Conditions	
46. If Currency Securities, details of the Relevant Screen Page, the Base Currency and the relevant Subject Currency or Subject Currencies:	[Applicable] [Not Applicable] <i>[Specify details if applicable]</i>
47. If Commodity Securities, provisions for calculations:	[Applicable] [Not Applicable] <i>[Specify details if applicable]</i>
48. If Index Securities:	
(a) Index or Indices:	[As specified in Part C of this Final Terms] [Not Applicable]
(b) Exchange:	<i>[Specify relevant exchange or quotation system in relation to each Index]</i> <i>[Specify relevant Multi-exchange Index]</i> [Not Applicable]
(c) Related Exchange:	<i>[Specify relevant exchange or quotation system in relation to each Index]</i> [All Exchanges] [Not Applicable]
(d) Consequences of Index Adjustment Event (for the purposes of Condition 14(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]
49. If Share Securities or Depository Receipt Securities:	
(a) Share(s) or Depository Receipt(s):	[As specified in Part C of this Final Terms] [Not Applicable]
(b) Exchange:	<i>[Specify relevant exchange or quotation system in relation to each Share]</i> [Condition 28 applies] [Not Applicable]

- (c) Related Exchange: *[Specify relevant exchange or quotation system in relation to each Share]* [All Exchanges] [Not Applicable]
- (d) Method of Adjustment (for the purposes of Condition 14(b)): [Options Exchange Adjustment] [Calculation Agent Adjustment] [Not Applicable]
- (e) Consequences of Merger Events (for the purposes of Condition 15(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: [Alternative Obligation] [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 15(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 14(b)(i), Condition 15(a)(iii) or Condition 15(b)(ii), where applicable) [*Specify relevant exchange or quotation system*]
50. 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. NB must be specified if any Additional Disruption Event other than Hedging Disruption applies*]
[Not Applicable]
51. Further adjustments:
- (a) whether provisions for market disruption apply other than as provided for in Condition 13: [Applicable][Not applicable]
[*Specify details if applicable*]
- (b) in relation to Depository Receipt Securities, whether Partial Lookthrough or Full Lookthrough: [Not Applicable][Partial Lookthrough][Full Lookthrough]

- (c) in relation to Debt Instrument Securities, provisions dealing with the situation where one or more of the relevant Debt Instruments is redeemed (or otherwise ceases to exist before expiration of the relevant Securities): [Applicable] [Not Applicable]
[Specify details if applicable]
- (d) any supplemental adjustment provisions: [Applicable] [Not Applicable]
[Specify details if applicable]
52. Other special conditions and any modification to the Terms and Conditions of the Securities: [Applicable] [Not Applicable]
[Specify details if applicable]
- [For the purposes of Luxembourg law, articles 86 to 94-8 (inclusive) of the Luxembourg law concerning commercial companies dated 10 August 1915, as amended, are not applicable to the Securities. The Securities are in registered form and a register of the Securities will be kept at the registered office of the Issuer.]⁹
- [United States Taxation]
- By acceptance of a beneficial ownership interest in the Securities, each Holder will be deemed to have agreed, for United States federal income tax purposes, to treat the Securities in the manner described in the Part [] ([●] *Federal Income Taxation*) or as otherwise specified in the Final Terms.]¹⁰
53. Additional United States Taxation Considerations: [Applicable] [Not Applicable]
[Specify details if applicable]
54. Relevant Clearing System(s) (for the purposes of the definition in Condition 28): [DTC]
[Euroclear]
[Clearstream, Luxembourg]
[Specify details if different]
[[] shall act as common depository for Euroclear and Clearstream, Luxembourg]
55. Name and address of Calculation Agent (if not the Issuer): [Insert details if applicable]
[Not Applicable]
56. Rule 144A eligibility: [Yes/No]

⁹ Include where the Issuer is Lehman Brothers (Luxembourg) Equity Finance S.A.

¹⁰ Include in Securities Note or Final Terms incorporating a United States tax section

57. Eligibility for private placement to other "accredited investors" in the United States: [Yes/No]
58. US Selling Restrictions and additional selling restrictions:
- (a) details of the applicable type of US Selling Restrictions including in respect of the relevant US Selling Restrictions certification required for the purposes of exercise or redemption: [Type 1A] [Type 1B] [Type 2A] [Type 2B] [Type 3A] [Type 3B] [Type 4] [Type 5]
[Specify one category for every issue of Securities]
- (b) details of any additional selling restrictions (for the purposes of Condition 9(e)): [Applicable] [Not Applicable]
[Specify details if applicable]
59. Non-exempt Offer: [Not Applicable] [An offer of the Securities may be made by the Dealers [and *specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**") during the period from [*specify date*] until [*specify date*] ("**Offer Period**"). See further Paragraph 13 of Part B below.

Part B

Other Information

1. Listing and Admission to Trading:

[Application has been made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [specify relevant regulated market] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [specify relevant regulated market]] with effect from [•].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)
2. [Interests of Natural and Legal Persons Involved in The Issue/Offer

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by inclusion of the following statement:

"Save as discussed in "Offering and Sale", so far as the Issuer is aware, no person involved in the offer of the Securities has an interest material to the offer".]
3. (a) Method of distribution of the Securities: [Syndicated][Non-syndicated]
(b) Names of the Dealer(s): [Specify Dealer(s)]
4. ISIN: [ISIN]
[Not Applicable]
5. Common Code: [Common Code]
[Not Applicable]
6. CUSIP: [CUSIP]
[Not Applicable]
7. Telekurs number and, where any additional or alternative Clearing System(s) has/have been specified in paragraph 53 above, any other relevant security code: [Telekurs]
[Security code of other Clearing System]
[Not Applicable]
8. Principal Securities Agent: [US Securities Agent]
[Belgian Securities Agent]
[Luxembourg Securities Agent]
[German Securities Agent]

- [Danish Issuing Agent][Finnish Issuing Agent] [Norwegian Issuing Agent] [Swedish Issuing Agent]
[alternative Principal Securities Agent]
[Specify details if applicable]
9. Whether Definitive Security Certificates may be issued as well as/instead of a Global Security: [Applicable] [Not Applicable]
[Specify details if applicable]
- [The Securities will be at all times represented by a Global Security] [The Securities will be represented by Definitive Security Certificates]*
10. Reasons for the Offer:

See "Use of Proceeds" wording in Offering Circular - if reason for offer different from making profit and/or hedging certain risks will need to include these reasons here.
11. Estimated total expenses: *[Specify]*
12. Estimated net proceeds: *[Specify]*
13. **Terms and Conditions of the Offer**
- Offer Price: [Issue Price]*[specify]*
- Conditions to which the offer is subject: [Not Applicable/*give details*]
- Description of the application process: [Not Applicable/*give details*]
- Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/*give details*]
- Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]
- Details of the method and time limits for paying up and delivering the Securities: [Not Applicable/*give details*]
- Manner in and date on which results of the offer are to be made public: [Not Applicable/*give details*]
- Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]
- Categories of potential investors to which the Securities are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:

[Not Applicable/*give details*]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser:

[Not Applicable/*give details*]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:

[None/*give details*]

14. **Post Issuance Information**

The Issuer does not intend to provide any post issuance information, except if required by any applicable laws and regulations.

Part C

Information on the Underlying

In addition, the following will be included in an annex to the Final Terms:

For the purpose of describing the Underlying to which the Securities relate:

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;*

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Terms and Conditions of the Securities which will be attached to or incorporated by reference into each Global Security and/or Definitive Security Certificate, as appropriate. The Final Terms in relation to an issue of Securities 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 Terms and Conditions supplement, replace or modify the following Terms and Conditions for the purpose of such Securities.

In these Conditions, words and expressions not defined elsewhere have the meanings given to them in Condition 28.

Unless otherwise specified in the relevant Global Security or Definitive Security Certificate and/or the applicable Final Terms (as defined below), the warrants ("**Warrants**") or certificates ("**Certificates**") of this series (such Warrants or Certificates being hereinafter referred to as the "**Securities**") are represented by one or more global warrants or certificates (the "**Global Security**") or, in the case of Securities to be issued in definitive form ("**Definitive Warrants**" or "**Definitive Certificates**", as the case may be, and Definitive Warrants and Definitive Certificates collectively, "**Definitive Securities**"), by one or more definitive security certificates (each a "**Definitive Security Certificate**") and are issued pursuant to a master warrant and certificate agreement as amended and restated on 8 August 2008 (the "**Securities Agency Agreement**") between Lehman Brothers Securities N.V. ("**LBS**"), Lehman Brothers (Luxembourg) Equity Finance S.A., Lehman Brothers Bankhaus AG (including when acting through its London Branch) ("**LBB**") (each an "**Issuer**"), The Bank of New York Mellon, New York Branch as US warrant and certificate agent (the "**US Securities Agent**"), The Bank of New York Mellon, Brussels as Belgian warrant and certificate agent (the "**Belgian Securities Agent**"), The Bank of New York (Luxembourg) S.A. as Luxembourg warrant and certificate agent (the "**Luxembourg Securities Agent**") and The Bank of New York, Filiale Frankfurt am Main as German warrant and certificate agent (the "**German Securities Agent**" and, together with the US Securities Agent, the Belgian Securities Agent, the Luxembourg Securities Agent and any additional warrant and certificate agent appointed thereunder, the "**Securities Agents**", which expression shall include any additional or successor warrant and certificate agents). The "**Principal Securities Agent**" is as specified in the applicable Final Terms. In the following provisions of these terms and conditions (the "**Terms and Conditions**" or "**Conditions**", which terms shall include any Annex attached hereto and which is specified as applying in the applicable Final Terms), each reference to the "**Issuer**" is a reference to whichever of Lehman Brothers Securities N.V., Lehman Brothers (Luxembourg) Equity Finance S.A. or Lehman Brothers Bankhaus AG (including when acting through its London Branch) is identified as the Issuer in the applicable Final Terms. The Issuer shall undertake the duties of calculation agent (the "**Calculation Agent**") in respect of the Securities unless another entity is so specified as calculation agent in the applicable Final Terms pursuant to the terms of a master calculation agency agreement as amended and restated on 8 August 2008 (the "**Master Calculation Agency Agreement**"). The expression "**Calculation Agent**" shall, in relation to the relevant Securities, include such other specified calculation agent.

Other than Securities sold to "accredited investors" (as defined in Rule 501 under the Securities Act) in the United States that are not QIBs, no Definitive Securities will be issued unless specified in the applicable Final Terms. The Global Security(ies) in respect of a Series of Securities will be deposited with a common depository for the relevant Clearing System (the "**Common Depository**") or, in the event that such Securities are to be traded through DTC, the Global Security will be deposited with a custodian for and registered in the name of a nominee of DTC.

The Final Terms for the Securities of any Series is attached to the Global Security relating thereto or, as in the case may be, each Definitive Security Certificate 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 Securities. References herein to the "**Final Terms**" or "**applicable Final Terms**" are to the relevant Final Terms prepared by the Issuer in relation to a Series (including any additional Final Terms in the case of any further warrants or certificates, as the case may be, issued pursuant to Condition 23 and forming a single series with the Securities) attached to the Global Security or, as the case may be, the Definitive Security Certificate relating to the Securities.

Copies of the Securities Agency Agreement (which contains the form of the Final Terms) and the master guarantee dated 8 August 2007 relating to Lehman Brothers Securities N.V., the master guarantee dated 8 August 2007 relating to Lehman Brothers (Luxembourg) Equity Finance S.A. and the master guarantee dated 8 August 2007 relating to Lehman Brothers Bankhaus AG (including when acting through its London Branch) provided by Lehman Brothers Holdings Inc. (the "**Guarantor**") guaranteeing the relevant Issuer's obligations under any Series of Securities (together, the "**Master Guarantees**") and the Final Terms applicable to such Securities are available for inspection at the specified office of each Securities Agent, save that if such Securities are unlisted, the applicable Final Terms will only be available for inspection by a holder of such Securities and such holder must produce evidence satisfactory to the relevant Securities Agent as to identity.

Words and expressions defined in the Securities Agency Agreement or used in the applicable Final Terms 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 Securities Agency Agreement and the applicable Final Terms.

1. **Type, Title and Transfer**

(a) Type

The Securities are Warrants or Certificates, and are Index Securities, Share Securities, Depository Receipt Securities, Debt Instrument Securities, Currency Securities, Commodity Securities, Interest Rate Securities or any other or further type of securities as is specified in the applicable Final Terms.

Securities may be Cash Settled Securities or Physical Delivery Securities or may be settled by such other method as specified in the applicable Final Terms. Securities may also allow Holders to elect for settlement by way of cash payment or by way of physical delivery or by such other settlement method as specified in the applicable Final Terms (which may include settlement by way of either cash payment or physical delivery in respect of the same Securities as determined by the value thereof in relation to the relevant Strike Price (if applicable) or other specified amount(s) or value(s)). Those Securities 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 Final Terms that the former will apply) will be Cash Settled Securities and those Securities 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 Final Terms that the latter will apply) will be Physical Delivery Securities. 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 Final Terms.

The applicable Final Terms 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 Final Terms, and whether the Warrants are Call Warrants or Put Warrants or such other type as may be specified in the applicable Final Terms.

References in these Conditions, unless the context otherwise requires, to Cash Settled Warrants or Cash Settled Certificates shall be deemed to include references to Physical Delivery Warrants or, as the case may be, Physical Delivery Certificates which include an option (as set out in the applicable Final Terms) for the Issuer to elect cash settlement of such Securities 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 or, as the case may be, Physical Delivery Certificates shall be deemed to include references to Cash Settled Warrants or, as the case may be, Cash Settled Certificates which include an option (as set out in the applicable Final Terms) for the Issuer to elect physical delivery of the Relevant Assets in settlement of such Security and where settlement is to be by way of physical delivery.

(b) Title to Securities

Subject as provided in these Conditions, each person who is for the time being shown in the records of the relevant Clearing System as the holder of a particular amount of Securities (in which regard any certificate or other document issued by the relevant Clearing System as to the amount of Securities standing to the account of any person shall be, unless otherwise ordered by a court having jurisdiction or an official authority or as otherwise determined by law, conclusive and binding for all purposes, save in the case of manifest error) shall be treated for all purposes by the Issuer, the Guarantor, any Securities Agent, the relevant Clearing System and all other persons dealing with such person as the holder of such amount of Securities.

In the case of Securities represented by a Global Security held through DTC, each such Global Security will be registered in the name of Cede & Co., as nominee for DTC, and will be held by The Bank of New York Mellon, New York Branch as custodian for DTC. Subject as provided in these Conditions and, unless otherwise ordered by a court having jurisdiction or an official authority or as otherwise determined by law, each person shown in the records of DTC shall be treated by the Issuer, the Guarantor, any Securities Agent and the relevant Clearing System and all other persons dealing with such persons as the holder of such amounts of Securities.

In the case of Definitive Securities, each Definitive Security Certificate will be registered in the name of Lehman Brothers Inc., as nominee for the "accredited investors" or, in the case of an accredited investor not maintaining an account with Lehman Brothers Inc., registered in the name of such accredited investor. Subject as provided in these Conditions and, unless otherwise ordered by a court having jurisdiction or an official authority or as otherwise determined by law, each person shown in the register (the "**Register**") maintained by the Principal Securities Agent as the holder of a particular amount of Securities shall be treated by the Issuer, the Guarantor, any Securities Agent and all other persons dealing with such person as the holder of such amounts of Securities.

The Issuer shall have the right to refuse to honor the transfer of any Securities to a US person who is not a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act") and the rules thereunder ("Qualified Purchaser") that is also (i) a "qualified institutional buyer" ("QIB") (as defined in Rule 144A under the Securities Act) or (ii) an "accredited investor" (as defined in Rule 501(a) under the Securities Act) ("Accredited Investor").

The expressions "**Holder**", "**holder of Securities**", "**holder of Warrants**", "**holder of Certificates**" and related expressions shall be construed in accordance with the foregoing provisions of this Condition 1(b).

(c) Transfers of Securities

With the exception of Definitive Securities, all transactions in (including transfers of) the Securities, in the open market or otherwise, must be effected through an account with the relevant Clearing System, subject to and in accordance with the rules and procedures for the time being of the relevant Clearing System. Title to the Securities will pass upon registration of the transfer in the books of the relevant Clearing System or by such other means acceptable to the relevant Clearing System. Securities are transferable in such minimum number of Securities (if any) as is specified in the applicable Final Terms. Transfers of Securities may not be effected after the date specified in the applicable Final Terms as the Last Trading Day (the "**Last Trading Day**").

In the event of sales in the United States to "accredited investors", an amount of Securities represented by a book-entry on the records of Lehman Brothers Inc. may only be transferred to the Lehman Brothers Inc. account of such person pursuant to the restrictions set forth in the letter to the Issuer, the Guarantor and Lehman Brothers Inc. substantially in the form of Schedule 8 to the Securities Agency Agreement. Securities, if any, held by "accredited investors" as a book-entry in their account with Lehman Brothers Inc. may only be sold or transferred by the then current Holder to Lehman Brothers Inc. by notifying Lehman Brothers Inc. and accompanied by a written instrument of transfer in a form satisfactory to the Issuer and (if applicable) the Principal Securities Agent, duly executed by the Holder or its duly authorised agent. If the Holder moves its account to another broker-dealer, such Holder must either sell the Securities to Lehman Brothers Inc. or maintain an account with Lehman Brothers Inc. for as long as it holds an amount of outstanding Securities. For Definitive Securities registered in the name of an accredited investor, such Definitive Securities will not be transferable otherwise than to Lehman Brothers Inc. and may only be transferred to Lehman Brothers by notifying Lehman Brothers Inc. and providing a written instrument of transfer in a form satisfactory to the Issuer and (if applicable) the Principal Securities Agent, duly executed by the Holder or its duly authorised agent, together with the relevant Definitive Security Certificate(s). Further information relating to the registration and transfer of Definitive Securities is set out in the Securities Agency Agreement.

(d) Luxembourg Register

For Luxembourg law purposes, and in respect of any Securities issued by Lehman Brothers (Luxembourg) Equity Finance S.A., the Issuer will maintain an at all times up-to-date register of the Securities at its registered office (the "**Luxembourg Register**"). With respect to Definitive Securities issued by Lehman Brothers (Luxembourg) Equity Finance S.A., only the holders of such Securities as mentioned in the Luxembourg Register, unless otherwise ordered by a court having jurisdiction or an official authority or as otherwise determined by law, will be treated as and deemed to be the absolute owners and holders of those Securities. In the event of any inconsistency between the Luxembourg Register and any other register of the Securities, the Luxembourg Register will prevail under Luxembourg law. With respect to Global Securities issued by Lehman Brothers (Luxembourg) Equity Finance S.A., the Luxembourg Register shall indicate the Clearing System or any nominee or depository thereof as holder of the Securities. For the purposes of Luxembourg law only the person(s) inscribed in the Luxembourg Register will be considered to be the holders of such Global Securities.

2. **Status of the Securities**

The Securities 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 Master Guarantees**

The Guarantor will, in accordance with the terms of the Master Guarantees, guarantee the performance of the obligations of the relevant Issuer under the Securities in accordance with these Conditions. The obligations of the Guarantor under the Master Guarantees 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. **Warrants - Exercise Rights**

This Condition 4 applies only to Warrants.

(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 both the Clearing System and the Principal Securities Agent prior to the Exercise Notice Deposit Time. Any Exercise Notice which is not delivered to both the relevant Clearing System and the Principal Securities Agent prior to the Exercise Notice Deposit 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 9 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 Final Terms or any certification is required pursuant to Condition 9(e)) to be exercised automatically ("**Automatic Exercise**") or, if not so deemed (as stated in the applicable Final Terms, 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 occur where the Cash Settlement Amount in respect of such Cash Settled Warrant is negative or equal to zero. No Exercise Notice shall be required to be delivered where Automatic Exercise applies. The expressions "exercise" and related expressions shall be construed to apply (wherever applicable) to any Securities which are automatically exercised on the Expiration Date in accordance with these Conditions.

In the case of Definitive Warrants represented by a Definitive Security Certificate, whether or not held through Lehman Brothers Inc., and save where Automatic Exercise is or is deemed to be applicable, such Definitive Warrants may only be exercised by the delivery of a duly completed Exercise Notice to Lehman Brothers Inc., with a copy to both the Issuer and the US Securities Agent, amended as appropriate and completed to the satisfaction of the Issuer and the US Securities Agent. Any Exercise Notice which is delivered to Lehman Brothers Inc., the Issuer or the US Securities Agent after the Exercise Notice Deposit 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 Definitive Warrants represented by a Definitive Security Certificate, whether or not held through Lehman Brothers Inc., with respect to which no Exercise Notice has been delivered in the manner set out in this Condition at or prior to the Exercise Notice Deposit Time on the Expiration Date shall (if such Warrant is a Cash Settled

Warrant) be deemed by the Issuer (unless stated to the contrary in the applicable Final Terms) to be subject to Automatic Exercise or, if not so deemed (as stated in the applicable Final Terms, or if such Warrant is a Physical Delivery Warrant and thus not capable of being so deemed), shall become void *provided that* Automatic Exercise shall not apply 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 9 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 Final Terms or any certification is required pursuant to Condition 9(e)) to be subject to Automatic Exercise or, if not so deemed (as stated in the applicable Final Terms, 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 occur 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 (as stated in the applicable Final Terms) 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 and notwithstanding other provisions of this Condition 4) 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. **Warrants - Exercise**

This Condition 5 applies only to Warrants.

(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 Securities Agency Agreement or in such other form as may be approved by the Issuer (copies of which form, in either case, may be obtained from the relevant Clearing System and the Securities Agents) and containing the information set out below to both the relevant Clearing System (in accordance with its rules and procedures for the time being) and the Principal Securities 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 Securities 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;
 - (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;
 - (H) include any certification required pursuant to Condition 9(e); and
 - (I) authorise the production of such notice to any applicable administrative or legal proceedings.
- (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 Securities Agent accordingly;
 - (F) irrevocably instruct the relevant Clearing System (except in the event that DTC is 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;

- (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;
 - (J) include any certification required pursuant to Condition 9(e); and
 - (K) authorise the production of such notice to any applicable administrative or legal proceedings.
- (iii) In the case of Definitive Warrants or if Condition 10(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 Securities 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 Final Terms. 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 Final Terms 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 Final Terms. 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 9.

6. **Certificates - Interest**

This Condition 6 applies only to Certificates.

(a) **Interest Amount**

If so specified in the applicable Final Terms and subject as provided in these Conditions, each Certificate pays interest from and including the Issue Date at the Interest Rate payable in arrears on each Interest Payment Date. The amount payable in respect of each Certificate on each

Interest Payment Date will be the Interest Amount for the Interest Period ending on (but excluding) such Interest Payment Date as provided in Condition 10(a)(i).

If an Interest Amount is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated on the basis of the number of days from and including the most recent Interest Payment Date (or, if none, the Issue Date) to but excluding the relevant payment date and the Interest Rate Day Count Fraction specified in the applicable Final Terms

(b) Accrual of Interest

Each Certificate to which Condition 6(a) applies will cease to accrue interest from and including the Redemption Date unless payment of the Cash Settlement Amount and/or delivery of any Physical Settlement Amount due on redemption is improperly withheld or refused by the Issuer in which case interest shall continue to accrue from the Redemption Date until such payment or delivery is made, as the case may be. For the avoidance of doubt, no interest on the Certificates shall accrue beyond the Redemption Date in the event that delivery of any Physical Settlement Amount is postponed due to the occurrence of a Settlement Interruption or otherwise as provided for in these Conditions or the applicable Final Terms.

(c) Definitions

"**Actual/360**" means the actual number of days in the Interest Period divided by 360.

"**Actual/Actual (ISDA)**" means the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365).

"**Actual/365 (Fixed)**" means the actual number of days in the Interest Period divided by 365.

"**30/360**" or "**360/360**" or "Bond Basis" means the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

"30E/360" or "Eurobond Basis" means the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

"**Interest Amount**" means, in respect of each Interest Period and each Certificate, an amount calculated by the Calculation Agent as follows:

$$\text{Notional Amount per Certificate} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction}$$

"**Interest Payment Date**" means each date specified in the applicable Final Terms.

"**Interest Period**" means the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date.

"**Interest Rate**" means the rate specified as such in the applicable Final Terms.

"**Notional Amount per Certificate**" means the amount specified as such in the applicable Final Terms.

7. **Certificates - Redemption**

This Condition 7 applies only to Certificates.

Subject as provided in these Conditions (including without limitation any applicable certification requirement under Condition 9(e)) and as specified in the applicable Final Terms, each Certificate will be redeemed by the Issuer:

- (i) in the case of a Cash Settled Certificate, by payment of the Cash Settlement Amount calculated by the Calculation Agent (which shall not be less than zero) as specified in the applicable Final Terms; or
- (ii) in the case of a Physical Delivery Certificate, by delivery of the Physical Settlement Amount,

such redemption to occur in either case, and subject as provided in these Conditions, on the Redemption Date.

8. **Certificates - Certificate Settlement Notice**

This Condition 8 applies only to Certificates.

(a) Certificate Settlement Notice

Save in relation to Cash Settled Certificates in respect of which certification of non-US beneficial ownership as contemplated in Condition 9(g) is not required, in order to obtain payment of the Cash Settlement Amount or delivery of the Physical Settlement Amount in respect of any Certificate, the Holder must deliver a duly completed settlement notice (a "**Certificate Settlement Notice**") substantially in the form set out in the Securities Agency Agreement or in such other form as may be approved by the Issuer (copies of which form, in either case, may be obtained from the relevant Clearing System and the Securities Agents) and containing the information set out below to both the relevant Clearing System (in accordance with its rules and procedures for the time being) and the Principal Securities Agent during the Certificate Settlement Notice Period:

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

- (C) specify the number of Certificates which are the subject of such notice;
 - (D) specify the number of the Holder's account at the relevant Clearing System to be debited with such Certificates;
 - (E) irrevocably instruct the relevant Clearing System (i) to debit on or before the Redemption Date the Holder's account with the Certificates which are the subject of such notice and (ii) to notify the Principal Securities Agent accordingly;
 - (F) include an undertaking to pay all Expenses including any applicable depository charges, transactions or exercise charges, stamp duty, stamp duty reserve tax and/or other taxes or duties arising from the delivery or transfer of the Physical Settlement Amount to or to the order of such Holder and an authority to the relevant Clearing System to debit on or at any time after the Redemption Date, a specified account of the Holder at the relevant Clearing System in respect thereof and to pay such Expenses;
 - (G) if applicable, specify the name and address of any person(s) into whose name evidence of the Physical Settlement Amount is to be registered and/or any bank, broker or agent to whom documents evidencing the Physical Settlement Amount are to be delivered and specify the name and the number of the Holder's account with the relevant Clearing System to be credited with any cash payable by the Issuer, in respect of any dividends relating to the Physical Settlement Amount or as a result of a Settlement Interruption or otherwise under these Conditions;
 - (H) if applicable, specify the account details of the Holder's participant with the applicable clearing system to be credited with the Physical Settlement Amount;
 - (I) include any certification required pursuant to Condition 9(e); and
 - (J) authorise the production of such notice to any applicable administrative or legal proceedings.
- (iii) In the case of Definitive Certificates or if Condition 10(c) applies, the form of Certificate Settlement Notice required to be delivered in the manner set out above will be different. Copies of such Certificate Settlement Notice may be obtained from the Principal Securities Agent or the Issuer.

(b) Further provisions regarding Certificate Settlement Notices

Certificate Settlement Notices are further subject to the applicable provisions of Condition 9.

9. Verification, Determinations and Restrictions

(a) Verification

Upon receipt of an Exercise Notice or a Certificate Settlement Notice (which must be delivered to both the Clearing System and the Principal Securities Agent), the relevant Clearing System (except in the event that DTC is the relevant Clearing System) shall verify that the person exercising the Warrants or delivering the Certificate Settlement Notice, as the case may be, is the holder of the Securities to which such notice relates according to the records of the relevant Clearing System. Subject thereto, and by 11.00 a.m. (Luxembourg time) on the Business Day immediately following receipt, the relevant Clearing System (except in the event that DTC is the Relevant Clearing System) will confirm to the Principal Securities Agent the number of Warrants being exercised or the number of Certificates in respect of which a Certificate Settlement Notice

has been received, as the case may be, and if the Securities are Cash Settled Securities the account details, if applicable, for the payment of the Cash Settlement Amount in respect of each such Security or, if the Securities are Physical Delivery Securities, the details for the delivery of the Physical Settlement Amount for each Security being exercised or to be redeemed. Upon receipt of such confirmation, the Principal Securities Agent will inform the Issuer thereof. In the event that DTC is the relevant Clearing System or in the event that the Securities are Definitive Securities, the Principal Securities Agent will verify that the person exercising the Warrant or delivering a Certificate Settlement Notice in respect of any Certificates, as the case may be, is the holder thereof and will inform the Issuer of the relevant details. 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 Securities. If the Securities are American Style Warrants, upon exercise of less than all the Warrants constituted by the Global Security, the Common Depository or the custodian for DTC, upon receipt of instructions from the Principal Securities Agent, will note such exercise on the Schedule to the Global Security 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 or a Certificate Settlement Notice is duly completed and in proper form shall be made by the relevant Clearing System (except in the case of Securities held directly through DTC and Definitive Securities) in consultation with the Principal Securities Agent and shall be conclusive and binding on the Issuer, the Securities Agents and the relevant Holder. Subject as set out below, if (i) the number of Securities specified in an Exercise Notice or Certificate Settlement Notice, as the case may be, exceeds the number of such Securities held in the relevant account or (ii) any Exercise Notice or Certificate Settlement Notice, as the case may be, is determined to be incomplete or not in proper form, or is not copied to the Principal Securities Agent subsequent to being delivered or sent to the relevant Clearing System (except in the case of Securities held directly through DTC and Definitive Securities) as provided in Condition 5 or Condition 8, as the case may be, such Exercise Notice or Certificate Settlement Notice, as the case may be, shall be null and void.

The Issuer shall request the relevant Clearing System (except in the case of Securities held directly through DTC and Definitive Securities) to use its best efforts promptly to notify the Holder submitting an Exercise Notice or a Certificate Settlement Notice, as the case may be, if, in consultation with the Principal Securities Agent, it has determined that such notice is incomplete or not in proper form. None of the Issuer and the Securities Agents shall be liable to any person with respect to any such determination or any action taken or omitted to be taken by such Clearing System in connection with the notification of such determination to a Holder.

If any such notice is subsequently corrected to the satisfaction of the relevant Clearing System (except in the case of Securities held directly through DTC and Definitive Securities) in consultation with the Principal Securities Agent, or is copied to the Principal Securities Agent, as the case may be, it shall be deemed to be a new notice submitted at the time such correction was delivered to the relevant Clearing System (except in the case of Securities held directly through DTC and Definitive Securities) and the Principal Securities Agent or such time as the relevant notice is copied to the Principal Securities Agent, as the case may be.

In the case of Securities held directly through DTC and Definitive Securities, any determination as to whether an Exercise Notice or Certificate Settlement Notice, as the case may be, is duly completed and in proper form shall be made by the Principal Securities Agent and shall be conclusive and binding on the Issuer and the relevant Holder. The Principal Securities Agent will use its best efforts promptly to notify the Holder who has submitted an Exercise Notice or Certificate Settlement Notice, as the case may be, if it has determined that such notice is

incomplete or not in proper form. If such notice is subsequently corrected to the satisfaction of the Principal Securities Agent, it shall be deemed to be a new notice submitted at the time such correction was delivered to the Principal Securities Agent.

(c) Restriction on Transfer

No Holder may transfer or attempt to transfer:

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

Notwithstanding the above, if any Holder transfers or attempts to transfer any Securities 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 or, as the case may be, Certificate Settlement Notice and subsequently (i) entering into replacement hedging transactions in respect of such Securities or (ii) paying any amount on the subsequent settlement of such Securities without having entered into any replacement hedging transactions.

(d) Exercise and Settlement Risk

Exercise and settlement of Warrants and redemption of Certificates are subject to all applicable laws, regulations and practices in force on the relevant Actual Exercise Date and/or on the relevant Settlement Date or Redemption Date, as the case may be, and neither the Issuer nor the Securities 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 Securities 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 Securities.

(e) Selling Restrictions

If the applicable Final Terms for any Securities indicates that Type 3A or Type 3B US Selling Restrictions apply, then (i) in the case of Warrants, the exercise of such Warrants shall be conditional on the person exercising such Warrants providing to the US Securities Agent a certification in the form set out in Condition 9(f) and (ii) in the case of Certificates, redemption of such Certificates will be conditional on the Holder providing to the US Securities Agent a certification in the form set out in Condition 9(g).

If the applicable Final Terms for any Securities indicates that Type 4 or Type 5 US Selling Restrictions apply, then such Securities may not be offered, sold or delivered in the United States or to US persons, nor may any US person at any time trade or maintain a position in the Securities and (A) in the case of Warrants, the exercise of such Warrants shall be conditional on the person exercising such Warrants providing to the US Securities Agent a certification in the form set out in Condition 9(f) and (B) in the case of Certificates, redemption of such Certificates will be conditional on the Holder providing to the US Securities Agent a certification in the form set out in Condition 9(g).

In certain circumstances specified in the applicable Final Terms, additional selling restrictions or certification requirements may apply.

(f) Type 3A, Type 3B, Type 4 and Type 5 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) Type 3A, Type 3B, Type 4 and Type 5 US Selling Restrictions Certification for Certificates

"[Identify Certificate]"

This notice certifies that neither the Holder of the Certificates referred to in this notice, nor any person on whose behalf (either directly or indirectly) the Holder holds or is acting in connection with the Certificates is a 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."

(h) Minimum Board Lot for Physical Delivery Securities

Notwithstanding Condition 5(b) and unless otherwise provided in the applicable Final Terms, Physical Delivery Warrants may only be exercised, and the Issuer shall only be liable to redeem Physical Delivery Certificates 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 Securities under which delivery by the Issuer is provided for) or the Holder (in the case of Put Warrants or other Securities 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 Securities 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, the Issuer may at its option pay to the Holder, upon delivery of the Physical Settlement Amount in respect of the Physical Delivery Securities, an amount (a "**Board Lot Payment**") equal to:

$$(B - D) \times C \times E$$

where

B : the number of Warrants which the Holder wishes to exercise on the Actual Exercise Date or the number of Certificates to be redeemed, as the case may be;

- C : the number of Relevant Assets to be delivered in respect of a Security on exercise or redemption, as the case may be;
- D : the maximum number of Securities (but less than B), the exercise or redemption of which would result in the delivery of Relevant Assets equal to an integral multiple of the relevant Board Lot;
- E : the fair market value of the Relevant Asset as determined by the Calculation Agent on the Valuation Date in its sole and absolute discretion by reference to such source(s) as it determines appropriate including, without limitation, any exchange traded or quoted price as of such Valuation Date,

unless the amount of any such a Board Lot Payment is of a *de minimis* amount, in which case no Board Lot Payment will be payable in respect of the Securities which are not exercisable or redeemable in amounts which would result in the delivery of a number of Relevant Assets equal to an integral multiple of the relevant Board Lot.

10. Settlement

(a) Cash Settled Securities

(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 including, where appropriate, to certification as required pursuant to Condition 9(e), 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. The Issuer will be discharged of its payment obligations by payment to, or to the order of, the relevant Clearing System in respect of the amount so paid.

Payments in respect of each Definitive Security will be made by transfer to the Designated Account (as defined below) of the holder of the Definitive Security appearing in the Register (as defined in Condition 1(b)) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Principal Securities Agent is located) before the relevant due date. For these purposes "**Designated Account**" means the account maintained by a holder with a bank acceptable to the Principal Securities Agent and identified as such in the Register.

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 Final Terms 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) *Cash Settled Certificates*

Subject as provided in these Conditions including, where appropriate, to certification as required pursuant to Condition 9(e), in respect of Cash Settled Certificates the Issuer shall on the Redemption Date pay or cause to be paid the Cash Settlement Amount (if any) for each Certificate in respect of which a Certificate Settlement Notice (if required) has been duly delivered to the Holder's account specified in the relevant Certificate Settlement Notice for value on the Redemption Date less any Expenses.

Subject as provided in these Conditions including, where appropriate, certification as required pursuant to Condition 9(e), for any Cash Settled Certificate with respect to which a Certificate Settlement Notice has not been duly completed in the manner set out in Condition 8(a) during the Certificate Settlement Notice Period and with respect to payment of any Interest Amount, the Issuer shall on the Redemption Date or relevant Interest Payment Date, as applicable, pay or cause to be paid the Cash Settlement Amount (if any) or Interest Amount (if any) to the person who is for the time being shown in the records of the relevant Clearing System as the holder of a particular amount of Certificates for value on the Settlement Date or relevant Interest Payment Date, as applicable, less any Expenses in the case of a Cash Settlement Amount. The Issuer will be discharged of its payment obligations by payment to, or to the order of, the relevant Clearing System in respect of the amount so paid.

Payments in respect of each Definitive Security will be made by transfer to the Designated Account (as defined below) of the holder of the Definitive Security appearing in the Register (as defined in Condition 1(b)) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Principal Securities Agent is located) before the relevant due date. For these purposes "**Designated Account**" means the account maintained by a holder with a bank acceptable to the Principal Securities Agent and identified as such in the Register.

If the satisfaction of any additional condition to settlement specified in the applicable Final Terms is delayed, the due date for payment of the Cash Settlement Amount in relation to the relevant Certificates 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 Redemption Date. If such additional condition to settlement is not satisfied within 30 Business Days after the Settlement Date such Certificates shall become void.

(iii) *Settlement Currency Unavailable*

In the event that the Settlement Currency is unavailable for delivery to Holders of Securities by or on behalf of the Issuer for any reason including due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, or is no longer used by the government of the country which issued such currency or for the settlement of transactions by public institutions of or within the international banking community, to the extent reasonably possible, payments hereunder will be made by the Issuer in US Dollars on the basis of the last available market exchange rate preceding the day on which such payment is due, as determined by the Calculation Agent.

(iv) *Redenomination of Settlement Currency*

In the event of an official redenomination of the Settlement Currency the obligations of the Issuer to make payments in or with reference to such currency shall, in all cases, be deemed immediately following such redenomination to be obligations to make payments in or with reference to that amount of redenominated currency representing the amount of such currency immediately before such redenomination. Except to the extent that the applicable Final Terms provide for the adjustment of any amount payable in respect of such Securities pursuant to application of the formulas provided for in the applicable Final Terms, no adjustment will be made to any amount payable under such Security as a result of any change in the value of the Settlement Currency thereof relative to any other currency due solely to fluctuations in exchange rates.

(v) *Determinations Conclusive*

All determinations referred to in Conditions 10(a)(iii) and 10(a)(iv) above made by the Calculation Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Issuer and all Holders of Securities. Holders of Securities shall not be entitled to make any claim whatsoever against the Issuer on account of or in relation to such determinations regardless of any errors or omissions with respect thereto which may be made by the Calculation Agent.

(vi) *Conversion and Rounding*

Any Cash Settlement Amount shall, if an Exchange Rate is specified in the applicable Final Terms, 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 Securities of the same Holder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Securities.

(b) Physical Delivery Securities

(i) *Physical Delivery Warrants*

Subject as provided in these Conditions including, where appropriate, to certification as to non-US beneficial ownership as required pursuant to Condition 9(e), 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 Final Terms.

If, with respect to any Physical Delivery Warrant which has been duly exercised (including the satisfaction of the certification requirement pursuant to Condition 9(e)), the satisfaction of any additional condition to settlement (additional to payment of the applicable Strike Price(s) and Expenses) specified in the applicable Final Terms is not satisfied as of the time required in accordance with the Final Terms, the Issuer will pay to such Holder the Alternative Settlement Amount without any further payment of interest or otherwise with respect to each Security held by such Holder on a date the Issuer determines to be appropriate following satisfaction of the relevant condition 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) *Physical Delivery Certificates*

Subject as provided in these Conditions including, where appropriate, to certification as to non-US beneficial ownership as required pursuant to Condition 9(e) and to payment of any Expenses with regard to the relevant Certificates, the Issuer shall on the Redemption Date deliver, or procure the delivery of, the Physical Settlement Amount for each relevant Certificate to or to the order of the Holder as specified in the Certificate Settlement Notice. The Physical Settlement Amount shall be delivered and evidenced in such manner as shall be specified in the applicable Final Terms.

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

(iii) *Dividends*

Unless otherwise specified in the applicable Final Terms, in respect of Physical Delivery Securities where the Relevant Assets consist of shares, all dividends on the relevant shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the shares executed on the relevant Actual Exercise Date (in the case of Warrants) or the date which precedes the Redemption Date by the customary settlement period for such a sale (in the case of Certificates) 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 or

Certificate Settlement Notice (or, in the absence of such notice, to the person who is for the time being shown in the records of the relevant Clearing System as the holder of a particular amount of Certificates for value on the Redemption Date). In respect of Physical Delivery Securities where the Relevant Assets consist of depository receipts, arrangements in respect of dividend payments under depository receipts will be set out in the applicable Final Terms.

(iv) *Modification of settlement procedures*

The Calculation Agent may from time to time by notice to the Issuer and the Principal Securities Agent modify or supplement the procedures and requirements for settlement of Physical Delivery Securities 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 21.

(c) Issuer's Option to Vary Settlement

If the applicable Final Terms indicates that the Issuer has an option to vary settlement or redemption in respect of the Securities, 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 or, as the case may be, the Redemption Date to the relevant Holders (as the case may be). Notification of such election will be given to Holders in accordance with details specified in the Exercise Notice or, as the case may be, Certificate Settlement Notice (as applicable) no later than 10.00 a.m. (local time in the location of the specified office of the Principal Securities Agent) on the second Business Day immediately preceding the Settlement Date or, as the case may be, the Redemption Date or if any such notices are not delivered in accordance with Condition 21.

(d) General

- (i) The purchase of Securities 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 Securities 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.

(e) Compliance with securities laws

- (i) If any holder of any Security is determined not to be a Qualified Purchaser that is also (a) a QIB or (b) an Accredited Investor, the Issuer shall have the right to (i) force such holder to sell its interest in such Security, or sell such interest on behalf of such holder, to (A) a QIB or an Accredited Investor that is also a QP pursuant to Rule 144A or another exemption from registration under the Securities Act or (B) in an offshore transaction in accordance with Regulation S to a person that is not a US person (as defined in Regulation S under the Securities Act) who, following such transaction, receives a beneficial interest in the relevant Global Security or (ii) terminate and cancel such Security.
- (ii) If any holder of any Security subject to Type 4 or Type 5 US Selling Restrictions is determined to be a US person (as defined in Regulation S under the Securities Act) in violation of applicable restrictions, the Issuer shall have the right to (i) force such holder

to sell its interest in such Security, or sell such interest on behalf of such holder, to a person who is not a US person (as defined in Regulation S under the Securities Act) or (ii) terminate and cancel such Security.

- (iii) In the case of any termination and cancellation of a Security as described above no amount shall be payable to the relevant Securityholder and the Issuer shall have no further obligations in respect of the Security.

11. **Impracticality**

Notwithstanding any other provision of these Conditions, the Issuer shall have the right to terminate its obligations under the Securities, 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 Security 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 21.

12. **Purchases**

The Issuer and any of its Affiliates shall have the right to purchase or otherwise acquire Securities at such times, in such manner and for such consideration as it may deem appropriate. Any Securities 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.

If the Issuer or an affiliate (as defined in Rule 405 under the Securities Act) acquires a beneficial interest in a Security represented by a Global Security it shall receive such interest in the form of a Definitive Security. Following any subsequent transfer by the Issuer or such affiliate of any Definitive Security:

- (i) if such transfer is made to a non-U.S. person in an offshore transaction in accordance with Regulation S, the transferee shall receive an interest in the relevant Global Security; or
- (ii) if such transfer is made to a US person that is a QIB and a Qualified Purchaser pursuant to Rule 144A, the transferee shall receive an interest in the relevant Global Security.

13. **Consequences of Disrupted Days**

This Condition 13 applies only to Index Securities, Share Securities and Depository Receipt Securities.

As used in this Condition 13 and related definitions, in relation to Depository Receipt Securities, unless otherwise specified, references to "Share" and "Shares" shall be to a Depository Receipt or Depository Receipts and/or an Underlying Share or Underlying Shares, as the case may be.

(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 Securities 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 if this proviso applies,

shall be 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 may be a Disrupted Day, and (B) the Calculation Agent shall determine (1) in the case of Securities 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 Securities 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 Securities 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 relevant Index, provided that (A) the Valuation Date for an Index shall be not later than (and if this proviso applies shall be 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 may be 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 Securities 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 for a Share shall be not later than (and if this proviso applies shall be 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 may be 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 Final Terms, 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 Final Terms 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 Securities 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 Securities 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 Final Terms 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 Redemption Date, as the case may be, 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.

14. **Adjustments relating to Index Securities, Share Securities and Depository Receipt Securities**

This Condition 14 applies only to Index Securities, Share Securities and Depository Receipt Securities.

As used in this Condition 14 and related definitions, in relation to Depository Receipt Securities, unless otherwise specified, references to "Share" and "Shares" shall be deemed to be references to a Depository Receipt or Depository Receipts and/or Underlying Share or Underlying Shares, as the case may be.

(a) Index Securities

(i) *Successor Index*

If, in relation to Index Securities, 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 Securities, (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 Final Terms as the consequence of any such Index Adjustment Event, (A) the Calculation Agent will determine in its sole and absolute discretion if such Index Adjustment has a material effect on the Securities 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 or Averaging 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 (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, it shall notify the Issuer thereof in

which event "Cancellation and Payment" will be deemed to be the consequence specified in the applicable Final Terms; or

- (2) if "Cancellation and Payment" is specified in the applicable Final Terms as the consequence of any such Index Adjustment Event, then the Issuer shall have the right to cancel its obligations under the Securities as of such date as the Issuer shall determine by notice given to the Holders in accordance with Condition 21 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Security held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 21.

For the avoidance of doubt if an event or circumstance may give rise to either a Disrupted Day or an Index Adjustment Event the Calculation Agent may, in its discretion and if appropriate, determine whether to apply Disrupted Day provisions or the above Index Adjustment Event provisions to such event or circumstance. Any such determination shall be without prejudice to the Calculation Agent's right to subsequently deal differently with the same or a similar event or circumstance pursuant to the provisions of these Terms and Conditions.

(b) Share Securities and Depository Receipt Securities

If, in relation to Share Securities or Depository Receipt Securities, as the case may be, a Potential Adjustment Event occurs and:

- (i) "Options Exchange Adjustment" is specified as the Method of Adjustment in the applicable Final Terms, 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 Securities, 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 Securities 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 Final Terms (other than in relation to Depository Receipt Securities), then following the declaration by the Share Company 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 Securities 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.

- (iii) "Calculation Agent Adjustment" is specified as the Method of Adjustment in the applicable Final Terms in relation to Depository Receipt Securities, following the declaration by the Underlying Share Issuer of terms of any Potential Adjustment Event in relation to the Underlying Shares, Condition 14(b)(ii) above shall apply to such Depository Receipt Securities, *mutatis mutandis*, provided that the Calculation Agent may (amongst other factors) have reference to any adjustment made by the Depository under the Deposit Agreement and provided further that if an amendment or supplement to the terms of the relevant Deposit Agreement is made then the Calculation Agent will determine whether such Potential Adjustment Event has an economic effect on the relevant Securities and will make any adjustment provided in paragraph (A) of Condition 14(b)(ii) above which it determines appropriate to account for such economic effect on the relevant Securities. If the Calculation Agent determines that no adjustment that it could make will produce a commercially reasonable result, it shall notify the Issuer thereof in which event the Issuer shall have the right to cancel its obligations under the Securities as of such date as the Issuer shall determine by notice given to the Holders in accordance with Condition 21 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Security held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 21.

(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 Securities 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 Securities 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.

15. **Consequences of Extraordinary Events**

This Condition 15 applies only to Share Securities and Depository Receipt Securities.

As used in this Condition 15 and related definitions, in relation to Depository Receipt Securities, unless otherwise specified, a "Share" or "Shares" shall be deemed to be references to a Depository Receipt or Depository Receipts or an Underlying Share or Underlying Share, as the case may be.

(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 Final Terms 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 including the proceeds of any redemption, if applicable), and their issuer (if any) will be deemed the "Shares" or "Underlying Share" and the "Basket Company" or "Share Company" or "Underlying Share Issuer", 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 Securities);
- (ii) "Cancellation and Payment", then the Issuer shall have the right to cancel its obligations under the Securities as of such date as the Issuer shall determine by notice given to the Holders in accordance with Condition 21 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Security held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 21;
- (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 14(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 Securities as the Calculation Agent in its sole and absolute discretion determines appropriate to account for the economic effect on the Securities 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 Securities), 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 provided that in relation to Depository Receipt Securities, in each case where the Calculation Agent makes an adjustment, the Calculation Agent may or, in the case of Full Lookthrough Securities shall (amongst other factors) have reference to any adjustment made by the Depository under the Deposit Agreement 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 Final Terms;

- (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 Securities as the Calculation Agent in its sole and absolute discretion determines appropriate to account for the economic effect on the Securities 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 Securities), 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 provided that in relation to Depository Receipt Securities, in each case where the Calculation Agent makes an adjustment, the Calculation Agent may or, in the case of Full Lookthrough Securities shall (amongst other factors) have reference to any adjustment made by the Depository under the Deposit Agreement 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 Final Terms; 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 Final Terms is:

- (i) "Cancellation and Payment", then the Issuer shall have the right to cancel its obligations under the Securities as of such date as the Issuer shall determine by notice given to the Holders in accordance with Condition 21 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Security held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 21;
- (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 14(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 or the Underlying Share Company (as the case may be) and the Shares or Underlying 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 Securities as the Calculation Agent in its sole and absolute discretion determines appropriate to account for the economic effect on the Securities 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 Securities), 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 provided that in relation to Depository Receipt Securities, in each case where the Calculation Agent makes an adjustment, the Calculation Agent may (amongst other factors) have reference to any adjustment made by the Depository under the Deposit Agreement 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 Final Terms;

- (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 Securities as the Calculation Agent determines appropriate to account for the economic effect on the Securities 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 Securities), 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 provided that in relation to Depository Receipt Securities, then in each case where the Calculation Agent makes an adjustment, the Calculation Agent may (amongst other factors) have reference to any adjustment made by the Depository under the Deposit Agreement 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 Final Terms; 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 Securities 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 13 will not apply to Other Consideration.
 - (ii) If New Shares are required to be delivered in relation to Physical Delivery Securities 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 Final Terms, provided that if on the relevant Settlement Date or Redemption Date, as the case may be, a holder of the Shares would not yet have received the New Shares to which it is entitled, the Settlement Date or Redemption Date, as the case may be, 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 Securities.

- (iii) If Other Consideration is required to be delivered in relation to Physical Delivery Securities 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 or Redemption Date, as the case may be, 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 Security (or, if applicable, the Minimum Exercise Number of Securities) 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, Delisting or Termination Event

If Nationalisation, Insolvency, Delisting or Termination Event occurs as determined by the Calculation Agent in its sole and absolute discretion, the Securities will be cancelled as of such date as the Issuer shall determine and notify to the Holders in accordance with Condition 21 and the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Security held by such Holder provided that in relation to Depository Receipt Securities, the Calculation Agent may but is not required to in its sole and absolute discretion replace the affected Depository Receipts with Replacement DRs and amend one or more terms of the Securities, and in such case the relevant Securities will not be cancelled and references to Shares or Depository Receipts in these Conditions shall be to such Replacement DR. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 21.

16. **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 Securities 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 Securities as of such date as the Issuer shall determine by notice given to the Holders in accordance Condition 21 and in the event of such cancellation the Issuer will pay to each Holder the Alternative Settlement Amount with respect to each Security held by such Holder. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 21.
- (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 Securities shall be subject to the provisions set out in the applicable Final Terms.

17. **Consequences of Settlement Interruption**

If, in the sole opinion of the Issuer, delivery of the Physical Settlement Amount in respect of any Physical Delivery Securities is not practicable by reason of a Settlement Interruption on any Settlement Date or Redemption Date in respect of such Securities, then such Settlement Date or, as the case may be, Redemption 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 or, as the case may be, the Redemption Date. In that case (a) if the Physical Settlement Amount can be delivered in any other commercially reasonable manner, then the Settlement Date or, as the case may be, the Redemption 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 or, as the case may be, Redemption 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 or, as the case may be, the Redemption Date for the Relevant Assets not affected by the Settlement Interruption will be the original Settlement Date or, as the case may be, Redemption Date and the Settlement Date or, as the case may be, Redemption 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.

18. **Additional Adjustment**

The Securities shall be subject to such additional provisions for the adjustment of the terms of the Securities and/or cancellation thereof as may be specified in the applicable Final Terms, which provisions may without limitation include provisions similar to those specified in Conditions 13, 14 and 15 (in the case of Securities which are not Index Securities or Share Securities or Depository Receipt Securities) and/or provisions applicable in any other circumstances (in the case of any Securities).

19. **Notice of Disrupted Day and Other Matters**

- (a) The Calculation Agent shall notify the Issuer and the Principal Securities 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 Securities 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 Securities Agent shall give notice as soon as practicable to the Holders in accordance with Condition 21 of any notification received under (a) or (b) above.

20. **Securities Agents, Calculation Agent, Determinations and Modifications**

- (a) Securities Agents

The specified offices of the Securities Agents are as set out at the end of these Conditions.

The Issuer reserves the right at any time to vary or terminate the appointment of any Securities Agent and to appoint further or additional Securities Agents provided that no termination of appointment of any Securities Agent shall become effective until a replacement Securities Agent shall have been appointed and provided that, so long as any of the Securities are listed on a stock exchange, there shall be a Securities 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 Securities Agent will be given to Holders in accordance with Condition 21. In acting under the Securities Agency Agreement, each Securities 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 Securities Agent's determinations and calculations in respect of the Securities 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 Securities 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 Securities 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 Securities 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 Securities 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 Securities Agency Agreement may amend the Securities Agency Agreement, in each case without the consent of the Holders, (i) in order to correct an ambiguity, manifest or proven 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 Securities Agent or, as the case may be, agreement between the parties to the Securities Agency 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 21 but failure to give, or non-receipt of, such notice will not affect the validity thereof.

21. **Notices**

All notices to Holders will be valid if delivered to the relevant Clearing System or in the case of Securities held directly through DTC or Definitive Securities, to the US Securities Agent, for communication by them to the Holders and, if and so long as the Securities are admitted to trading, under MiFID, on the Luxembourg Stock Exchange's regulated market and listed on the official list of the Luxembourg Stock Exchange (or any other stock exchange) as specified in the applicable Final Terms on the Internet site of the Luxembourg Stock Exchange www.bourse.lu (or such other publication required by the relevant stock exchange). Any such notice shall be deemed to have been given on the second Business Day following such delivery or, if earlier, the date of such publication or, if published more than once, on the date of the first such publication.

22. **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, exercise or redemption of any Securities and/or the resulting transfer of the Relevant Assets 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.

23. **Further Issues**

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

24. **Substitution**

The Issuer, or any previous substitute company, shall be entitled at any time and from time to time, without the consent of the Holders, to substitute any subsidiary or holding company of the Issuer or any subsidiary of any such holding company (the "**New Issuer**") in place of the Issuer, as obligor under the Securities, provided that the New Issuer shall assume all obligations of the Issuer in relation to the Holders under or in relation to the Securities. Further, the Guarantor, or any previous substitute company, shall be entitled at any time and from time to time, without the consent of the Holders, to substitute any subsidiary or holding company of the Guarantor or any subsidiary of any such holding company (the "**New Guarantor**") in place of the Guarantor as guarantor in respect of the Securities provided that (a) the creditworthiness of the New Guarantor at such time is at least equal to the creditworthiness of the Guarantor, or any previous substitute under this Condition, as determined by the Calculation Agent and (b) the New Guarantor enters into a guarantee in substantially the same form as the Guarantee and any other documents which

may be necessary to give full effect to such substitution (such Guarantee and any such documents to be held by the Principal Securities Agent for so long as any relevant Securities remain outstanding). In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer and any reference to the Guarantor shall be construed as a reference to the New Guarantor. Any such substitution shall be promptly notified to the Holders in accordance with Condition 21. In connection with such right of substitution neither the Issuer nor the Guarantor shall be obliged to have regard to the consequences of the exercise of such right for individual Holders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Holder shall be entitled to claim from the Issuer, the New Issuer, the Guarantor and/or the New Guarantor any indemnification or payment in respect of any tax consequence of any such substitution upon such Holder.

For the purposes of this Condition 24, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing the Securities, the holders of the Securities are expressly deemed to have consented to the substitution of the Issuer with the New Issuer and to the release of the Issuer from any and all obligations in respect of the Securities and are expressly deemed to have accepted such substitution and the consequences thereof.

25. **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 Securities 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 Securities Agent during the term of the Programme.

26. **Rights of Third Parties**

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

27. **Law and Jurisdiction**

(a) **Governing law**

The Securities, any Global Security, any Definitive Security Certificates and all matters arising from or connected with them (including any non-contractual obligations arising from or connected with them) are governed by, and shall be construed in accordance with, English law. The Master Guarantees and any non-contractual obligations arising from or connected with them shall be governed by and 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 Securities (including a dispute relating to any non-contractual obligations arising from or connected with the Securities).

(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 27(b) is for the benefit of the Holders only. As a result, nothing in this Condition 27 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.

28. **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 Final Terms or (b) a Hedging Disruption, in each case as the Calculation Agent may in its sole and absolute discretion determine;

"**Affected Shares**" means Shares or Underlying 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 Securities, an amount in the Settlement Currency equal to the fair market value of such Securities, 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 Final Terms as "**American Style**" and being Warrants exercisable on any Exercise Business Day during the Exercise Period specified in the applicable Final Terms;

"**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 Final Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day, subject to adjustment in accordance with Condition 13 or the provisions (if any) of the applicable Final Terms, as applicable;

"Base Currency" means a base currency as specified in the applicable Final Terms;

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

"Basket Company" means (a) each Share Company whose Shares (in the case of Securities relating to a Basket of Shares) or Depository Receipts (in the case of Securities relating to a Basket of Depository Receipts) or (b) each company whose Debt Instruments (in the case of Securities 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 9(h);

"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 Final Terms;

"Call Warrants" means Warrants designated as "Call Warrants" in the applicable Final Terms;

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

"Cash Settlement Amount" means, in relation to Cash Settled Securities, the amount to which the Holder is entitled in the Settlement Currency as determined by the Calculation Agent pursuant to Condition 10(a)(i) (in the case of Warrants) or Condition 7 (in the case of Certificates), as applicable;

"Certificate Settlement Notice" shall have the meaning assigned thereto in Condition 8(a);

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

"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 Securities), any relevant Share (in the case of Share Securities), any relevant Depository Receipt (in the case of Depository Receipt Securities) or any relevant Debt Instrument (in the case of Debt Instrument Securities), or (ii) the Issuer will incur a materially increased cost in performing its obligations under the Securities (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, DTC, Euroclear or Clearstream, Luxembourg and/or such other clearing system, as the case may be, through which interests in Securities are to be held and through an account at which the Securities are to be cleared specified in the applicable Final Terms or, as the case may be and in respect of Physical Delivery Securities, the clearing system

through which delivery of any Relevant Assets is to be effected in respect of such Securities, 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 Final Terms;

"Commodity Securities" means Securities 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 Final Terms;

"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 Securities" means Securities 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 Securities, as specified in the applicable Final Terms;

"Debt Instrument" means a debt instrument as specified in the applicable Final Terms;

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

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

"Delisting" means, in respect of any relevant Shares, Depository Receipts or Underlying Shares, that the Exchange announces that pursuant to the rules of such Exchange, such Shares, Depository Receipts or Underlying 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) *provided that* in the case of Partial Lookthrough Securities, in relation to Underlying Shares, a Delisting shall not occur in respect of the Underlying Shares if the Underlying Shares are immediately re-listed, re-traded or re-quoted on an exchange or quotation system regardless of the location of such exchange or quotation system;

"Deposit Agreement" means in respect of Shares which are American depository receipts or global depository receipts, the agreements or other instruments constituting such depository receipts as from time to time amended or supplemented in accordance with their terms.

"Depository" means in respect of Shares which are American depository receipts or global depository receipts, the issuer of the relevant depository receipts in its capacity as depository under the terms of the relevant Deposit Agreement or any successor depository thereunder.

"Depository Receipt" means a depository receipt as specified in the applicable Final Terms;

"Depository Receipt Securities" means Securities relating to a specified Depository Receipt or Basket of Depository 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 Final Terms as "European Style" and being Warrants exercisable only on the Expiration Date;

"Exchange" means:

- (a) (i) in respect of Index Securities 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 Final Terms, 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 Securities and in relation to a Share, each exchange or quotation system specified as such for such Share in the applicable Final Terms, 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 depository receipts or global depository receipts, and in the case of Full Lookthrough Securities (unless otherwise specified in the applicable Final Terms), "Exchange" shall include the principal stock exchange or quotation system on which the relevant Underlying Shares are 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 Final Terms;

"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 Final Terms, being, other than in the case of Definitive Securities, 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 Final Terms;

"Expenses" means, with respect to any Securities, all expenses including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax and/or other taxes or duties arising from the settlement and/or (if the Securities are Warrants) the exercise of such Securities and/or (if the Securities are Physical Delivery Securities) 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 Final Terms (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 or Termination Event;

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

"Full Lookthrough Securities" means Depository Receipt Securities for which "Full Lookthrough" is specified as applying in the applicable Final Terms;

"Guarantor" means Lehman Brothers Holdings Inc. as guarantor of the relevant Issuer's obligations under any series of Securities pursuant to the Master Guarantees;

"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 Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s);

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

"Holder", **"holder of Securities"**, **"holder of Warrants"** and **"holder of Certificates"** 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 Securities, 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 Securities), any security or other property comprised in an Index (in the case of Index Securities), any Depository Receipt (in the case of Depository Receipt Securities) or any Debt Instrument (in the case of Debt Instrument Securities) 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 Final Terms 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 14(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 Securities" means Securities relating to a specified index or Basket of indices;

"Initial Date" means the date specified as such in the applicable Final Terms or, if no date is so specified, the Issue Date;

"Initial Loan Rate" means the rate specified as such in the applicable Final Terms;

"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 Shares were references to the Underlying Shares and references to a Basket Company or a Share Company were references to the Underlying Share Issuer;

"Insolvency Filing" means that a relevant Share Company, Basket Company or Debt Instrument Company (each a **"Relevant Entity"**) 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 Relevant Entity shall not be deemed an Insolvency Filing and provided further that in relation to Partial Lookthrough Securities "Insolvency Filing" shall also be deemed to include as a Relevant Entity each of a relevant Depository or Underlying Share Issuer;

"Interest Rate Securities" means Securities relating to a Subject Interest Rate;

"Issue Date" means the date on which the Securities are issued, as specified in the applicable Final Terms;

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

"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 Securities) or any relevant Debt Instrument (in the case of Debt Instrument Securities) in an amount equal to the Hedging Securities 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 Securities, relating to the Share on the Exchange (or, in the case of Index Securities, 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 Securities, the Shares on the Exchange (or, in the case of Index Securities, 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 Securities, 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 and a Related Exchange, 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 Final Terms 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 Final Terms, 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 depository receipts or global depository receipts and if "Full Lookthrough" is specified in the applicable Final Terms, "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;

"**Master Guarantees**" has the meaning given in the fourth paragraph of the Conditions.

"**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 Final Terms;

"**Maximum Loan Rate**" means the rate specified as such in the applicable Final Terms;

"**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 Securities, the Settlement Date or, as the case may be, Redemption Date or (ii) in the case of Cash Settled Securities, the Valuation Date (or final Valuation Date, if more than one) or where Averaging is specified in the applicable Final Terms, the final Averaging Date **provided that**, in respect of Shares which are American depository receipts or global depository 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 Securities or Depository Receipt Securities 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 Final Terms;

"Multi-exchange Index" means any Index specified as such in the relevant Final Terms;

"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 depository receipts or global depository receipts, "Nationalisation" shall be construed in relation to the relevant Shares as if references in these Conditions to Shares were references to the Underlying Shares and references to Basket Company or the Share Company were references to the Underlying Shares Issuer;

"New Issuer" shall have the meaning assigned thereto in Condition 24;

"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 Final Terms, 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 Final Terms, 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 Final Terms, 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);

"Partial Lookthrough Securities" means Depository Receipt Securities for which "Partial Lookthrough" is specified as applying in the applicable Final Terms;

"Physical Delivery Security" means a Security 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 Security, 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 or, as the case may be, Redemption Date in respect of each such Security 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 depository receipts or global depository receipts, a "Potential Adjustment Event" shall not occur unless, in the opinion of the Calculation Agent, it has a diluting or concentrative effect on the theoretical value of the Shares and "Potential Adjustment Event" shall include the making of any amendment or supplement to the terms of the relevant Deposit Agreement;

"Put Warrants" means Warrants designated as "Put Warrants" in the applicable Final Terms;

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

"Redemption Date" means the Redemption Date specified in the applicable Final Terms;

"Related Exchange" means, in respect of Index Securities and in relation to an Index or in respect of Share Securities and in relation to a Share, each exchange or quotation system specified as such for such Index or Share in the applicable Final Terms, 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 Final Terms, **"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 Securities, the relevant asset or relevant assets by which the Securities are to be physically settled as specified in the applicable Final Terms;

"Replacement DRs" means depository receipts other than the Depository Receipts over the same Underlying Shares as the Depository Receipts.

"Relevant Screen Page" means the relevant screen page as specified in the applicable Final Terms;

"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 any day on which (a) except with respect to a Multi-exchange Index, 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, (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;

"Securities Act" means the US Securities Act of 1933, as amended.

"Securities Agency Agreement" has the meaning given in the first paragraph of the Conditions;

"Series" means a series of Securities;

"Settlement Currency" means the settlement currency for the payment of the Cash Settlement Amount, as set out in the applicable Final Terms;

"Settlement Cycle" means, in respect of Share Securities, Index Securities or Depository Receipt Securities, the period of Clearing System Business Days following a trade in the relevant Shares, Depository Receipts, Underlying 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 Final Terms;

"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 Final Terms;

"Share" and **"Shares"** mean, subject to adjustment in accordance with these Conditions, the share or shares or American depository receipts or global depository receipts as specified in the applicable Final Terms;

"Share Company" means, with respect to a Share, the issuer of such Share **provided that**, in respect of Shares which are American depository receipts or global depository 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 Depository and the Underlying Share Issuer in respect of such depository receipts, and (ii) for all other purposes in relation to the Certificates, the Depository;

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

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

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

"**Strike Price**" means the Strike Price specified in the applicable Final Terms;

"**Subject Currency**" means a subject currency as specified in the applicable Final Terms;

"**Subject Interest Rate**" means the subject interest rate to which the Securities relate as specified in the applicable Final Terms;

"**Successor Index**" shall have the meaning assigned thereto in Condition 14(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 depository receipts or global depository 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);

"**Termination Event**" means, in respect of Depository Receipt Securities, the Depository announces that the Deposit Agreement is (or will be) terminated;

"**Third Weekday**" means the third weekday (meaning any week day excluding any Saturdays and Sundays) prior to the Redemption Date or Settlement Date or, if applicable, any relevant Interest Payment Date (as applicable);

"**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 Final Terms;

"**Underlying Shares**" means in respect of Shares which are American depository receipts or global depository receipts, the underlying shares to which such American depository receipts or global depository receipts relate;

"**Underlying Share Issuer**" means in respect of Shares which are American depository receipts or global depository 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 13(a)) or in the applicable Final Terms:

- (i) in respect of any European Style Warrant exercised (or deemed to be exercised under Condition 4(b)) on the Expiration Date, the Expiration Date;

- (ii) 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; and
 - (iii) in respect of a Certificate, the Valuation Date specified in the applicable Final Terms,
- 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 Final Terms or, if no time is specified, the Scheduled Closing Time on the relevant Exchange in relation to each Index, Share, depository 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.

ANNEX A DANISH SECURITIES

Amendments to the Terms and Conditions of the Securities in respect of Danish Securities

The terms and conditions of Danish Securities shall comprise the Terms and Conditions of the Securities set forth on page 51 above (the "General Conditions") as amended by the additional terms and conditions set forth below (the "Danish Conditions"), subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Danish Conditions, the Danish Conditions shall prevail. In the event of any inconsistency between any of the foregoing and the applicable Final Terms, the applicable Final Terms shall prevail.

(A) General

For the purpose of these Conditions, "**Danish Securities**" means any Tranche of Securities issued by LBS or LBB and designated as "**Danish Securities**" in the applicable Final Terms.

The Danish Securities will be registered in uncertificated and dematerialised book-entry form with the Danish Securities Centre (*Værdipapircentralen*) ("**VP**"). Danish Securities registered in VP are negotiable instruments and not subject to any restrictions on free negotiability under Danish law. For so long as it is a requirement of the VP Rules (as defined below) (i) Danish Securities may not provide for any form of settlement (including in respect of payment of interest) other than payment in cash; (ii) where Warrants are to be issued as Danish Securities, the Warrants must be European Style Warrants; (iii) where Certificates are to be issued as Danish Securities, a Series of Certificates must have the same Redemption Date; and (iv) Danish Securities shall not be issued where certification of non-US beneficial ownership as contemplated in Condition 9(e) is required.

(B) Amendments to the Terms and Conditions in respect of the Danish Securities

For the purposes of all Danish Securities, the Terms and Conditions of the Securities shall be amended as set forth in this Annex A. Furthermore, as the Danish Securities will be in uncertificated and dematerialised book-entry form, the Terms and Conditions of the Securities as so amended shall be deemed to be incorporated by reference in, and to form part of, each deed of covenant executed by the relevant Issuers and dated 8 August 2007 (each, a "**Deed Of Covenant**") by which the Danish Securities are constituted. No certificates representing the Danish Securities, whether in global or definitive form, will be issued in any circumstances. All references to Final Terms being attached to any Global Security or Definitive Security Certificate shall not be applicable in the case of Danish Securities and all references in the Terms and Conditions of the Securities to the "applicable Final Terms" shall, in the case of any Danish Securities, be deemed to be references to the Final Terms deposited by the Issuer with the VP and the Danish Issuing Agent.

All references to the "Securities Agency Agreement" shall include the agreement (as amended, supplemented or replaced from time to time, the "**Danish Agency Agreement**") dated 22 August 2007 entered into in relation to the Danish Securities between, *inter alia*, LBB, LBS and Skandinaviska Enskilda Banken A/S (publ) which has its registered address at Landemaerket 10, 1, 1119 Copenhagen, Denmark (the "**Danish Issuing Agent**").

(a) Type, Title and Transfer

- (i) In Condition 1(a) (Type) there shall be added the following wording:

"The Securities are issued in uncertificated and dematerialised book-entry form in accordance with the Danish Securities Trading Act (*Da. lov om værdipapirhandel*)

479/2006 (as amended)), in each case in the Specified Currency or Currencies and Denomination(s). Securities of one Specified Denomination may not be exchanged for Securities of another Specified Denomination. No physical securities or certificates will be issued in respect of Securities and the provisions relating to presentation, surrendering or replacement of Securities shall not apply to the Securities.

- (ii) Condition 1(b) (*Title to Securities*) shall be amended to read:

"(b) *Title to Securities*. Title to the Securities shall pass by registration in the register (the "**Register**") maintained by the VP as registrar (the "**Registrar**") on behalf of the Issuer in accordance with Danish laws, regulations and operating procedures applicable to and/or issued by VP (the "VP Rules"). The Danish Issuing Agent is acting as account holding institute (*Da. kontoførende institut*) in relation to VP. The Issuer shall be entitled to obtain information from the Register in accordance with the VP Rules. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Security 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 any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the Holder.

Settlement of purchase and sale transactions take place on registration against payment basis. Transfer of ownership of the Securities will be made in accordance with the VP Rules.

In these Terms and Conditions, "**Holder**", "**holder of Securities**", "**holder of Warrants**" or "**holder of Certificates**" and related expressions means the person in whose name a Security is registered or the person on whose book-entry securities account the Danish Securities are held (as the case may be) including any person duly authorised to act as a nominee and registered for the Securities."

(b) **Exercise Notices and Certificate Settlement Notice**

Any reference made to an Exercise Notice or a Certificate Settlement Notice shall not apply to the Securities.

(c) **Interest**

In Condition 6 (*Certificates - Interest*), where any Interest Period is expressed to run from (and including) a particular date to (but excluding) another date, for the purposes of the Securities such Interest Period shall instead run from (but excluding) the first date to (and including) the second date.

Payments of interest shall be made in accordance with the VP Rules.

(d) **Verification, Determination and Restrictions**

The last sentence of Condition 9(a) (*Verification*) shall not apply to the Securities.

(e) **Settlement**

- (i) References in Condition 10 to payments to be made to the person who "is for the time being shown in the records of the relevant Clearing System" shall be construed to refer to the holders of Securities registered as such on the third

business day (as defined by the then applicable VP Rules) before the due date for such payment, or such other business day falling closer to the due date as then may be stipulated in said rules and will be made in accordance with said rules. Such day shall be the "**Record Date**" in respect of the Securities in accordance with the VP Rules.

(ii) The following Conditions 10(d)(iii) and 10(d)(iv) shall be added to the Conditions:

"(iii) In respect of each Series of Securities, the Issuer shall at all times maintain a Registrar which shall be a duly authorised central securities depository under the Danish Securities Trading Act (or any successor thereto) and an Issuing Agent in Denmark duly authorised as an account holding institute under Danish Securities Trading Act (or any successor thereto).

(iv) Any settlement shall be in accordance with the VP Rules."

(f) **Repayment Redemption and Repurchase**

The following shall be added to the end of Condition 12 (*Purchases*):

"Any such purchase or acquisition shall be in accordance with the VP Rules".

(g) **Notices**

The following shall be added as a new paragraph to the end of Condition 21 (*Notices*):

"Notices in respect of Danish Securities shall be in writing and shall be addressed to such Holders at their respective address appearing in the Register maintained by the Registrar in accordance with the VP Rules."

(h) **Governing Law, Consent to Jurisdiction**

Notwithstanding Condition 27(a) (*Governing Law*) Danish law and jurisdiction will be applicable with regard to the registration of the Securities in VP.

ANNEX B FINNISH SECURITIES

Amendments to the Terms and Conditions of the Securities in respect of Finnish Securities

The terms and conditions of Finnish Securities shall comprise the Terms and Conditions of the Securities set forth on page 51 above (the "General Conditions") as amended by the additional terms and conditions set forth below (the "Finnish Conditions"), subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Finnish Conditions, the Finnish Conditions shall prevail. In the event of any inconsistency between any of the foregoing and the applicable Final Terms, the applicable Final Terms shall prevail.

(A) General

For the purpose of these Conditions, "**Finnish Securities**" means any Tranche of Securities issued by LBS or LBB and designated as "**Finnish Securities**" in the applicable Final Terms.

The Finnish Securities will be registered in uncertificated and dematerialised book-entry form with the Finnish Central Securities Depository Ltd., Visiting Address, Urho Kekkosen katu 5 C, PO Box 1110, 00101 Helsinki, Finland (the "**APK**"). Finnish Securities registered in APK are negotiable instruments and not subject to any restrictions on free negotiability under Finnish law.

(B) Amendments to the Terms and Conditions in respect of the Finnish Securities

For the purposes of all Finnish Securities, the Terms and Conditions of the Securities shall be amended as set forth in this Annex B. Furthermore, as the Finnish Securities will be in uncertificated and dematerialised book-entry form, the Terms and Conditions of the Securities as so amended shall be deemed to be incorporated by reference in, and to form part of, each deed of covenant executed by the relevant Issuers and dated 8 August 2007 (each, a "**Deed Of Covenant**") by which the Finnish Securities are constituted. No certificates representing the Finnish Securities, whether in global or definitive form, will be issued in any circumstances. All references to Final Terms being attached to any Global Security or Definitive Security Certificate shall not be applicable in the case of Finnish Securities and all references in the Terms and Conditions of the Securities to the "applicable Final Terms" shall, in the case of any Finnish Securities, be deemed to be references to Final Terms deposited by the Issuer with the APK and the Finnish Agent.

All references to the "Securities Agency Agreement" shall include the agreement (as amended, supplemented or replaced from time to time, the "**Finnish Issuing and Paying Agency Agreement**") dated 25 February 2008 entered into in relation to the Finnish Securities between, *inter alia*, LBB, LBS and Nordea Bank Finland Plc, Aleksanterinkatu 36, Helsinki, Finland (the "**Finnish Issuing Agent**").

(a) Type, Title and Transfer

- (i) To Condition 1(a) (Type) shall be added the following wording:

"The Securities are in uncertificated and dematerialised book-entry form in accordance with the Finnish Act on the Book-Entry System (*Fin. laki arvo-osuusjärjestelmästä (826/1991)*) and with the Finnish Act on Book-Entry Accounts (*Fin. laki arvo-osuustileistä (827/1991)*). Securities of one Specified Denomination may not be exchanged for Securities of another Specified Denomination. No physical Securities or certificates will be issued in respect of Securities and the provisions relating to presentation, surrendering or replacement of Securities shall not apply to the Securities."

- (ii) Condition 1(b) (*Title to Securities*) shall be amended to read:

"(b) *Title to Securities*. Title to the Securities shall pass by transfer from a Holder's book-entry securities account to another securities book-entry account within the APK (except where the Finnish Securities are nominee-registered and are transferred from one account to another account with the same nominee). Notwithstanding any secrecy obligation, the Issuer shall be entitled to obtain information (including but not limited to information on Holders) from the register (the "**Register**") maintained by the APK as registrar (the "**Registrar**") on behalf of the Issuer in accordance with Finnish laws, regulations and operating procedures applicable to and/or issued by the APK (the "**APK Rules**"), and the APK shall be entitled to provide such information to the Issuer notwithstanding any secrecy obligation. The Issuer shall be entitled to pass such information to the Finnish Issuing Agent or any other Securities Agent or to authorise any such agent to acquire such information from the APK directly. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Security 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 any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the Holder.

In these Terms and Conditions, "**Holder**" "**holder of Securities**", "**holder of Warrants**" or "**holder of Certificates**" and related expressions means the person in whose name a Security is registered or the person on whose book-entry securities account the Securities are held including a nominee account holder (as the case may be)."

(b) **Exercise Notices and Certificate Settlement Notice**

Where reference is made to an Exercise Notice or a Certificate Settlement Notice, any such notice from the Holder of such Securities will not take effect against the Issuer before the date on which the relevant Securities have been transferred to the account designated by the Finnish Issuing Agent and blocked for further transfer by the Finnish Issuing Agent.

(c) **Verification, Determination and Restrictions**

The last sentence of Condition 9(a) (*Verification*) shall not apply to the Securities.

(d) **Settlement**

References in Condition 10 (*Settlement*) to payments to be made to the person who "is for the time being shown in the records of the relevant Clearing System" shall be construed to refer to the holders of Securities recorded in the relevant Holder's book-entry securities account on the due date in accordance with the APK Rules. Holders will not be entitled to any interest or other compensation for any delay after the due date in receiving the amount due as a result of the due date for payment not being a business day. In Condition 10 (*Settlement*), "**business day**" means a day, other than a Saturday or Sunday on which APK and its relevant system in which the Securities are registered are open for business in accordance with the APK Rules.

In respect of each Series of Securities, the Issuer shall at all times maintain a Registrar which shall be the duly authorised Finnish central securities depository under the

Finnish Act on the Book-Entry System and a Finnish Issuing Agent duly authorised as an account operator (*Fin. tilinhoitajayhteisö*) under the Act on the Book-Entry System.

(e) **Repayment, Redemption and Repurchase**

The following shall be added to the end of Condition 12 (*Purchases*):

"Any such purchase and cancellation shall be in accordance with the APK Rules."

(f) **Notices**

The following shall be added as a new paragraph to the end of Condition 21 (*Notices*):

"Notices in respect of Finnish Securities will be in writing and shall be addressed to such Holders at its address appearing in the Register maintained by the Registrar in accordance with the APK Rules."

(g) **Governing Law, Consent to Jurisdiction**

Notwithstanding Condition 27(a) (*Governing Law*) Finnish law and jurisdiction will be applicable with regard to the registration of the Securities in APK.

ANNEX C NORWEGIAN SECURITIES

Amendments to the Terms and Conditions of the Securities in respect of Norwegian Securities

The terms and conditions of Norwegian Securities shall comprise the Terms and Conditions of the Securities set forth on page 51 above (the "General Conditions") as amended by the additional terms and conditions set forth below (the "Norwegian Conditions"), subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Norwegian Conditions, the Norwegian Conditions shall prevail. In the event of any inconsistency between any of the foregoing and the applicable Final Terms, the applicable Final Terms shall prevail.

(A) General

For the purpose of these Conditions, "**Norwegian Securities**" means any Tranche of Securities issued by LBS or LBB and designated as "**Norwegian Securities**" in the applicable Final Terms.

The Norwegian Securities will be registered in uncertificated and dematerialised electronic book-entry form with a Norwegian Central Securities Depository which will be Verdipapirsentralen ASA ("**VPS**"). Norwegian Securities registered in VPS are negotiable instruments and not subject to any restrictions on free negotiability under Norwegian law.

(B) Amendments to the Terms and Conditions in respect of the Norwegian Securities

For the purposes of all Norwegian Securities, the Terms and Conditions of the Securities shall be amended as set forth in this Annex C. Furthermore, as the Norwegian Securities will be in uncertificated and dematerialised book-entry form, the Terms and Conditions of the Securities as so amended shall be deemed to be incorporated by reference in, and to form part of, each deed of covenant executed by the relevant Issuers and dated 8 August 2007 (each, a "**Deed Of Covenant**") by which the Norwegian Securities are constituted. No certificates representing the Norwegian Securities, whether in global or definitive form, will be issued in any circumstances. All references to Final Terms being attached to any Global Security or Definitive Security Certificate shall not be applicable in the case of Norwegian Securities and all references in the Terms and Conditions of the Securities to the "applicable Final Terms" shall, in the case of any Norwegian Securities, be deemed to be references to Final Terms deposited by the Issuer with the VPS and the Norwegian Issuing Agent.

All references to the "Securities Agency Agreement" shall include (i) the Norwegian Agreement for the Management of a Bond and Commercial Paper Issuer's Account dated 2 August 2007 between LBS and DnB NOR Bank ASA (the "**Norwegian Issuing Agent**") and (ii) the Norwegian Agreement for the Management of a Bond and Commercial Paper Issuer's Account dated 3 August 2007 between LBB and the Norwegian Issuing Agent (each a **Norwegian Agency Agreement**, and together the **Norwegian Agency Agreements**).

(a) Type, Title and Transfer

- (i) To Condition 1(a) (Type) shall be added the following wording:

"The Securities are issued in uncertificated and dematerialised book-entry form in accordance with the Norwegian Securities Register Act (in Norwegian: *lov om registrering av finansielle instrumenter 2002 5. juli nr. 64*). Securities of one Specified Denomination may not be exchanged for Securities of another Specified Denomination. No physical securities or certificates will be issued in respect of the Securities and the provisions in these Terms and Conditions

relating to presentation, surrendering or replacement of such physical securities or certificates shall not apply to the Securities."

- (ii) Condition 1(b) (*Title to Securities*) shall be amended to read:

"(b) *Title to Securities*. Title to the Securities shall pass by registration in the register (the "**VPS Register**") maintained by the Norwegian Issuing Agent on behalf of the Issuer in accordance with Norwegian laws, regulations and operating procedures applicable to and/or issued by VPS for the time being (the "**VPS Rules**"). The Issuer shall be entitled to obtain information from VPS in accordance with the VPS Rules. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Security 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 any notice of ownership, trust or an interest in it and no person shall be liable for so treating the Holder.

One or more Securities may be transferred in accordance with the VPS Rules. In the case of an exercise of any option resulting in Securities of the same holding having different terms, separate Securities registered with the VPS Register shall be issued in respect of those Securities of that holding having the same terms. Such Securities shall only be issued against surrender of the existing Securities in accordance with the VPS Rules. Each new Security to be issued pursuant to the above, shall be available for delivery within three business days of receipt of the request and the surrender of the Securities for exchange. Delivery of the new Security(ies) shall be made to the same VPS account on which the original Securities were registered. In this Condition 1(b) (*Title to Securities*), "**business day**" means a day, other than a Saturday or Sunday on which VPS is open for business.

Exchange and transfer of Securities on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer or the Norwegian Issuing Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Norwegian Issuing Agent may require).

No Holder may require the transfer of a Norwegian Security to be registered during any closed period pursuant to the then applicable VPS Rules.

In these Terms and Conditions, "**Holder**" "**holder of Securities**", "**holder of Warrants**" or "**holder of Certificates**" and related expressions means the person in whose name a Security is registered in the VPS Register and shall also include any person duly authorised to act as a nominee (in Norwegian: forvalter) and registered as a holder of the Norwegian Securities."

(b) **Warrants - Exercise**

Exercise Notice

Condition 5(a) (*Exercise Notice*) shall be deleted and replaced with the following:

"To exercise a Warrant the Holder must register in the relevant VPS account a transfer restriction in favour of the Norwegian Issuing Agent and deliver to the Norwegian Issuing Agent a duly completed exercise notice (an "**Exercise Notice**") in the form obtainable from the Norwegian Issuing Agent which the Issuer will provide to the

Norwegian Issuing Agent on request within the notice period. An Exercise Notice will not take effect against the Issuer before the date on which the relevant Warrants have been transferred to the account designated by the Norwegian Issuing Agent or blocked for further transfer by the Norwegian Issuing Agent. No Warrant so transferred or blocked and notice exercised may be withdrawn (except as provided in the relevant Norwegian Agency Agreement) without the prior consent of the Issuer."

(c) **Certificates - Certificate Settlement Notice**

Certificate Settlement Notice

Condition 8(a) (*Certificate Settlement Notice*) shall be deleted and replaced with the following:

"Save in relation to Cash Settled Certificates in respect of which certification of non-US beneficial ownership as contemplated in Condition 9(g) is not required, in order to obtain payment of the Cash Settlement Amount or delivery of the Physical Settlement Amount in respect of any Certificate the Holder must register in the relevant VPS account a transfer restriction in favour of the Norwegian Issuing Agent and deliver to the Norwegian Issuing Agent a duly completed settlement notice (a "**Certificate Settlement Notice**") in the form obtainable from the Norwegian Issuing Agent which the Issuer will provide to the Norwegian Issuing Agent on request within the notice period. A Certificate Settlement Notice will not take effect against the Issuer before the date on which the relevant Certificates have been transferred to the account designated by the Norwegian Issuing Agent or blocked for further transfer by the Norwegian Issuing Agent. No Certificate so transferred or blocked and notice exercised may be withdrawn (except as provided in the relevant Norwegian Agency Agreement) without the prior consent of the Issuer."

(d) **Settlement**

References in Condition 10 (*Settlement*) to payments to be made to the person who "is for the time being shown in the records of the relevant Clearing System" shall be construed to refer to the holders of Securities registered as such on the fifth business day (as defined by the then applicable VPS Rules) before the due date for such payment, or such other business day falling closer to the due date as then may be stipulated in the VPS Rules and will be made in accordance with said Rules. Such day shall be the "**Record Date**" in respect of the Securities in accordance with the VPS Rules.

(e) **Repayment, Redemption, and Repurchase**

The following shall be added as an additional paragraph to Condition 12 (*Purchases*):

"Any such purchase or acquisition shall be in accordance with the VPS Rules."

(f) **Notices**

The following shall be added as a new paragraph to the end of Condition 21 (*Notices*):

"Notices in respect of Norwegian Securities will be in writing and shall be addressed to such Holders at the address appearing in the Register maintained by the Registrar in accordance with the VPS Rules."

(g) **Further Issues of Securities**

A new paragraph shall be inserted in Condition 23 (*Further Issues*) following the first paragraph and shall read:

"Each Holder shall be deemed to agree and give consent to VPS to provide the Norwegian Issuing Agent, upon request, information registered with VPS relating to the Securities and the Holders in order that the Norwegian Issuing Agent may provide any relevant Norwegian authorities, including the Financial Supervisory Authority of Norway (in Norwegian: *Kredittilsynet*) and the Norwegian tax authorities with any information required under applicable Norwegian laws. Such information shall include, but not be limited to, the identity of the registered holder of the Securities, the residency of the registered holder of the Securities, the number of Securities registered with the relevant Holder, the address of the relevant Holder, the account operator in respect of the relevant VPS account (in Norwegian: *Kontofører*) and whether or not the Securities are registered in the name of a nominee and the identity of any such nominee."

ANNEX D SWEDISH SECURITIES

Amendments to the Terms and Conditions of the Securities in respect of Swedish Securities

The terms and conditions of Swedish Securities shall comprise the Terms and Conditions of the Securities set forth on page 51 above (the "General Conditions") as amended by the additional terms and conditions set forth below (the "Swedish Conditions"), subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Swedish Conditions, the Swedish Conditions shall prevail. In the event of any inconsistency between any of the foregoing and the applicable Final Terms, the applicable Final Terms shall prevail.

(A) General

For the purpose of these Conditions, "Swedish Securities" means any Tranche of Securities issued by LBS or LBB and designated as "Swedish Securities" in the applicable Final Terms.

The Swedish Securities will be registered in uncertificated and dematerialised book-entry form with a Swedish Central Securities Depository which will be VPC AB ("VPC"). Swedish Securities registered in VPC are negotiable instruments and not subject to any restrictions on free negotiability under Swedish law. For so long as it is a requirement of the VPC Rules (as defined below), Swedish Securities may not provide for any form of settlement (including in respect of payment of interest) other than payment in cash.

(B) Amendments to the Terms and Conditions in respect of the Swedish Securities

For the purposes of all Swedish Securities, the Terms and Conditions of the Securities shall be amended as set forth in this Annex D. Furthermore, as the Swedish Securities will be in uncertificated and dematerialised book-entry form, the Terms and Conditions of the Securities as so amended shall be deemed to be incorporated by reference in, and to form part of, each deed of covenant executed by the relevant Issuers and dated 8 August 2007 (each, a "**Deed Of Covenant**") by which the Swedish Securities are constituted. No certificates representing the Swedish Securities, whether in global or definitive form, will be issued in any circumstances. All references to Final Terms being attached to any Global Security or Definitive Security Certificate shall not be applicable in the case of Swedish Securities and all references in the Terms and Conditions of the Securities to the "applicable Final Terms" shall, in the case of any Swedish Securities, be deemed to be references to the Final Terms deposited by the Issuer with the Swedish Issuing Agent.

All references to the "Securities Agency Agreement" shall include the agreement (as amended, supplemented or replaced from time to time, the "**Swedish Agency Agreement**") dated 27 February 2008 entered into in relation to the Swedish Securities between, *inter alia*, LBB, LBS and Swedbank AB (publ), Brunkebergstorg 8, SE-105 34 Stockholm, Sweden (the "**Swedish Issuing Agent**").

(a) Type, Title and Transfer

- (i) To Condition 1(a) (*Type*) shall be added the following wording:

"The Securities are issued in uncertificated and dematerialised book-entry form in accordance with the Swedish Financial Instruments Accounts Act (*Sw. lag (1998:1479) om kontoföring av finansiella instrument*) in each case in the Specified Currency or Currencies and Denomination(s). Securities of one Specified Denomination may not be exchanged for Securities of another Specified Denomination. No physical securities or certificates will be issued in

respect of Securities and the provisions relating to presentation, surrendering or replacement of Securities shall not apply to the Securities."

- (ii) Condition 1(b) (*Title to Securities*) shall be amended to read:

"(b) *Title to Securities*. Title to the Securities shall pass by registration in the register (the "**Register**") maintained by the VPC as registrar ("**Registrar**") on behalf of the Issuer in accordance with Swedish laws, regulations and operating procedures applicable to and/or issued by VPC (the "**VPC Rules**"). The Swedish Issuing Agent is acting as an account operator (*Sw. kontoförande institut*) in relation to the VPC. The Issuer shall be entitled to obtain information from the Register in accordance with the VPC Rules. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Security shall be deemed to be and may be treated as its absolute owner for all purposes and no person shall be liable for so treating the Holder.

In these Terms and Conditions, "**Holder**" "**holder of Securities**", "**holder of Warrants**" or "**holder of Certificates**" and related expressions means the person in whose name a Security is registered or the person on whose book-entry securities account the Swedish Securities are held (as the case may be) including any person duly authorised to act as a nominee (*Sw. förvaltare*) and registered for the Securities."

(b) **Exercise Notices and Certificate Settlement Notice**

Where reference is made to an Exercise Notice or a Certificate Settlement Notice, any such notice from the Holder of such Securities will not take effect against the Issuer before the date on which the relevant Securities have been transferred to the account designated by the Swedish Issuing Agent and blocked for further transfer by the Swedish Issuing Agent.

(c) **Interest**

In Condition 6 (*Certificates - Interest*), where any period is expressed to run from (and including) a particular date to (but excluding) another date, for the purposes of the Securities such period shall instead run from (but excluding) the first date to (and including) the second date.

(d) **Verification, Determination and Restrictions**

The last sentence of Condition 9(a) (*Verification*) shall not apply to the Securities.

(e) **Settlement**

(i) References in Condition 10 to payments to be made to the person who "is for the time being shown in the records of the relevant Clearing System" shall be construed to refer to the holders of Securities registered as such on the fifth business day (as defined by the then applicable VPC Rules) before the due date for such payment, or such other business day falling closer to the due date as then may be stipulated in said rules and will be made in accordance with said rules. Such day shall be the "Record Date" in respect of the Securities in accordance with the VPC Rules.

(ii) In respect of each Series of Securities, the Issuer shall at all times maintain a Registrar which shall be a duly authorised central securities depository under the

Swedish Financial Instruments Accounts Act and an Issuing Agent in Sweden duly authorised as an account operator (*Sw. kontoförande institut*) under the Swedish Financial Instruments Accounts Act.

(f) **Purchases**

The following shall be added to the end of Condition 12 (*Purchases*):

"Any such purchase or acquisition shall be in accordance with the VPC Rules."

(g) **Notices**

The following shall be added as a new paragraph to the end of Condition 21 (*Notices*):

"Notices in respect of Swedish Securities will be in writing and shall be addressed to such Holders at its address appearing in the Register maintained by the Registrar in accordance with the VPC Rules."

(h) **Substitution**

The following shall be added as a new sentence to the end of Condition 24 (*Substitution*):

"For as long as the VPC Rules require, any such substitution shall require the consent of the VPC."

(i) **Governing Law, Consent to Jurisdiction**

Notwithstanding Condition 27(a) (*Governing Law*) Swedish law and jurisdiction will be applicable with regard to the registration of the Securities in the VPC.

USE OF PROCEEDS

Each Issuer intends to use the net proceeds from each issue of Securities for general purposes and for hedging the obligations created by the issuance of the Securities.

LEHMAN BROTHERS SECURITIES N.V.

INCORPORATION AND DURATION

Lehman Brothers Securities N.V. ("**LBS**") was incorporated as a limited liability company (a "naamloze vennootschap" or "N.V.") under the laws of The Netherlands Antilles in Curaçao, The Netherlands Antilles, on 31 October 2003 for an unlimited duration. LBS is registered with the Curaçao Chamber of Commerce and Industry under number 93301. LBS operates under an exemption granted pursuant to the Ordinance on the Supervision of Banking and Credit Institutions 1994 (PB 1994, no.#4). The statutory regulations governing a "naamloze vennootschap" or "N.V." are contained in Book 2, Title 5 of the Civil Code of The Netherlands Antilles.

REGISTERED OFFICE

The registered office of LBS is at E-Commercepark, E-Zone Vredenberg, Hoek Heelsumstraat, Hugenolweg Z/N, Curaçao, The Netherlands Antilles and the telephone number is +5999 461 8415.

PURPOSE AND BUSINESS

According to Article 2 of the Articles of Association, LBS may do all and any of the following: (unofficial translation from the Dutch original):

"1.

- (a) to issue securities including, but not limited to, warrants, certificates and debt instruments linked to the performance of equities, funds, indices, foreign exchange, fixed income, commodities, real estate or other assets;
 - (b) to enter into Over the Counter (OTC) derivatives transactions;
 - (c) to enter into hedging transactions with affiliates and third parties and to invest its resources in securities and other assets;
 - (d) to borrow money or to execute such other funding transaction to conduct its business;
 - (e) to lend money to group companies only and to provide security in any form for the benefit of the corporation as well as for the benefit of affiliates and third parties;
 - (f) to render administrative and management services to other Lehman Brothers group entities and affiliates;
 - (g) to participate in and to manage enterprises and corporations;
 - (h) to acquire, hold and sell real estate.
2. The corporation is authorized to perform everything requisite or profitable to the accomplishment of its purpose or incidental thereto or connected therewith in the widest sense of the word.
3. Furthermore, for the protection of its capital the corporation is entitled to revocably or irrevocably transfer all or part of its assets in trust to one or more trustees or agents by any Anglo American legal system or to effect such transfer on a fiduciary basis in any form, in the sense that such assets are to be held by such trustees or agents who may be natural persons, legal persons or corporations, for the benefit of the corporation, its shareholders and creditors or other persons appointed by the board of managing directors with the assent of the general meeting of shareholders, all the foregoing in conformity with the provisions governing the trust relation or the fiduciary ownership."

The present principal activity of the company includes the issuance of certificates and warrants on equities and other underlyings, the risk management of the foregoing security instruments and the execution of intercompany borrowing and lending transactions.

LBS operates globally and is represented through its affiliates in the major financial centres.

ORGANISATIONAL STRUCTURE AND CORPORATE AFFILIATES

LBS has an issued and paid-in share capital is USD 100,000 (USD one hundred thousand which is divided into one hundred registered shares of one thousand USD each, numbered 1 through 100). The issued share capital is held in full by Lehman Brothers Asia Holdings Limited.

LBS acts in co-ordination with its affiliates from the group of Lehman Brothers to which certain of its operations have been delegated under the terms of service agreements. Pursuant to resolutions of certain members of the Executive Committee of the Board of Directors of the Guarantor on 9 June 2005, the Guarantor fully guarantees the payment of all liabilities, obligations and commitments of LBS. The accounts of LBS are audited by independent external auditors and additional measures are in place to prevent the abuse of LBS by the parent company.

RECENT DEVELOPMENTS

The business description contained herein is accurate at the date of this Offering Circular.

MANAGEMENT OF LEHMAN BROTHERS SECURITIES N.V. AND BOARD PRACTICES

The sole managing director of LBS is Jonathan Knapp. The business address of Jonathan Knapp is Lehman Brothers Securities N.V., E-Commercepark, E-Zone Vredenberg, Hoek Heelsumstraat / Hugenzweg Z/N, Curacao, Netherlands Antilles.

The managing director is supervised by the supervisory board of LBS. The supervisory board of LBS, whose powers and duties are described in the Articles of Association of LBS, consists of the following members: P. Le Marchant, A. Rush, L. Fuller and H. Moos. The business address of the members of the supervisory board is Lehman Brothers International (Europe), c/o Emily Upton, 25 Bank Street, London E14 5LE.

LBS has taken all measures it deems necessary and appropriate to maintain good corporate governance in accordance with generally accepted market standards for the financial industry in The Netherlands Antilles.

There are no known conflicts of interest between any duties of either the managing director of LBS or the Supervisory Board of LBS and their respective private interests or other duties.

SUMMARY FINANCIAL INFORMATION OF LBS

Year-End Financial Information

The following tables set forth financial information of LBS for the periods indicated.

The selected financial information is extracted without material adjustment from the audited financial statements of LBS for the year ended 30 November 2007.

PROFIT AND LOSS ACCOUNT DATA

	Year Ended 30 November 2007	Year Ended 30 November 2006
	<i>(in US \$)</i>	
OPERATING INCOME (LOSS)		
Interest Income	5,262	6,455
Revenues from Affiliated Companies	309,823	190,242
	<u>315,085</u>	<u>196,697</u>
OPERATING EXPENSES		
General and Administration Expenses	(281,657)	(172,947)
NET PROFIT BEFORE TAXATION	<u>33,428</u>	<u>23,750</u>
Taxation on profit on ordinary activities	(11,533)	(8,194)
PROFIT AFTER TAX ON ORDINARY ACTIVITIES	<u>21,895</u>	<u>15,556</u>
PROFIT FOR THE FINANCIAL YEAR	<u><u>21,895</u></u>	<u><u>15,556</u></u>

BALANCE SHEET DATA

	At 30 November 2007	At 30 November 2006
		<i>(in US \$)</i>
ASSETS		
Cash due from Banks on Demand	13,579	2,924
Receivables from Affiliated Companies and Banks	4,798,947,558	2,103,703,389
Option, Warrant and Swap positions	3,581,609,654	1,109,782,535
Other Assets	1,685	-
	<u>8,380,572,476</u>	<u>3,213,488,848</u>
LIABILITIES		
Payables to Affiliated Companies and Banks	(4,795,998,436)	(2,103,549,194)
Option, Warrant and Swap positions (proceeds in 2007 \$3,659,143,727 (2006: \$1,083,059,276))	(3,581,609,654)	(1,109,782,535)
Accrued Expenses and Deferred Income	(2,804,801)	(19,430)
Other Liabilities		-
	<u>159,584</u>	<u>137,689</u>
CURRENT ASSETS LESS CURRENT LIABILITIES		
SHAREHOLDERS EQUITY		
Share Capital		
(500 Shares of \$1,000 each)	500,000	500,000
Unpaid Capital	(400,000)	(400,000)
Retained Earnings		
Carried Forward	37,689	22,133
Profit for the Year	21,895	15,556
	<u>159,584</u>	<u>137,689</u>

CASH FLOW DATA

	Year Ended 30 November 2007	Year Ended 30 November 2006
Cash flow from operating activities		<i>(in US \$)</i>
Profit for the year		15,556
	21,895	
(Increase) decrease in operating assets		
Receivable from affiliated companies	(2,695,244,170)	(2,061,447,661)
Investment in options	(3,349,793,492)	(1,080,885,280)
Proceeds from sale of options	877,966,372	94,062,796
Other assets	(1,685)	-
Net decrease (increase) in operating assets	(5,167,072,974)	(3,048,270,145)
Increase (decrease) in operating liabilities		
Payable to affiliate companies	2,692,449,243	2,061,425,674
Liabilities arising from selling securities short - warrants	3,349,793,492	1,080,885,280
Repurchase of securities sold short – warrants	(877,966,372)	(94,062,796)
Accrued expenses and deferred income	2,785,371	6,510
Other liabilities	-	-
Net (decrease) increase in operating liabilities	2,695,234,614	3,048,254,668
Net cash provided by (used in) operating activities	(2,471,816,465)	(986,822,405)
Cash flow from financing activities		
Proceeds from issuance of shares	-	-
Net increase (decrease) in cash and cash equivalents	10,655	79
Net cash and cash equivalents, beginning of year	2,924	2,845
Net cash and cash equivalents, end of year	13,579	2,924

LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A.

INCORPORATION AND DURATION

Lehman Brothers (Luxembourg) Equity Finance S.A. ("**LBEF**") was incorporated as a public limited liability company (a *société anonyme*, or S.A.) under the laws of the Grand-Duchy of Luxembourg in the City of Luxembourg, Grand Duchy of Luxembourg, on 8 June 2004 for an unlimited duration. LBEF is registered in the Registre de Commerce et des Sociétés of Luxembourg under the number B 101448. A copy of LBEF's constitutional documents was published in the "*Mémorial C, Recueil de Sociétés et Associations* " on 8 July 2004.

REGISTERED OFFICE

The registered office of LBEF is at 1 Allée Scheffer, L-2520, Luxembourg and the telephone number is +352 2414 33-1.

PURPOSE AND BUSINESS

According to Article 3 of the Articles of Association, LBEF may do all and any of the following: (unofficial translation from the French original):

"The objects of the Company are to invest in a portfolio of domestic or foreign securities or similar instruments, including but not limited to shares, warrants and equity securities, bonds, notes, rights or participations in senior or mezzanine loans and in financial derivatives agreements and other debt instruments or securities, trade receivables or other forms of claims, obligations (including but not limited to synthetic securities obligations), to enter into any agreements relating to such portfolio and to grant pledges, guarantees or other security interests of any kind under any law to Luxembourg or foreign entities.

The Company may also:

- (a) raise funds through, including, but not limited to, the issue of bonds, notes, subordinated notes and other debt instruments or debt securities and equity instruments, the use of financial derivatives or otherwise and obtain loans or any other form of credit facility;
- (b) enter into any kind of credit derivative agreements such as, but not limited to, swap agreements;
- (c) grant loans or any financial assistance to companies of the same group;
- (d) grant security for funds raised, including bonds, obligations and notes issued, and for indemnities given by the Company;
- (e) enter into all necessary agreements, including, but not limited to underwriting agreements, marketing agreements, management agreements, advisory agreements, administration agreements and other contracts for services, selling agreements, interest and/or currency exchange agreements and other financial derivative agreements, bank and cash administration agreements, liquidity facility agreements, credit insurance agreements and any agreements creating any kind of security interest.

In addition to the foregoing, the Company can perform all legal, commercial, technical and financial investments or operation and in general, all transactions which are necessary or useful to fulfil its objects as well as all operations connected directly or indirectly to facilitating the accomplishment of its purpose in all areas described above, however without taking advantage of the Act of 31 July 1929, on holding companies."

The present principal activity of LBEF includes the issuance of certificates and warrants on equities and other underlyings, the risk management of the foregoing security instruments and the execution of intercompany borrowing and lending transactions.

LBEF operates globally and is represented through its affiliates in the major financial centres.

ORGANISATIONAL STRUCTURE AND CORPORATE AFFILIATES

The subscribed capital of LBEF is set at fifty thousand American Dollars (USD 50,000), divided into five hundred (500) registered shares with a par value of one hundred American Dollars (USD 100) each, fully paid up (by 100%). The issued share capital is held by Lehman Brothers Holdings Inc. (499 shares) and Lehman Brothers U.K. Holdings (Delaware) Inc. (1 share).

LBEF acts in co-ordination with its affiliates from the group of Lehman brothers to which certain of its operations have been delegated under the terms of service agreements. Pursuant to resolutions of certain members of the Executive Committee of the Board of Directors of the Guarantor on 9 June 2005, the Guarantor fully guarantees the payment of all liabilities, obligations and commitments of LBEF. The accounts of LBEF are audited by independent external auditors and additional measures are in place to prevent the abuse of LBEF by the parent company.

RECENT DEVELOPMENTS

The business description contained herein is accurate at the date of this Offering Circular.

MANAGEMENT OF LEHMAN BROTHERS (LUXEMBOURG) EQUITY FINANCE S.A. AND BOARD PRACTICES

The Directors of LBEF are as follows:

- (a) Mr. Urs Bressan, whose business address is at Talstrasse 82, CH-8021 Zurich (Switzerland);
- (b) Mr. Leonard Murray Fuller, whose business address is at Talstrasse 82, CH-8021 Zurich (Switzerland);
- (c) Mr. Ian Robert Maynard, whose business address is at 25 Bank Street, London E14 5LE (Great Britain);
- (d) Jorge Perez Lozano, whose business address is at 1 Allée Scheffer, L-2520, Luxembourg (Grand Duchy of Luxembourg); and
- (e) TMF Corporate Services S.A., whose business address is at 1 Allée Scheffer, L-2520, Luxembourg (Grand Duchy of Luxembourg).

LBEF has taken all measures it deems necessary and appropriate to maintain good corporate governance in accordance with generally accepted market standards for the financial industry in Luxembourg. Shareholders' and board meetings take place in accordance with the rules set out in the Articles of Association of LBEF and Luxembourg company law.

There are no known conflicts of interest between any duties of the directors LBEF and their respective private interests or other duties.

SUMMARY FINANCIAL INFORMATION OF LBEF

PROFIT AND LOSS ACCOUNT DATA

Year - End Financial Information

The following tables set forth financial information of LBEF for the periods indicated.

The selected financial information is extracted without material adjustment from the audited financial statements of LBEF for the year ended 30 November 2007.

	Year ended 30 November 2007	Year ended 30 November 2006
	<i>(in US \$ thousands)</i>	
Realized result on certificates issued	(1,676,796)]	(745,017)
Realized Result on total return swap	1,652,453	732,715
Unrealized result on certificates issued	(25,988)	(10,022)
Unrealized result on total return swap	25,988	10,022
Interest income	28,056	12,374
NET PROFIT BEFORE TAXATION	<u>142</u>	<u>72</u>
Taxation on profit on ordinary activities	(42)	(21)
PROFIT AFTER TAX ON ORDINARY ACTIVITIES	100	51
PROFIT FOR THE FINANCIAL PERIOD	<u><u>100</u></u>	<u><u>51</u></u>

BALANCE SHEET DATA

	At 30 November 2007	At 30 November 2006
	<i>(in US \$ thousands)</i>	
CURRENT ASSETS		
Due from affiliated undertakings	645,250	116,743
Other debtors	<u>89,870</u>	<u>10,022</u>
	<u><u>735,120</u></u>	<u><u>126,765</u></u>
CREDITORS - Amounts falling due within one year		
Amounts owed to affiliated undertakings	(256,078)	(59,923)
Certificates issued	478,517	(66,650)
Provision for taxation	84	(42)
Other liabilities	<u>0</u>	<u>0</u>
CURRENT ASSETS LESS CURRENT LIABILITIES	<u><u>250</u></u>	<u><u>150</u></u>

CAPITAL AND RESERVES

Subscribed capital	50	50
Legal reserve	5	5
Retained profit brought forward	95	44
Profit for the financial year	100	51
	<u>150</u>	<u>150</u>

CASH FLOW DATA

	Year ended 30 November 2007	Year ended 30 November 2006
	<i>(in US \$ thousands)</i>	
Cash flows from operating activities		
Net Profit for the year	100	51
Adjustments for		
Interest	(28,056)	(12,374)
Increase in receivable from affiliated companies	(528,507)	(104,536)
Increase in liabilities arising with derivative transactions	(79,848)	(10,022)
Increase in amounts owed to affiliated undertakings	196,155	47,836
Net cash used in operating activities	(439,965)	(79,045)
Interest received	28,056	12,374
Increase in provision for tax liabilities	42	21
Net cash used in operating activities		<u>(66,650)</u>
Cash flows from investing activities		
Proceeds from (redemption)/issuance of certificates	411,867	66,650
Net cash used in investing activities	<u>411,867</u>	<u>66,650</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	0	0
Net cash from financing activities	<u>0</u>	<u>0</u>
Net increase in cash and cash equivalents	<u>0</u>	<u>0</u>
Cash and cash equivalents at beginning of period	<u>0</u>	<u>0</u>
Net Cash at end of period	0	0

LEHMAN BROTHERS BANKHAUS AG

General

LBB was incorporated under German law in Frankfurt, Germany on June 3, 1987 as a private Stock Corporation ("Aktiengesellschaft") for an unlimited duration and entered into the Commercial Register of the District Court in Frankfurt am Main under the number 28139 on September 14, 1987. The principal activity of LBB is to act as a commercial bank supporting the working capital and lending requirements of various institutional clients worldwide and European subsidiaries of LBHI. In addition LBB provides financial advisory services to investment banking clients in Germany and Austria. LBB does not have any subsidiaries but also acts through its branch office in London, UK which is registered at Companies House with Branch Number BR003960, and in Milan, Italy. LBB opened an office in Seoul, Korea in June, 2008. LBB had an average of 80 employees during the fiscal year.

The registered office and principal place of business of LBB is at Rathenauplatz 1, 60313 Frankfurt am Main, Germany and the telephone number is + 49-69-15307-0.

The sole shareholder of LBB is LBHI. Since 1987, LBB has operated in accordance with the rules and regulations of German Corporate and Banking laws and been supervised by the Supervisory Board of LBB and controlled by the German banking regulator.

In this fiscal year, all transactions with affiliated companies were executed on an arm's length basis consistent with transactions with third parties. No disadvantages from dealings with affiliated parties have been experienced by LBB.

LBB is a member of the Banking Association Hessen, Registered Association, the Association of Foreign Banks in Germany, Registered Association, and the Audit Association of German Banks, Registered Association. In addition, LBB participates in the Deposit Protection Fund of the Federal Association of German Banks, Registered Association.

LBB's share capital consists of 115,100 ordinary shares with a par value of EUR 512.60 per share, each of which has been allotted, called up and fully paid.

The object of LBB (which can be found at article 2 of its articles of association) is the operation of a business involving bank transactions of every type (with the exception of mortgage banking, savings and loan and investment business).

Directors of LBB

Set forth below are the names and the principal occupations of the current members of the Board of Management of LBB, each of whose business address in their capacity as Director is Rathenauplatz 1, 60313 Frankfurt am Main, Germany. There are no conflicts of interest between any duties of the Board of Management of LBB to LBB and their private duties or other interests.

Name	Principal Occupation with LBB	Principal Outside Activities
Michael Bonacker	Director	
Hans Martin Bury	Director	
Helmut Olivier	Director	Member of the Supervisory Board of D. Logistics AG, Hofheim, Germany.
Dr Patrick Schmitz-Morkanuer	Director	
Christian Spieler	Director	Member of the Supervisory Board of Deutsche Telekom AG, Bonn

SUMMARY FINANCIAL INFORMATION OF LEHMAN BROTHERS BANKHAUS AG

Year-End Financial Information

The following tables set forth selected financial information of LBB for the periods indicated.

The selected financial information is extracted without material adjustment from the audited financial statements of LBB for the year ended November 30, 2007. Financial statements of LBB are consolidated in the consolidated financial statements of LBHI.

BALANCE SHEET DATA

	Year ended November 30, 2007	Year ended November 30, 2006
<i>(in EUR thousands)</i>		
Assets		
Cash reserve	46,416	6,435
Receivables from banks	238,174	110,124
Receivables from customers.....	15,674,155	9,053,395
Shares and other variable-interest securities.....		6,639
Investments	1	1
Trust assets	6,153	49,740
Intangible assets.....	34	74
Property, plant and equipment.....	2,728	2,981
Other assets	189,343	79,729
Prepaid Expenses	68	1,828
Total Assets	16,157,072	9,310,946
Liabilities		
Liabilities to banks.....	3,476,250	1,379,587
Liabilities to customers	10,909,514	6,846,070
Securitized liabilities.....	330,321	148,913
Trust liabilities.....	6,153	49,740
Other liabilities	186,580	82,691
Deferred income	43,864	18,452
Accruals and provisions	51,560	45,485
Subordinated liabilities	331,273	210,338
Equity capital.....	821,557	538,669
Total Liabilities	16,157,072	9,310,946

PROFIT AND LOSS ACCOUNT DATA

	Year ended November 30, 2007	Year ended November 30, 2006
<i>(in EUR thousands)</i>		
Expenses		
Interest expenses.....	(654,815)	(460,988)
Commission expenses.....	(18,550)	(9,716)
Net expenses from financial transactions.....	(7,956)	(7,486)
Administrative expenses.....	(53,362)	(44,255)
Other expenses.....	(2,276)	(9,570)
Taxation.....	(31,918)	(14,887)
Total expenses	(768,877)	(546,902)
Income		
Interest income.....	809,036	554,461
Commission income.....	75,865	37,363
Other operating income.....	5,221	3,432
Total income.....	890,122	595,256
Net Profit for the year	121,245	48,355

CASH FLOW DATA

	Year ended November 30, 2007	Year ended November 30, 2006
	<i>(in EUR thousands)</i>	
Profits for this period (including pro rata profits of minority shareholders) before extraordinary results. Items not affecting payments in profits for this period and transfers to cashflow from current business	121,245	48,355
Depreciation, adjustments and write ups on loans and advances tangible and financial fixed assets.....	626	657
Increase in provisions	42,063	43,229
Reduction in provisions.....	(3,831)	(6,695)
Other income/ expenditure affecting payments	39,565	(3,037)
 Sub-total.....	 199,667	 82,509
 Change in assets and liabilities relating to operating activities		
Loans and advances		
To banks.....	(122,561)	(48,233)
To customers	(6,564,817)	(4,310,061)
 Other assets relating to operating activities.....	 (66,508)	 (23,225)
Liabilities		
To Banks	2,066,660	654,955
To customers	4,021,254	3,405,115
Securitised liabilities.....	180,191	65,168
Other liabilities from current business	28,210	24,016
Interest and dividends received.....	0	0
Interest paid.....	0	0
Extraordinary credits.....	0	0
Extraordinary debits.....	0	0
Tax paid on earnings.....	0	(11,826)
Cashflows from current business.....	(257,904)	(161,582)
 Cash receipt from disposal of		
Financial fixed assets	6,639	4,039
Tangible assets.....	176	0
Debits from investments in.....		
Financial fixed assets		
Tangible assets.....	(509)	(471)
Credits from sales of consolidated companies and other business units.....	0	0
Debits from sales of consolidated companies and other business units.....	0	0
Changes in funds relating to other investing activities (net).....	0	0
Cashflows from investments	6,306	3,568

	Year ended November 30, 2007	Year ended November 30, 2006
	<i>(in EUR thousands)</i>	
Cash receipts from the issue of capital increases, sale of the enterprise's shares etc.....	210,000	110,000
Credits from additions to equity capital	0	0
Dividends to proprietors and minority shareholders		
Dividends paid.....	(48,355)	(25,504)
Other payments.....	0	0
Net changes in funds, capital otherwise	129,934	62,466
Cash flows from financial activity.....	291,579	146,961
Change in financial funds affecting payments.....	39,981	(11,053)
Change in financial funds due to exchange rates, scope of consolidation and valuations	0	0
Financial funds, opening balance.....	6,435	17,488
Financial funds, closing balance.....	<u>46,416</u>	<u>6,435</u>

* Interest received in cash 2007: EUR 730,682 k (2006: EUR 527,784 k)

** Interest paid in cash 2007: EUR 589,400 k (2006: EUR 435,915 k)

DESCRIPTION OF THE GUARANTOR LEHMAN BROTHERS HOLDINGS INC.

Information about LBHI

Lehman Brothers Holdings Inc., a Delaware corporation, was incorporated on December 29, 1983, for an indefinite term, pursuant to the General Corporation Law of the State of Delaware, U.S.A., with registration number 2024634. LBHI and its subsidiaries are collectively referred to as "Lehman Brothers". LBHI's executive offices are located at 745 Seventh Avenue, New York, New York 10019, U.S.A., and its telephone number is +1212 526 7000. The common stock of LBHI is listed on the New York Stock Exchange under the symbol "LEH".

The stated legal purpose of LBHI is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (as set out in article 3 of LBHI's Restated Certificate of Incorporation).

To the best of LBHI's knowledge, it is in material compliance with the applicable corporate governance regimes in the United States of America.

LBHI also acts through its London Branch which is registered at Companies House with Branch Number BR005486.

Business Overview

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

Through its subsidiaries, Lehman Brothers is a global market-maker in all major equity and fixed income products. To facilitate its market-making activities, Lehman Brothers is a member of all principal securities and commodities exchanges in the United States, as well as FINRA (the Financial Industry Regulatory Authority formed in 2007 by the consolidation of NASD, Inc, and the member regulation, enforcement and arbitration functions of the New York Stock Exchange ("NYSE")), and it holds memberships or associate memberships on several principal international securities and commodities exchanges, including the London, Tokyo, Hong Kong, Frankfurt, Paris, Milan, Singapore and Australian stock exchanges.

Through its investment banking, trading, research, structuring and distribution capabilities in equity and fixed income products, Lehman Brothers continues to build on its client-flow business model, which is based on its principal focus of facilitating client transactions in all major global capital markets products and services. Lehman Brothers generates client-flow revenues from institutional, corporate, government and high-net-worth clients; by (i) advising on and structuring transactions specifically suited to meet client needs; (ii) serving as a market maker and/or intermediary in the global marketplace, including having securities and other financial instrument products available to allow clients to adjust their portfolios and risks across different market cycles; (iii) originating loans for distribution to clients in the securitisation or principals market; (iv) providing investment management and advisory services; and (v) acting as an underwriter to clients. As part of its client-flow activities, Lehman Brothers maintains inventory positions of varying amounts across a broad range of financial instruments. In addition, Lehman Brothers also takes proprietary trading and principal investment positions. The financial services industry is significantly influenced by worldwide economic conditions as well as other factors inherent in

the global financial markets. As a result, revenues and earnings may vary from quarter to quarter and from year to year. Lehman Brothers believes its client-flow orientation and the diversity of its business helps to mitigate overall revenue volatility.

Lehman Brothers operates in three business segments: Capital Markets, Investment Banking and Investment Management. Financial information concerning Lehman Brothers for the fiscal years ended November 30, 2007, 2006 and 2005, including the amount of net revenues contributed by each segment in such periods, is set forth in the Consolidated Financial Statements and Notes thereto which are incorporated by reference in this Offering Circular.

Organizational Structure

LBHI is the ultimate parent company of the Lehman Brothers group. Since LBHI is primarily a holding company, its cash flow and consequent ability to satisfy its obligations under the Master Guarantees are dependent upon the earnings of its subsidiaries and the distribution of those earnings or dividends or loans or other payments by those subsidiaries to LBHI. Except for the other Issuers and certain other subsidiaries as issuers of securities (and then solely with respect to the securities issued by them), LBHI's subsidiaries will have no obligation to pay any amount in respect of Securities or to make any funds available therefor. Several of LBHI's principal subsidiaries are subject to various capital adequacy requirements promulgated by the regulatory, banking and exchange authorities of the countries in which they operate and/or to capital targets established by various ratings agencies. The requirements referred to above, and certain covenants contained in various debt agreements, may restrict LBHI's ability to withdraw capital from its subsidiaries by dividends, loans or other payments. Additionally, the ability of LBHI to participate as an equity holder in any distribution of assets of any subsidiary is generally subordinated to the claims of creditors of the subsidiary.

As disclosed in the Information Incorporated by Reference, Lehman Brothers is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business, including actions brought against Lehman Brothers and others with respect to transactions in which Lehman Brothers acted as an underwriter or financial advisor, actions arising out of its activities as a broker or dealer in securities and commodities and actions brought on behalf of various classes of claimants against many securities and commodities firms, including Lehman Brothers. Although there can be no assurance as to the ultimate outcome, Lehman Brothers generally has denied, or believe it has a meritorious defense and will deny, liability in all significant cases pending against it, including the matters described in the Documents Incorporated by Reference, and it intends to defend vigorously each such case. Based on information currently available, Lehman Brothers believes the amount, or range, of reasonably possible losses in connection with the actions against it, including the matters described in the Documents Incorporated by Reference, in excess of established reserves, in the aggregate, not to be material to Lehman Brothers' consolidated financial condition or cash flows. However, losses may be material to Lehman Brothers' operating results for any particular future period, depending on the level of its income for such period.

SUMMARY FINANCIAL INFORMATION OF LEHMAN BROTHERS HOLDINGS INC.

The following table sets forth selected consolidated financial information on LBHI as of the dates and for the periods indicated. The selected consolidated financial information as of and for the twelve month periods ended November 30, 2007 and 2006 and as of and for the three months periods ended May 31, 2008 and May 31, 2007 is extracted without material adjustment from the audited consolidated financial statements of LBHI included in LBHI's Annual Report on Form 10-K for the twelve month period ended November 30, 2007, filed with the SEC and from the unaudited consolidated financial statements of LBHI included in LBHI's Quarterly Reports on Form 10-Q for the quarters ended May 31, 2008.

Consolidated Statement of Income Information

	Three months ended May 31, 2008	Three months ended May 31, 2007	Year ended November 20, 2007	Year ended November 30, 2006
	<i>(in U.S. \$ millions)</i>			
Revenues:				
Principal transactions	(3,442)	\$2,889	9,197	9,802
Investment banking	858	1,150	3,903	3,160
Commissions	639	568	2,471	2,050
Interest and dividends	7,771	10,558	41,693	30,284
Asset management and other	414	414	1,739	1,413
Total revenues	6,240	15,579	59,003	46,709
Interest expense	6,908	10,067	39,746	29,126
Net revenues	(668)	5,512	19,257	17,583
Non-Interest Expenses:				
Compensation and benefits	2,325	2,718	9,494	8,669
Other expenses	1,094	915	3,750	3,009
Total non-interest expenses	3,419	3,633	13,244	11,678
Income before taxes and cumulative effect of accounting change	(4,087)			
		1,879	6,013	5,905
Provision for income taxes	(1,313)	606	1,821	1,945
Cumulative effect of accounting change ...	-	-	-	47
Net Income	(2,774)	1,273	4,192	\$4,007
Net income applicable to common stock...	(2,873)	1,256	4,125	\$3,941
Earnings per common share (diluted):	(5.14)	2.21	7.26	\$6.81

Balance Sheet

	At 30 November 2007	At 30 November 2006	At 31 May 2008
	<i>(in U.S.\$ millions)</i>		
Total assets.....	691,063	503,545	639,432
Net assets ¹	372,959	268,936	327,774
Short-term borrowings and current portion of long-term borrowings.....	28,066	20,638	35,302
Long-term borrowings.....	123,150	81,178	128,182
Total liabilities.....	668,573	484,354	613,156
Total stockholders' equity.....	22,490	19,191	26,276
Total long-term capital ²]145,640	100,369	154,458

Notes:

- Net assets represent total assets excluding: (1) cash and securities segregated and on deposit for regulatory and other purposes, (2) collateralised lending arrangements and (3) identifiable intangible assets and goodwill. LBHI believes net assets is a measure more useful to investors than total assets when comparing companies in the securities industry because it excludes certain assets considered to have a low-risk profile and identifiable intangible assets and goodwill. Net assets as presented are not necessarily comparable to similarly-titled measures provided by other companies in the securities industry because of different methods of calculation.
- Total long-term capital includes long-term borrowings (excluding any borrowings with remaining maturities of less than twelve months) and total stockholders' equity. LBHI believes total capital is useful to investors as a measure of its financial strength.

Consolidated Stockholders' Equity of LBHI

All of the financial information below is extracted without material adjustment from the unaudited consolidated financial statements of LBHI included in LBHI's Quarterly Report on Form 10-Q for the quarter ended 31 May 2008 filed with the SEC. The following table sets forth the consolidated capitalisation of LBHI and its subsidiaries as of 30 November 2007 and 31 May 2008¹:

	<u>At 31 May 2008</u>	<u>At 30 November 2007</u>
	<i>(US\$ millions except share data)</i>	
Stockholders' equity:		
Preferred Stock:	6,993	1,095
Common Stock: \$0.10 par value		
Shares authorised: 1,200,000,000 in 2008 and 2007		
Shares issued: 612,948,910 in 2008 and 612,882,506 in 2007 ²		
Shares outstanding: 552,704,921 in 2008 and 531,887,419 in 2007.....	61	61
Additional paid-in capital.....	11,268	9,733
Accumulated other comprehensive income/(loss), net of tax	(359)	(310)
Retained earnings	16,901	19,698
Other stockholders' equity, net	(3,666)	(2,263)
Common stock in treasury, at cost: 80,712,530 shares in 2007 and 76,464,107 shares in 2006.....	<u>(4,922)</u>	<u>(5,524)</u>
Total common stockholders' equity	<u>19,283</u>	<u>21,395</u>
Total stockholders' equity	<u>26,276</u>	<u>22,490</u>

- On June 12, 2008 LBHI completed the issuance and sale of 143 million shares of its common stock, par value \$0.10 ("Common Stock"). The sale of Common Stock closed at a price of \$28.00 per share, resulting in approximately \$4.0 billion of proceeds for LBHI. On June 12, 2008 LBHI issued 2 million shares (\$2.0 billion aggregate liquidation preference) of 8.75% Non-Cumulative Mandatory Convertible Preferred Stock, Series Q (the "Series Q Convertible Preferred"). Each share of the Series Q Convertible Preferred is convertible at any time at the option of the holder into 30.2663 shares of Common Stock, subject to adjustment. Each share of the Series Q Convertible Preferred will be mandatorily converted on July 1, 2011 into between 30.2663 shares and 35.7142 shares of Common Stock, unless earlier converted at the option of the holder. The conversion rate is subject to adjustment in certain circumstances.
- All shares issued are fully paid and non-assessable.

OFFERING AND SALE

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

SELLING RESTRICTIONS

United States of America

Type 1A US Selling Restriction

If the applicable Final Terms for Securities of any Series indicates that the Type 1A US Selling Restrictions apply, the US Selling Restrictions will be as follows:

Neither the Securities nor the Master Guarantee (as such expression is defined in the Conditions) in respect of the Issuer's obligations in relation to the Securities has been or will be registered under the Securities Act and neither the Securities nor the Master Guarantee may be offered or sold within the United States or to, or for the account or benefit of, US persons except in transactions exempt from the registration requirements of the Securities Act. Each Dealer is required to agree that it will not offer or sell the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Securities are a part, as determined and certified to the relevant Issuer by the relevant Dealer (or, in the case of a Series of Securities sold to or through more than one Dealer, by each of such Dealers as to Securities of such Series purchased by or through it, in which case the relevant Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities in the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Issuer has not registered and will not register as an investment company under the Investment Company Act. The Dealer may arrange for the offer and sale of a portion of the Securities within the United States exclusively to persons that are "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended and the rules thereunder that are also (i) reasonably believed to be by the Dealer QIBs in reliance on the exemption from registration provided by Rule 144A under the Securities Act or (ii) "accredited investors" (as defined in Rule 501 under the Securities Act). Any offers and sales within the United States will be made by the Dealer directly or through its U.S. broker-dealer affiliates.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by a Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is otherwise than in accordance with Rule 144A under the Securities Act or to an "accredited investor" in a private transaction exempt from the registration requirements of the Securities Act.

Type 1B US Selling Restriction

If the applicable Final Terms for Securities of any Series indicates that the Type 1B US Selling Restrictions apply, the US Selling Restrictions will be as follows:

Neither the Securities nor the Master Guarantee (as such expression is defined in the Conditions) in respect of the Issuer's obligations in relation to the Securities has been or will be registered under the Securities Act and neither the Securities nor the Master Guarantee may be offered or sold within the United States or to, or for the account or benefit of, US persons except in transactions exempt from the

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

The Issuer has not registered and will not register as an investment company under the Investment Company Act. The Dealer may arrange for the offer and sale of a portion of the Securities within the United States exclusively to persons that are "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended and the rules thereunder that are also (i) that are reasonably believed by the Dealer to be QIBs in reliance on the exemption from registration provided by Rule 144A under the Securities Act or (ii) "accredited investors" (as defined in Rule 501 under the Securities Act). Any offers and sales within the United States will be made by the Dealer directly or through its U.S. broker-dealer affiliates.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by a Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is otherwise than in accordance with Rule 144A under the Securities Act or to an "accredited investor" in a private transaction exempt from the registration requirements of the Securities Act.

Type 2A US Selling Restriction

If the applicable Final Terms for Securities of any Series indicates that the Type 2A US Selling Restrictions apply, the US Selling Restrictions will be as follows:

Neither the Securities nor the Master Guarantee (as such expression is defined in the Conditions) in respect of the Issuer's obligations in relation to the Securities has been or will be registered under the Securities Act and neither the Securities nor the Master Guarantee may be offered or sold within the United States or to, or for the account or benefit of, US persons except in transactions exempt from the registration requirements of the Securities Act. Each Dealer is required to agree that it will not offer or sell the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Securities are a part, as determined and certified to the relevant Issuer by the relevant Dealer (or, in the case of a sale of a series of Securities sold to or through more than one Dealer, by each of such Dealers as to Securities of such Series purchased by or through it, in which case the relevant Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities in the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Type 2B US Selling Restriction

If the applicable Final Terms for Securities of any Series indicates that the Type 2B US Selling Restrictions apply, the US Selling Restrictions will be as follows:

Neither the Securities nor the Master Guarantee (as such expression is defined in the Conditions) in respect of the Issuer's obligations in relation to the Securities has been or will be registered under the Securities Act and neither the Securities nor the Master Guarantee may be offered or sold within the United States or to, or for the account or benefit of, US persons except in transactions exempt from the registration requirements of the Securities Act. Each Dealer is required to agree that it will not offer or sell the Securities, (i) as part of their distribution at any time or (ii) otherwise until one year after the completion of the distribution of the Series of which such Securities are a part, as determined and certified to the relevant Issuer by the relevant Dealer (or, in the case of a Series of Securities sold to or through more than one Dealer, by each of such Dealers as to Securities of such Series purchased by or through it, in which case the relevant Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities in the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Type 3A US Selling Restrictions

If the applicable Final Terms for Securities of any Series indicates that the Type 3A US Selling Restrictions apply, the US Selling Restrictions will be as follows:

None of the Securities, the Master Guarantee (as such expression is defined in the Conditions) in respect of the Issuer's obligations in relation to the Securities and any securities to be delivered upon exercise or redemption of the Securities have been or will be registered under the Securities Act and none of the Securities, the Master Guarantee and any securities to be delivered upon exercise or redemption of the Securities may be offered or sold within the United States or to, or for the account or benefit of, US persons except in transactions exempt from the registration requirements of the Securities Act. Exercise or redemption of a Security will be conditioned on certification that the holder (or any person on whose behalf the holder is directly or indirectly acting) (A) is neither a US person nor a person exercising the Warrant on behalf of a US person and (B) is not located within the United States. Each Dealer is required to agree that it will not offer or sell the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which the Securities are a part, as determined and certified to the relevant Issuer by the relevant Dealer (or, in the case of a Series of Securities sold to or through more than one Dealer, by each of such Dealers as to Securities of such Series purchased by or through it in which case the relevant Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account of benefit of, US persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities in the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Type 3B US Selling Restrictions

If the applicable Final Terms for Securities of any Series indicates that the Type 3B US Selling Restrictions apply, the US Selling Restrictions will be as follows:

None of the Securities, the Master Guarantee (as such expression is defined in the Conditions) in respect of the Issuer's obligations in relation to the Securities and any securities to be delivered upon exercise or redemption of the Securities has been nor will be registered under the Securities Act and none of the Securities, the Master Guarantee and any securities to be delivered upon exercise or redemption of the Securities may be offered or sold within the United States or to, or for the account or benefit of, US persons except in transactions exempt from the registration requirements of the Securities Act. Exercise or redemption of a Security will be conditioned on certification that the holder (or any person on whose behalf the holder is directly or indirectly acting) (A) is neither a US person nor a person exercising the Warrant on behalf of a US person and (B) located within the United States. Each Dealer is required to agree that it will not offer or sell the Securities, (i) as part of their distribution at any time or (ii) otherwise until one year after the completion of the distribution of the Series of which such Securities are a part as determined and certified to the relevant Issuer by the relevant Dealer (or, in the case of a Series of Securities sold to or through more than one Dealer, by each of such Dealers as to Securities of such Series purchased by or through it in which case the relevant Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities in the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Type 4 US Selling Restrictions

If the applicable Final Terms for Securities of any Series indicates that Type 4 US Selling Restrictions apply, the US Selling Restrictions will be as follows:

None of the Securities, the Master Guarantee (as such expression is defined in the Conditions) in respect of the Issuer's obligations in relation to the Securities and any securities which may be delivered upon exercise or redemption of the Securities have been nor will be registered under the Securities Act. The Securities may not at any time be offered, sold, traded or delivered in the United States or to, or for the account or benefit of, US persons, nor may any US person at any time maintain a position in the Securities. Exercise or redemption of a Security will be conditioned on certification that the holder (or any person on whose behalf the holder is directly or indirectly acting) is not a US person or located within the United States.

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

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

Type 5 US Selling Restrictions

If the applicable Final Terms for Securities of any Series indicates that Type 5 US Selling Restrictions apply, the US Selling Restrictions will be as follows:

None of the Securities, the Master Guarantee (as such expression is defined in the Conditions) in respect of the Issuer's obligations in relation to the Securities and any securities which may be delivered upon exercise or redemption of the Securities have been nor will be registered under the Securities Act. The Securities may not at any time be offered, sold, traded or delivered in the United States or to, or for the account or benefit of, US persons, nor may any US person at any time maintain a position in the Securities. The Securities may only be offered, sold or delivered exclusively to persons that are "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended and the rules thereunder. Exercise or redemption of a Security will be conditioned on certification that the holder (or any person on whose behalf the holder is directly or indirectly acting) is not a US person or located within the United States.

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

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

As used herein, the term "United States" has the meanings given to them by Regulation S under the Securities Act.

Neither the Securities or any interest therein may be sold to any person that is, or that is acting on behalf of, or as a named fiduciary of, an employee benefit plan or other retirement arrangement, including any individual retirement account or annuity, Keogh plan or collective investment fund or separate account in which such plans, accounts or arrangements are invested, that is subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**") or a "government plan" as defined in Section 3(32) of ERISA, a "church plan" as defined in Section 3(33) of ERISA or a non-US plan as described in Section 4(b)(4) of ERISA and which is subject to an Federal, state or other law which is, to a material extent, similar to the foregoing provisions of the ERISA or the Code (collectively, a "**Plan**"), nor (B) purchasing the Securities or any interest therein or with assets of a Plan.

Alternative selling restrictions may apply if so indicated in the applicable Final Terms for Securities of any Series.

Transfer Restrictions

Each purchaser of any Security offered and sold in reliance on Rule 144A will be deemed to have represented and agreed as follows (terms used in this paragraph that are not defined herein will have the meaning given to them in Rule 144A or in Regulation S as the case may be):

- (a) the purchaser (i) is a QIB that is also a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended and the rules thereunder, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring Securities for its own account or for the account of a QIB that is also a "qualified purchaser";

- (b) the purchaser understands that such Security is being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Security has not been and will not be registered under the Securities Act or any other applicable securities law and may not be offered, sold or otherwise transferred unless registered pursuant to or exempt from registration under the Securities Act or any other applicable securities law; and that (i) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Security, such Security may be offered, sold, pledged or otherwise transferred only (A) to a person which the seller reasonably believes is a QIB that is also a "qualified purchaser" in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (C) to a "qualified purchaser" pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and in each of such cases in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, (ii) the purchaser will, and each subsequent holder of the Securities is required to, notify any purchaser of such Security from it of the resale restrictions referred to in (i) above and that (iii) no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of Securities;
- (c) it understands that the Issuer has the right to compel any beneficial owner that is a US person and is not a Qualified Purchaser and a (i) QIB or (ii) an Accredited Investor to sell its interest in the Securities, or may sell such interest on behalf of such owners. In addition, the Issuer has the right to refuse to honour the transfer of an interest in the Securities to a US person who is not a Qualified Purchaser and a (i) QIB or (ii) an Accredited Investor. In addition, it understands that the Issuer and/or the Guarantor may receive a list of participants holding positions in its securities from one or more book-entry depositories; and
- (d) if the Securities are subject to Type 1B or Type 2B US Selling Restrictions, the Purchaser agrees not to engage in hedging transactions with regard to such Securities unless it is in compliance with the Securities Act.

Each Security offered and sold in reliance on Rule 144A will bear a legend to the following effect, in addition to such other legends as may be necessary or appropriate, unless the relevant Issuer determines otherwise in compliance with applicable law:

THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE DEALERS THAT (A) THIS SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER, (2) TO A PERSON WHOM THE SELLER

REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER) IN A TRANSACTION MEETING THE REQUIREMENTS OF SUCH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT OR (4) TO A QUALIFIED PURCHASER PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS SECURITY.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE GUARANTOR, THE WARRANT AGENT OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER THAT IS A US PERSON AND IS NOT A Qualified PURCHASER AND A (i) QIB OR (ii) AN ACCREDITED INVESTOR TO SELL ITS INTEREST IN THE SECURITIES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THE SECURITIES TO A US PERSON WHO IS NOT A QUALIFIED PURCHASER AND A (i) QIB OR (ii) AN ACCREDITED INVESTOR.

[BY ITS ACCEPTANCE HEREOF THE HOLDER OF THIS SECURITY REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE DEALERS THAT IT WILL NOT ENGAGE IN ANY HEDGING TRANSACTIONS WITH REGARD TO SUCH SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.] *[To be included on Securities subject to Type 1B or Type 2B Selling Restrictions]*

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

- (a) the purchaser (i) is, and the person, if any, for whose account it is acquiring such Security is, outside the United States and is not a U.S. person, and (ii) is acquiring the offered Securities in an offshore transaction meeting the requirements of Regulation S;
- (b) the purchaser is aware that the Securities have not been and will not be registered under the Securities Act and that the Securities are being distributed and offered outside the United States in reliance on Regulation S; and
- (c) the purchaser acknowledges that the Issuers, the Dealers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.

Each Security that is offered and sold to an "accredited investor" in reliance on the exemptions set forth in Regulation D under the Securities Act or in a transaction otherwise exempt from registration under the Securities Act will bear an additional legend to the following effect, in addition to such other

legends as may be necessary or appropriate, unless the relevant Issuer determines otherwise in compliance with applicable law:

THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT") AND THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") ACCORDINGLY; THESE SECURITIES 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. FURTHER OFFERS OR SALES OF THESE SECURITIES ARE SUBJECT TO CERTAIN RESTRICTIONS, AS SET FORTH IN A LETTER TO LEHMAN BROTHERS INC. EXECUTED BY OR ON BEHALF OF THE HOLDER HEREOF.

Each purchaser of Securities in reliance on the exemptions set forth in Regulation D under the Securities Act will be required to deliver to the relevant Issuer and the Principal Securities Agent an Investor Representation Letter substantially in the form prescribed in Schedule 8 to the Securities Agency Agreement, a copy of which is attached as Appendix A to this Offering Circular. The Securities sold in reliance on the exemptions set forth in Regulation D under the Securities Act will be subject to the transfer restrictions set forth in the above legend, such letter and in the Securities Agency Agreement. Inquiries concerning transfers of Securities should be made to any Dealer.

Public Offer Selling Restriction Under The Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") no Dealer will make an offer of Securities which are the subject of the offering contemplated by this Offering Circular as completed by the relevant Final Terms (or which are the subject of the offering contemplated by a Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

- (a) if the relevant Final Terms (or the relevant Prospectus, as the case may be) specify that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that (other than in the case of a Prospectus) any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

All applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") must be complied with in respect of anything done in relation to any Securities in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by any person in connection with the issue or sale of any Securities may only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not (or, in the case of Lehman Brothers Bankhaus AG would not, if it was not an authorised person) apply to the relevant Issuer or the Guarantor.

Netherlands Antilles

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

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

The Grand Duchy of Luxembourg

In addition to the cases described in the European Economic Area selling restrictions in which the Dealers can make an offer of Securities to the public in an EEA Member State (including the Grand Duchy of Luxembourg) (**Luxembourg**), the Dealers can also make an offer of Securities to the public in Luxembourg:

(a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;

(b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including credit institutions, investment firms, other authorised or regulated financial institutions,

undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and

- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10th July, 2005 on prospectuses for securities implementing the Directive 2003/71/EC (the **Prospectus Directive**) into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the Prospectus Directive.

General

With the exception of the approval by the CSSF of this Offering Circular as a base prospectus issued in compliance with the Prospectus Directive and the Prospectus Law implementing the Prospectus Directive in Luxembourg, no action has been taken by the relevant Issuer or any Dealer that would permit a public offering of any Securities or possession or distribution of any offering material in relation to any Securities in any jurisdiction where action for that purpose is required. No offers, sales, resales or deliveries of any Securities or distribution of any offering material relating to any Securities may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuers and/or the Guarantor and/or any Dealer.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom it offers or sells Securities a copy of the Offering Circular as then amended or supplemented or (unless delivery of the Offering Circular is required by applicable law) inform each such person that a copy will be made available upon request. No Dealer is authorised to give any information or to make any representation not contained in the Offering Circular in connection with the offer and sale of Securities to which the Offering Circular relates.

With regard to each issue of Securities, additional selling restrictions may be set out in the applicable Final Terms.

TAXATION

1. General

Purchasers of Securities may be required to pay stamp taxes and other taxes and/or charges in connection with the Securities, in addition to the issue (or purchase) price and Strike Price (where relevant) of each Security. Prospective purchasers of Securities should be aware that transactions involving the Securities, including the issue of any Global Security and/or any Definitive Security, any purchase or disposal of or other dealings in a Security, the abandonment of a Security, and any transaction involved in the exercise and settlement or, as the case may be, redemption of a Security, may have tax consequences in any jurisdiction (including, but not limited to, possible liabilities to stamp duties, transfer and registration taxes). Such tax consequences may depend, amongst other things, upon the status of the potential purchaser of a Security. Purchasers of Securities should consult their own tax advisors about the tax implications of purchasing and holding a Security, any transaction involving a Security, and any transaction involved in the exercise and settlement or, as the case may be, redemption of a Security.

2. United States Taxation

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE (THE IRS), WE INFORM YOU THAT ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY TAXPAYER FOR PURPOSES OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following summary describes certain U.S. federal income tax considerations that may be relevant to a U.S. holder (as defined below) who purchases a Security, but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the Internal Revenue Code of 1986 (the Code); existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as in effect and existing on the date of this Offering Circular and all of which are subject to change at any time with retrospective or prospective effect. The rules governing the U.S. federal income taxation of option transactions and other derivative financial instruments are complex and depend on a taxpayer's particular circumstances. Accordingly, this summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor in a Security. In particular, this summary deals only with U.S. holders of a Security who purchase in the initial offering at the applicable issue price and in whose hands the structured note, the stock, debt, commodity or other property or reference basis underlying the Warrant or Certificate would be capital assets for U.S. federal income tax purposes. In addition, this discussion assumes that the Securities that are treated as options for U.S. federal income tax purposes, when issued, are not significantly "in-the-money".

This summary also does not discuss the U.S. federal income tax treatment of a U.S. holder who is a member of a class of holders subject to special rules, such as a dealer in securities, commodities or derivative financial instruments; a trader in securities, commodities or derivative financial instruments that elects to use a mark-to-market method of accounting for securities or commodities holdings; a bank; a life insurance company; a tax-exempt organization; entities that are treated for U.S. federal income tax purposes as partnerships or other pass-through entities; an

investor who purchases a Security with respect to stock in a company that is treated as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes; an investor who purchases a Security and holds any other position (whether long or short, direct or indirect) in any asset underlying such option; an investor who purchases a Security that is part of a hedging transaction or that has been hedged against currency risk; an investor who purchases a Security that is part of a straddle or conversion transaction for U.S. federal income tax purposes; and an investor whose functional currency for U.S. federal income tax purposes is not the U.S. dollar.

As a consequence of the foregoing, it should be particularly noted that this summary does not address the special tax considerations that apply to an investment in a combination of Securities with respect to the same underlying assets. Further, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of a Security.

Any of the foregoing circumstances might substantially alter the tax consequences described below, and, in some instances, may require specific identification of positions in the relevant Security before the close of the day on which they are acquired. For example, if the straddle rules were to apply, a U.S. holder of a Security might be required to (i) recognize all or a portion of any gain on such Security that would otherwise be long-term or short-term capital gain, as ordinary income or, if applicable, short-term capital gain, (ii) defer all, or a portion, of any loss realized upon the sale, exchange, exercise, cancellation or lapse of such Security and (iii) capitalize any interest or carrying charges incurred by such U.S. holder with respect to such Security.

This summary does not address the material U.S. federal income tax consequences of every type of Security which may be issued under the Program. Additional U.S. federal income tax consequences, if any, applicable to a particular Security will be set forth in the applicable Final Terms.

The rules governing the taxation of option transactions and derivative financial instruments are complex and depend on a taxpayer’s particular circumstances. U.S. holders are strongly urged to consult their tax advisors concerning the U.S. federal, state, local, foreign and other national tax consequences of the ownership and disposition of Securities in their particular circumstances. U.S. holders should also consult their tax advisors as to the possibility of changes of law affecting taxation of derivative financial instruments with contingent payments, including prepaid financial contracts. Prospective investors should consult their tax advisors regarding the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of the Securities in light of such investor’s own circumstances, including such investor’s status as a U.S. holder or non-U.S. holder (as defined below), as well as any other estate, gift, or other tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

For purposes of this discussion, a “**U.S. holder**” means a beneficial owner of a Security that is for U.S. federal income tax purposes:

- (i) a citizen or individual resident of the United States,
- (ii) a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any State thereof or the District of Columbia;
- (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source;

- (iv) a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (y) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person;
- (v) otherwise subject to U.S. federal income taxation on a net income basis in respect of the Security.

A “non-U.S. holder” is a beneficial owner of a Security that is a nonresident alien individual or a foreign corporation. If a partnership holds a Security, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners of partnerships holding a Security should consult their tax advisors regarding the U.S. federal income tax consequences of acquiring, owning, exchanging and disposing of the Securities.

The Issuer generally does not intend to treat the Securities issued under the Programme as debt for US federal income tax purposes, unless otherwise indicated in the applicable Final Terms. The tax treatment of Securities to which a treatment as debt may apply will be discussed in the applicable Final Terms. The Final Terms for an issue of Securities may specify with respect to the issue of Securities to which it relates (and where relevant) the potential U.S. federal income tax consequences of the purchase, ownership, disposition of the Securities.

Holders may be subject to a variety of U.S. tax consequences depending on the subject and the terms of the Securities. Holders should consult their own advisors about the tax consequences of purchasing Securities, particularly whether the Securities being acquired could be treated for U.S. tax purposes as debt instruments or as another type of financial instrument.

Classification of the Securities

Depending on the terms of a Security, such Security could be treated as one or more of the following: (i) a prepaid financial contract (which, depending on the terms, may be subject to embedded options), (ii) a combination of a loan and a prepaid financial contract, (iii) an outright or constructive ownership interest in the property underlying such Security, or (iv) a debt instrument with or without contingent payments. Additional U.S. federal income tax consequences applicable to a particular issuance of Securities will be set forth in the applicable Final Terms.

No ruling is being requested from the IRS with respect to the Securities, and the treatment of the Securities described below is not binding on the IRS or the courts. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Securities are uncertain.

U.S. Holders

Options or Warrants

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Securities, treated as options or warrants for US federal tax purposes

Premium

Premium paid by a U.S. holder for a Security will generally be treated as a nondeductible capital expenditure. As described in the following two sections, the amount of such premium will be taken into account upon the exercise, sale, transfer, cash settlement, or lapse of the Security.

Sale, Transfer, Cash Settlement, or Lapse of Securities

A U.S. holder who has purchased a Security will generally recognize capital gain or loss upon the sale, transfer, cash settlement or lapse of the Security in an amount equal to the difference between (i) the amount realized by the investor from such sale, transfer, settlement, or lapse and (ii) the amount of the premium that the investor paid for the Security. Such capital gain or loss will be long-term capital gain or loss if the Security was held for more than one year. Certain exceptions to such treatment are noted below and, if appropriate, may be addressed in the applicable Final Terms.

Mark-to-Market Rules

Under Section 1256 of the Code, special mark-to-market and character rules apply in the case of certain “nonequity” options and foreign currency contracts. Unless the Security (other than Security denominated in the currency other than the U.S. dollar) are listed on a “qualified board or exchange” for purposes of Section 1256, however, these mark-to-market rules will not be applicable to U.S. holders of the Securities. Where relevant, the application of the Section 1256 rules to Securities denominated in the currency other than the U.S. dollar will be discussed in the applicable Final Terms.

Other Treatments

Tax Treatment of Prepaid Financial Contracts (With or Without a Loan)

If any Securities are treated as prepaid financial contracts (with or without a loan) for U.S. federal income tax purposes, the following description should apply to such Securities.

Coupon Payments

Coupon Payments (if any) will be taxable to a U.S. holder as ordinary income at the time that such payments are accrued or are received (in accordance with the U.S. holder’s method of tax accounting).

Cash Settlement, Sale, or Other Disposition of the Securities

If the Securities are treated as prepaid f contracts, upon the receipt of cash upon settlement of a Security or upon the sale or other disposition of such Security, a U.S. holder will recognize taxable gain or loss, equal to the difference between the amount realized (generally, the amount of cash received) and such U.S. holder’s tax basis in the Security. In general, a U.S. holder’s tax basis in a Security will equal the amount that such U.S. holder paid to acquire the Security. Subject to the discussion below under “Constructive Ownership,” any such gain or loss generally will be long-term capital gain or loss if the Securities were held for more than one year at the time of settlement or at the time of sale or other disposition.

Constructive Ownership

Some or all of the net long-term capital gain arising from certain “constructive ownership” transactions may be characterized as ordinary income, in which case an interest charge would be imposed on any such ordinary income. These rules have no immediate application to forward contracts in respect of most property underlying the Securities, because they are only applicable to the extent that the underlying property directly or indirectly includes shares of issuers treated as PFICs or as certain other “pass-through” entities. These rules, however, grant discretionary authority to the U.S. Treasury Department (the “Treasury”) to expand the scope of “constructive ownership” transactions to include forward contracts in respect of the stock of all corporations, in addition to forward contracts in respect of any debt instrument. The rules also separately direct the Treasury to promulgate regulations excluding a forward contract that does not convey

“substantially all” of the economic return on any underlying asset from the scope of “constructive ownership” transactions. It is not possible to predict whether such regulations will be promulgated by the Treasury, or the form or effective date that any regulations that may be promulgated might take.

Interest in the Underlying Property

Depending on the terms of particular Securities, a U.S. holder could be treated as owning the property underlying those Securities for U.S. federal income tax purposes. In that event, for example, in the case of Index Securities, the U.S. holder would be required to recognize appropriate amounts of capital gain on the disposition of any shares included in the underlying Index each time that the Index is rebalanced. In such a case, such U.S. holder also would be subject to tax on dividends on shares included in the Index in an amount equal to the gross dividends paid by companies whose shares are included in the Index. In addition, any current expenses (including any withholding taxes) in respect of shares included in the Index would be treated as if made directly by the U.S. holder, and the deductibility of such expenses (or creditability of such withholding taxes) could be subject to certain limitations.

Contingent Payment Debt Instruments

If any Securities are treated as contingent payment debt instruments, the tax consequences to a U.S. holder would be determined under U.S. Treasury Regulations governing contingent payment debt instruments (the “Contingent Payment Regulations”). The Contingent Payment Regulations are complex, but very generally apply the original issue discount rules of the Code to a contingent payment debt instrument by requiring that the original issue discount be accrued every year at a “comparable yield” for the issuer of the instrument, determined at the time of issuance of the obligation. In addition, the Contingent Payment Regulations require that a projected payment schedule, which results in such a “comparable yield” be determined by the issuer, and that adjustments to income accruals be made to account for differences between actual payments and projected amounts. To the extent that the comparable yield as so determined exceeds the projected payments on a contingent debt instrument in any taxable year, the owner of that instrument will recognize ordinary interest income for that taxable year in excess of the cash the owner receives and such excess would increase the U.S. holder’s tax basis in the debt instrument. In addition, any gain realized on the sale, exchange or redemption of a contingent payment debt instrument will be treated as ordinary income. Any loss realized on such sale, exchange or redemption will be treated as an ordinary loss to the extent that the U.S. holder’s original issue discount inclusions with respect to the obligation exceed prior reversals of such inclusions required by the adjustment mechanism described above. Any loss realized in excess of such amount generally will be treated as a capital loss.

Loan and One or More Options

If any Securities are treated as a combination of a loan (or deposit) and one or more options, in general, coupon payments (if any) will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder’s method of tax accounting), while payments in respect of the options would be taxable in a manner similar to the taxation of corresponding payments under Securities treated as options.

Possible Alternative Tax Treatment

If a Security is treated as a unit consisting of a loan and a forward contract, a U.S. holder could be required to accrue a significant amount of original issue discount on a current basis during the period in which it holds the Security. Alternatively, it is possible that the Securities could be characterized for U.S. federal income tax purposes as debt instruments that are subject to the

Contingent Payment Regulations, in which case, among other matters, a U.S. holder would be required to accrue income, as original issue discount, at a “comparable yield” for the Issuer, on the purchase price. Furthermore, any gain realized with respect to the Securities would generally be treated as ordinary income.

It is also possible that future regulations or other IRS guidance would require a U.S. holder to accrue income on the Securities on a current basis. The IRS and the Treasury recently issued proposed regulations that require the current accrual of income with respect to contingent non-periodic payments made under certain notional principal contracts. The preamble to the regulations states that the “wait and see” method of tax accounting does not properly reflect the economic accrual of income on such contracts, and requires a current accrual of income with respect to some contracts already in existence at the time the proposed regulations were released. While the proposed regulations do not apply to prepaid financial contracts, the preamble to the proposed regulations expresses the view that similar timing issues exist in the case of prepaid financial contracts. If the IRS published future guidance requiring current accrual of income with respect to contingent payments on prepaid financial contracts, it is possible that a U.S. holder could be required to accrue income over the term of the Securities.

Securities Denominated in the Specified Currency Other Than the U.S. Dollar

In general, except to the extent that the mark-to-market and character rules under Section 1256 apply (see “— Options or Warrants — Mark-to-Market Rules” above), any gain or loss realized in respect of a Warrant or Security denominated in the Specified Currency other than the U.S. dollar will be ordinary income or loss. Any such gain or loss generally must be recognized upon a sale, exchange, termination, rollover, settlement or exercise of such Warrant or Security, as well as upon an offset of one contract against another in certain circumstances. In general, if a Warrant or Security denominated in the Specified Currency other than the U.S. dollar is subject to Section 1256, a U.S. holder will be required to include mark-to-market gain or loss in respect of such Warrant or Security at the end of each year (or upon transfer, termination, exercise, lapse or other disposition), with 40% of such gain or loss being short-term and 60% of such gain or loss being long-term.

If appropriate, additional U.S. federal income tax consequences applicable to Securities denominated in the Specified Currency other than the U.S. dollar will be set forth in the applicable Final Terms.

Foreign Currency Rules

Payments of premium, exercise price, sale proceeds, and cash settlement amounts in respect of Securities that are denominated in a currency other than the U.S. dollar will be subject to special U.S. tax rules regarding foreign currency transactions. U.S. holders should consult their tax advisors concerning the application of these rules in their particular circumstances.

Recent Developments – Revenue Ruling 2008-2

On December 7, 2007, the IRS released a notice that may affect the taxation of holders of the Securities. According to the notice, the IRS and the Treasury are actively considering whether the U.S. holder of an instrument such as the Securities should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, U.S. holders of the Securities will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the Treasury are also considering other relevant issues, including whether additional gain or loss from such Securities should be treated as ordinary or capital, whether non-U.S. holders of such Securities should be

subject to withholding tax on any deemed income accruals, and whether the special “constructive ownership rules” of Section 1260 of the Code might be applied to such Securities. U.S. holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations. The Issuer intends to continue treating the Securities for U.S. federal income tax purposes in accordance with the treatment described in this Offering Circular unless and until such time as the Treasury and IRS determine that some alternative treatment is more appropriate.

Non-U.S. Holders

Except as noted in the applicable Final Terms, the following summary describes the tax consequences to non-U.S. holders of investing in Securities.

A non-U.S. holder will generally not be subject to U.S. federal income tax, including withholding tax, on payments on a Security, or on proceeds from the sale or other disposition of a Security, provided that for purposes of U.S. federal income tax law the payments or proceeds are not effectively connected with the conduct of a trade or business within the United States by the holder; or in the case of any gain realised by an individual non-U.S. holder, the holder is not present in the United States for 183 days or more in the taxable year of the sale or exchange of a Security and certain other conditions are met.

Securities Linked to Commodity Prices, Single Securities, Baskets of Securities or Indices and Credit-Linked Securities

The U.S. federal income tax consequences to a non-U.S. Holder of the ownership and disposition of Securities that have principal or interest determined by reference to commodity prices, securities of entities not affiliated with the Issuer, baskets of securities or indices or to the credit of entities not affiliated with the Issuer may vary depending upon the exact terms of the Securities and related factors. Securities containing any of those features may be subject to rules that differ from the general rules discussed above, including possible U.S. federal withholding tax. Non-U.S. Holders intending to purchase such Securities should refer to the discussion relating to taxation in the applicable Final Terms for disclosure concerning the applicability of the rules.

Information Reporting and Backup Withholding

The Principal Securities Agent will be required to file information returns with the IRS with respect to payments made to certain U.S. holders of Securities. In addition, certain U.S. holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the Paying Agent. In general, U.S. information reporting and backup withholding will not apply to payments on Securities held by a non-U.S. holder and received outside the United States through a non-U.S. bank or other non-U.S. financial institution. Proceeds on sales and payments on Securities received within the United States or through certain U.S.-related financial institutions may be subject to information reporting and backup withholding unless the non-U.S. holder complies with applicable certification procedures to establish that it is not a U.S. person. Persons holding Securities who are not U.S. holders may be required to comply with applicable certification procedures to establish that they are non-U.S. holders in order to avoid the application of such information reporting requirements and backup withholding tax.

Non-U.S. holders should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom and the procedure for obtaining the exemption, if available. Backup withholding is not an additional tax. Any amounts withheld from a payment to a non-U.S. holder under the backup withholding rules will be allowed as a credit against the holder’s United States federal income tax

liability and may entitle the holder to a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing all required information.

3. **Netherlands Antilles Taxation**

3.1 **Netherlands Antilles registration tax/stamp duty**

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

3.2 **Other Netherlands Antilles taxes**

Under the existing laws of The Netherlands Antilles all payments in respect of the Securities can be made clear and free of withholding of, for or on account of withholding taxes imposed, levied, withheld or assessed by The Netherlands Antilles or any political subdivision or taxing authority thereof or therein. Prospective investors are recommended to consult their personal tax advisors as to the possible other tax consequences of the purchase, ownership, sale or exchange of the Securities (please refer however to the section titled "*EU Savings Tax Directive*" below).

3.3 **EU Savings Tax Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, as of 1 July 2005, a Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident, or certain limited types of entity established, in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland and the Netherlands Antilles have adopted similar measures (a withholding system in the case of Switzerland and the Netherlands Antilles) with effect from the same date.

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

In this respect the Netherlands Antilles have chosen for the implementation of a withholding tax instead of the obligation to exchange information on the deposits of residents of European Union Member States. Pursuant to the Ordinance, LBS has the obligation to withhold 15% withholding tax on interest paid to the individuals, beneficial owners, that are residents of a European Union Member State. As of 1 July 2008 the percentage will amount to 20% and as of 1 July 2011 the

withholding tax will amount to 35%. No withholding tax will be withheld, if the EU resident/beneficial owner files a written request with the payer of the interest not to withhold any tax on the interest payment. The request implies that the holder authorizes the payer of the interest to supply information in the sense of the EC Council Directive 2003/48/EC to the Netherlands Antilles tax authorities with regard to the interest payment. If such a request is made, the Netherlands Antilles tax authorities will exchange information with the tax authorities of the resident state of the beneficial owner and no withholding shall be executed by the payer of the interest.

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

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Securities should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) Non-resident holders of Securities

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Securities, nor on accrued but unpaid interest in respect of the Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Securities held by non-resident holders of Securities.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it has been levied at a rate of 15% during the three year period starting 1 July 2005, it is currently levied at a rate of 20% and it will be levied at a rate of 35% as of 1 July 2011. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Coupon Payments under the Securities coming within the scope of the Laws would at present be subject to withholding tax of 20%.

(ii) Resident holders of Securities

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Securities, nor on accrued but unpaid interest

in respect of Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Securities held by Luxembourg resident holders of Securities.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Securities coming within the scope of the Law would be subject to withholding tax of 10%.

5. **German Taxation**

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Securities. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase Securities, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this Offering Circular, which are subject to change, possibly with retroactive or retrospective effect.

As each Series or tranche of Securities, respectively, may be subject to a different tax treatment due to the specific terms of such Series or tranche of Securities, respectively, as set out in the respective Final Terms, the following section only provides some very general information on the possible tax treatment.

Prospective purchasers of Securities are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Securities, including the effect of any state, local or church taxes, under the tax laws of Germany and each country of which they are residents.

5.1 **Tax Residents**

Until 31 December 2008

Payments of interest on the Securities, including interest having accrued up to the disposition of Securities and credited separately ("Accrued Interest"; Stückzinsen), if any, to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge (Solidaritätszuschlag) at a rate of 5.5 % thereon). Such interest may also be subject to trade tax if the Securities form part of the property of a German trade or business. Accrued Interest paid upon the acquisition of Securities may give rise to negative income if the Securities are held as a non-business asset. In addition church tax may apply as a surcharge on the personal income tax.

Upon the disposition, assignment or redemption of Securities a holder holding the Securities as non-business asset will have to include in his taxable income further amounts if the Securities can be classified as a financial innovation ("Financial Innovation", Finanzinnovation) under German tax law. In this case, generally the pro-rata initial yield to maturity (besitzzeitanteilige Emissionsrendite) as determined as of the time of issue minus interest, including Accrued Interest already taken into account, is taxed as interest income. If the Securities do not have an initial yield to maturity or if the holder of the Securities fails to provide evidence of an existing (pro-rata) initial yield to maturity and the tax authorities do not identify an initial (pro-rata) yield to maturity, the difference between the proceeds from the disposal, assignment or redemption and

the issue or purchase price (Marktrendite) is treated as interest income and is subject to income tax (plus solidarity surcharge and church tax thereon, if any) in the year in which the Securities are disposed of, assigned or redeemed. If the Securities are issued in a currency other than Euro, such difference will be computed in the foreign currency and will then be converted to Euro. However, according to decisions of the German Federal Tax Court, with respect to certain Financial Innovations that do not have an initial yield to maturity but for which a clear distinction between the investment income and gains or losses from the change in the value of the capital invested can be drawn, only the investment income should be taxable while the gains or losses should be taxable as capital gains as described in the fourth paragraph below. Further, according to recent case law, certain asset-linked certificates the repayment of which is only partially guaranteed should only constitute positive or negative interest income upon disposal, assignment or redemption to the extent that the gain or loss relates to the portion of the capital invested the repayment of which is guaranteed. To the extent a Security qualifies as a Financial Innovation, upon the exchange of Securities for the underlying securities or other assets upon redemption generally the positive difference between the fair market value of the securities or other assets received at the time of exchange (plus a cash amount paid, if any) and the issue or purchase price of the Securities constitutes interest income subject to tax as described above.

Where Securities form part of the property of a German trade or business, each year the part of the difference between the issue or purchase price of the Securities and its redemption amount (if such amount is fixed at the time of the acquisition) attributable to such year as well as interest accrued must be taken into account as interest income and may also be subject to trade tax.

Capital gains from the disposal, assignment or redemption of Securities, other than income described in the second paragraph above, are only taxable to a German tax-resident individual if the Securities are disposed of within one year after their acquisition or form part of the property of a German trade or business, in which case the capital gains may also be subject to trade tax. All capital gains and all losses derived from such dispositions are netted for each calendar year and are taxable if the threshold stated by law is exceeded. Subject to certain requirements and thresholds a loss can be carried back to the previous year or if this is not possible or desired the loss can be carried forward and – subject to further requirements – set off against future capital gains but not against other income. Capital gains derived by German-resident corporate holders of Securities will be – regardless of any holding period - subject to corporate income tax (plus solidarity surcharge at a rate of 5.5 % thereon) and trade tax and losses from the redemption or sale of the Securities might be deductible from the taxable income under certain circumstances.

If Securities are held in a custodial account that the holder of Securities maintains with a German branch of a German or non-German bank or financial services institution (the "Disbursing Agent") a 30 % withholding tax on interest payments (Zinsabschlag), plus 5.5 % solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65 % of the gross interest payment. Withholding tax on interest is also imposed on Accrued Interest.

In addition, to the extent Securities are treated as Financial Innovations for German withholding tax purposes and are kept in a custodial account that the holder of Securities maintains with a Disbursing Agent such custodian will generally withhold tax at a rate of 30 % (plus solidarity surcharge at a rate of 5.5 % thereon) from the positive difference between the redemption amount or proceeds from the disposition or assignment and the issue or purchase price of the Securities if the Securities have been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. Where Securities are issued in a currency other than Euro the difference will be computed in the foreign currency and will then be converted into Euro. If the Securities have not been kept in a custodial account with a Disbursing Agent since the time of issuance or acquisition, withholding tax of 30 % (plus solidarity surcharge at a rate of 5.5 %

thereon) is applied to 30 % of the amounts paid in partial or final redemption or the proceeds from the disposition or assignment of the Securities, respectively.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest previously paid by the holder of a Security to the Disbursing Agent during the same calendar year. If, in case of physical delivery, no cash payment is made up on redemption, the Disbursing Agent will request that the holder of Securities pays the withholding tax to it. If the holder of the Securities does not pay the amount to be withheld to the Disbursing Agent the latter must notify the tax authorities of such failure which will then collect the tax from the holder.

If Securities are not kept in a custodial account with a Disbursing Agent, withholding tax will apply at a rate of 35 per cent. of the gross amount of interest paid by a Disbursing Agent upon presentation of a coupon (whether or not presented with the respective Securities to which it appertains) to a holder of such coupon (other than a non-German bank or financial services institution) (Tafelgeschäft). In this case proceeds from the disposition, assignment or redemption of a coupon and if the Securities qualify as Financial Innovations 30 per cent. of the proceeds from the disposition, assignment or redemption of a Security, will also be subject to withholding tax at a rate of 35 per cent. Where the 35 per cent. withholding tax applies Accrued Interest paid cannot be taken into account in determining the withholding tax base. Again a solidarity surcharge at a rate of 5.5 per cent. of the withholding tax applies so that the total tax burden to be withheld is 36.925 per cent.

Withholding tax and the solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts over withheld will entitle the holder of Securities to a refund, based on an assessment to tax.

If the Securities qualify as futures transaction (Termingeschäft) within the meaning of sec. 2 para. 2 German Securities Trading Act (Wertpapierhandelsgesetz) or sec. 1 para. 11 sent. 4 German Banking Act (Gesetz über das Kreditwesen) in particular if the value of the conditioned or unconditioned financial instrument or a combination of conditioned or unconditioned financial instruments depends directly or indirectly on

- the stock exchange or market price of securities,
- the stock exchange or market price of money market instruments,
- the quotation of currencies or other units of account,
- interest rates or other proceeds, or
- the stock exchange or market price of commodities or precious metal,

in addition, the following rules must be considered:

Capital gains from the redemption or exercise of the Securities are taxable to a German-resident individual (i) if the Securities are settled by a cash payment provided that the time period between the acquisition of the Securities and cash settlement is not longer than one year or (ii) if, in case of physical delivery, the delivered securities are disposed of within one year after the right for physical delivery has been terminated. If the Securities expire worthless the acquisition cost of the Securities will not be considered as tax deductible according to a decree issued by the Federal Ministry of Finance.

If the Securities form part of the property of a trade or business losses resulting from future transactions might only be offset against capital gains resulting from futures transactions in the current or preceding business year (with certain restrictions). If this is not possible or desired the loss can be carried forward and – subject to further requirements – set off against future capital gains from such futures transactions but not against other income. This generally does not apply to futures transactions hedging the investor's ordinary business. Further special rules apply to credit institutions, financial service institutions and financial institutions within the meaning of the German Banking Act.

From 1 January 2009

From 2009, withholding tax on interest payments, Accrued Interest and capital gains from the disposal, redemption, repayment or assignment of Securities (if the Securities were either acquired after 31 December 2008 or are classified as Financial Innovations) will be levied at a rate of 25 % (plus solidarity surcharge at a rate of 5.5 % thereon, the total withholding being 26.375 %), provided that the Securities have been held in a custodial account with the same Disbursing Agent (which term shall also include from 2009 a German securities trading company or securities trading bank) since the time of their acquisition. If the German holder of the Securities is subject to church tax, upon application a church tax surcharge will also be withheld.

This treatment also applies to Securities held as non-business asset that qualify as futures transactions as outlined above if (i) the Securities are acquired after 31 December 2008 and are settled by a cash payment or (ii) in case of physical delivery, if the delivered securities are delivered upon settlement as of 1 January 2009 and are disposed of thereafter. Otherwise, the German tax regime described above for disposals prior to 1 January 2009 will continue to apply. At present, it is however unclear whether losses from Securities qualifying as futures transactions that expire worthless are deductible if acquired after 31 December 2008. The German tax authorities obviously want to uphold their opinion stated above that in case of an worthless expiration the acquisition costs are not tax deductible.

From 1 January 2009 ongoing payments on Securities for which neither a repayment of the principal nor a consideration for the use of capital has been (expressly or de facto) promised or granted (Fully Asset Linked Certificates, Vollrisikozertifikate) will also be taxable investment income and if kept with a Disbursing Agent also subject to German withholding tax at a rate of 25 % (plus the 5.5 % solidarity surcharge thereon and, upon application, church tax).

If the Fully Asset Linked Certificates are acquired prior to 1 January 2009 and disposed of after 31 December 2008 but prior to 1 July 2009, the German tax regime described above for disposals prior to 1 January 2009 will continue to apply so that no German tax will be withheld from gains from the disposal, assignment or settlement of the Fully Asset Linked Certificates. The same should apply if the Fully Asset Linked Certificates were acquired before 1 January 2009 and are disposed of after 30 June 2009 and have been held for not more than one year.

Otherwise, German withholding tax of 25 % (plus the 5.5 % solidarity surcharge thereon and, upon application, church tax) will apply to the gain from the disposal of Fully Asset Linked Certificates taxable as investment income regardless of the holding period provided that the Securities are held in a custodial account by the same Disbursing Agent.

To the extent Securities (including Fully Asset Linked Certificates) have not been kept in a custodial account with the Disbursing Agent since the time of acquisition, upon the disposal, redemption, repayment or assignment withholding applies at a rate of 26.375 % (including solidarity surcharge) to 30 % of the disposal proceeds, unless it has been notified of the actual

acquisition costs of the Securities by the previous German Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area.

However, no withholding tax will apply to gains from the disposal of Securities held by a corporation while ongoing payments, such as interest payments under a coupon, are subject to withholding tax. According to a recent draft bill this exception from withholding tax might be extended to all cases where the Securities form part of a German trade or business subject to further requirements being met.

From 2009, the personal income tax liability of a German holder of the Securities deriving income from capital investments under the Securities is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in case of Securities kept in custody abroad, the German holder of the Securities must report his income and capital gains derived from the Securities on his tax return and then will also be taxed at a rate of 25 % (plus solidarity surcharge and church tax thereon, where applicable). Further, a German holder of the Securities may request that all investment income of a given year is taxed at his lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded.

Where Securities form part of a trade or business or the income from the Securities qualifies as income from the letting and leasing of property the withholding tax, if any, will not settle the personal or corporate income tax liability. The German holder of the Securities will have to report income and related expenses on his tax return and the balance will be taxed at the German Securities holder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the German holder of the Securities.

Exemption from withholding tax and solidarity surcharge

In general, no withholding tax will be levied if the holder of the Securities is an individual (i) whose Securities do not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property; and (ii) who filed an exemption certificate (Freistellungsauftrag) with the Disbursing Agent but only to the extent the interest income (and as of 2009 all taxable investment income from capital investments) derived from the Securities together with other investment income does not exceed the maximum exemption amount shown on the exemption certificate. Similarly, no withholding tax will be deducted if the holder of Securities has submitted to the Disbursing Agent a certificate of non-assessment (Nichtveranlagungsbescheinigung) issued by the competent local tax office.

German Investment Tax Act

German tax consequences different from those discussed above would arise if the respective Securities or the securities delivered upon physical delivery were to be regarded as foreign investment fund units. In such case, withholding tax requirements for the Disbursing Agent as well as the taxation of the German holder of the Securities or the delivered securities, respectively, would depend on whether the disclosure and reporting requirements of the German Investment Tax Act were fulfilled. If this were not the case, the holder may be subject to tax on unrealised or fictitious income. A foreign investment fund is defined as a pool of assets subject to foreign law, invested pursuant to the principle of risk diversification in one or more of certain asset classes listed in the German Investment Act. A foreign investment fund unit exists if the investor has the right to request a redemption of its units against cash equivalent to its pro rata portion of the net asset value of the foreign investment fund or, in the absence of such right of redemption, the foreign investment fund is subject to regulatory supervision of collective investments.

5.2 **Non-residents**

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Securities form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder of Securities; or (ii) the interest income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "Tax Residents" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Securities are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. Where Securities are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposition, assignment or redemption of a Security are paid by a Disbursing Agent to a non-resident, withholding tax generally will also apply as explained above under "Tax Residents". The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

5.3 **Inheritance and Gift Tax**

No inheritance or gift taxes with respect to any Securities will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Security is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

5.4 **Other Taxes**

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Securities. Currently, net assets tax is not levied in Germany.

5.5 **EU Savings Tax Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

By legislative regulations dated 26 January 2004 the Federal Government enacted provisions implementing the Directive into German law. These provisions apply from 1 July 2005.

6. **United Kingdom Taxation**

The following comments are of a general nature, based on current United Kingdom law and what is understood to be current practice of Her Majesty's Revenue and Customs, which may change at

any time, possibly with retrospective effect. The comments do not constitute legal or tax advice; they are not exhaustive and should be treated with appropriate caution.

Transactions involving Securities, including the issue of any Global Security, any purchase or disposal or abandonment or other dealings in the Securities and any transaction involved in the exercise and settlement of Securities, may have United Kingdom tax consequences for potential purchasers (including, but not limited to, transfer taxes and possible withholding or deduction for or on account of United Kingdom tax from payments made in respect of the Securities). The tax consequences may depend, amongst other things, upon the status of the potential investor and the terms and conditions of a particular Security specified in the relevant Final Terms. Potential purchasers should consult their own tax advisors both in the United Kingdom and overseas (if appropriate) about the tax implications of purchasing and holding a Security, any transaction involving a Security and any transaction involved in the exercise and settlement of a Security.

The following is a summary only of the United Kingdom withholding taxation treatment at the date hereof in relation to income payments in respect of the Securities. The comments do not deal with other United Kingdom tax aspects of acquiring, holding, disposing of, or abandoning Securities. The following is a general guide and should be treated with appropriate caution.

United Kingdom Withholding Tax

Payments made under the Securities which do not amount to yearly interest, royalties, rent, annual payments or manufactured payments (and are not treated as, or as if they were, yearly interest, royalties, rent, annual payments or manufactured payments for United Kingdom tax purposes) will not normally be subject to United Kingdom withholding tax.

It is noted that interest may be payable under the Certificates if so specified in the applicable Final Terms (Condition 6 of the Securities). Interest payable under such Certificates may be subject to withholding tax where such interest has a United Kingdom source. Interest on the Certificates may have a United Kingdom source where, for example, the relevant Issuer is acting out of a branch in the United Kingdom, or the Certificates are secured on assets situate in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom. Where the interest has a United Kingdom source, the interest may (depending on the terms and conditions of the particular Certificate) fall to be paid under deduction of United Kingdom tax (at the savings rate, which is currently 20% (or, if the Finance Bill 2008 is enacted in its current form, from 6 April 2008, the basic rate, which would also be 20%)), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double taxation treaty.

The references to "interest" in this section headed *United Kingdom Taxation* mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Securities or any related documentation.

Prospective purchasers of any Securities should note that where any interest on Securities is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Holder of the Securities (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue and Customs ("**HMRC**") details of the payment and certain details relating to the Holder of the Securities (including the Holder of the Securities' name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction

for or on account of United Kingdom income tax and whether or not the Holder of the Securities is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Securities which constitute "deeply discounted securities" for the purposes of the Income Tax (Trading and Other Income) Act 2005 although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2009.

7. **EU Savings Tax Directive**

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income (the "**EU Savings Directive**"). The EU Savings Directive is, in principle, applied by Member States as from 1 July 2005 and has been implemented in Luxembourg by the Law of 21 June 2005. Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income within the meaning of the EU Savings Directive, paid by a Paying Agent within its jurisdiction to, or collected by such Paying Agent for an individual resident or certain types of entities called "residual entities", within the meaning of the EU Savings Directive (the "**Residual Entity**" or "**Residual Entities**"), established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Austria, Belgium and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system will apply for a transitional period during which the rate of the withholding will be of 15% from 1 July 2005 to 30 June 2008, 20% from 1 July 2008 to 30 June 2011 and 35% as from 1 July 2011. The transitional period is to terminate at the end of first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. See "European Union Directive on the Taxation of Savings Income in the Form of Interest Payments (Council Directive 2003/48/EC)"

Also with effect from 1 July 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino), have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a Paying Agent within its jurisdiction to, or collected by such Paying Agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Netherlands Antilles and Aruba) in relation to payments made by a Paying Agent in a Member State to, or collected by such a Paying Agent for, an individual resident or a Residual Entity established in one of those territories.

GENERAL INFORMATION

AUTHORISATION

The management board of Lehman Brothers Securities N.V. duly resolved to (a) be added as a new issuer under the Programme pursuant to a resolution dated as of 24 November 2003 and (b) authorise the update of the Programme pursuant to a resolution dated 30 July 2007. The accession by Lehman Brothers (Luxembourg) Equity Finance S.A. to the Programme and the amendment of the Programme through its update have been duly authorised by its board of directors by resolutions dated 17 August 2004 and 24 July 2007. The board of directors of Lehman Brothers Bankhaus AG duly resolved to be added as a new issuer under the Programme and authorise the update of the Programme pursuant to a resolution dated 19 August 2005. The execution and delivery of the Master Guarantees were authorised by resolutions adopted by the Executive Committee of the Board of Directors of the Guarantor as of 27 July 2007 in respect of each of the Issuers.

LISTING AND ADMISSION TO TRADING

Application has been made for Securities issued under the Programme to be admitted to trading, under MiFID, on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange.

SUBSTITUTION

In the event of the substitution of the obligor under Securities admitted to trading, under MiFID, on the Luxembourg Stock Exchange's regulated market and listed on the official list of the Luxembourg Stock Exchange, or of the guarantor thereof, pursuant to Condition 24, notice of such substitution shall be given to the Holders of such Securities in accordance with Condition 21 and to the Luxembourg Stock Exchange and, unless the substitute is an existing issuer or guarantor under the Programme, a prospectus containing information with respect to such substitute shall be filed with the Luxembourg Stock Exchange.

DOCUMENTS AVAILABLE

So long as Securities are capable of being issued under the Programme, copies of the following documents will, when published, be available during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the relevant Issuer, at the principal place of business and the registered office of the Guarantor, from the specified office of the Securities Agent for the time being in Luxembourg and from the specified office of The Bank of New York Mellon, New York Branch:

- (i) the constitutional documents of each Issuer and the Guarantor;
- (ii) the audited consolidated financial statements of the Guarantor (including the audit report thereon) for each of the years ended 30 November 2006 and 30 November 2007, together with the quarterly interim unaudited consolidated financial statements for the three months ended 29 February 2008 and for the three months ended 31 May 2008;
- (iii) the audited financial statements of LBS (including the audit report thereon) for the years ended 30 November 2006 and 30 November 2007. No publicly available interim financial statements are prepared by LBS;
- (iv) the audited financial statement of LBEF (including the audit report thereon) for the years ended 30 November 2006 and 30 November 2007. No publicly available interim financial statements are prepared by LBEF;

- (v) the audited financial statements of LBB (including the audit report thereon) for the years ended 30 November 2006 and 30 November 2007. No publicly available interim financial statements are prepared by LBB;
- (vi) the Securities Agency Agreement (which contains the form of Global Security, Definitive Security Certificates, Warrant Exercise Notice and Certificate Settlement Notice);
- (vii) the Danish Agency Agreement, the Finnish Issuing and Paying Agency Agreement, the Norwegian Agency Agreements and the Swedish Agency Agreement;
- (viii) the Deed of Covenant made by LBS in relation to the Programme dated 8 August 2007;
- (ix) the Deed of Covenant made by LBB in relation to the Programme dated 8 August 2007;
- (x) the Master Guarantees;
- (xi) this Offering Circular;
- (xii) any supplement and any future prospectuses, offering circulars, prospectus and other supplements to this Offering Circular (save that a Final Terms or, as the case may be, a Prospectus relating to an unlisted Security will only be available to a holder of such Security and such holder must produce evidence satisfactory to the Securities Agent as to the identity of such holder) and any other information incorporated herein or therein by reference; and
- (xiii) in the case of a syndicated issue of listed Securities, the syndication agreement (or equivalent document).

CLEARING SYSTEMS

The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common codes and, where appropriate, CUSIP numbers, for each issue of Securities will be specified in the applicable Final Terms. If the Securities of any series are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

AUDITORS

The financial statements of Lehman Brothers Securities N.V. for the years ended 30 November 2006 and 30 November 2007 have been prepared in accordance with generally accepted accounting principles in United States of America and reported on without qualification by Ernst & Young, members as accountants of the NIVRA (Nederlands Instituut voor Register Accountants), Zeelandia Office Park, Kaya W.F.G. (Jombi) Mensing 16, P.O. Box 3626, Curaçao, The Netherlands Antilles.

The financial statements of Lehman Brothers (Luxembourg) Equity Finance S.A. for the years ended 30 November 2006 and 30 November 2007 have been prepared in accordance with generally accepted principles in the Grand Duchy of Luxembourg and reported on without qualification by Ernst & Young S.A., a member of the Institut des Réviseurs d'Enterprises (IRE), 6, rue Jean Monnet, L-2180 Luxembourg, Luxembourg.

The financial statements of Lehman Brothers Bankhaus AG for the years ended 30 November 2006 and 30 November 2007 have been prepared in accordance with generally accepted accounting principles in the Federal Republic of Germany and have been reported on without qualification by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, independent auditors of the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany), Eschersheimer Landstr. 14, D-60322 Frankfurt am Main.

The consolidated financial statements for the years ended November 30, 2006 and November 30, 2007 of the Guarantor have been prepared in accordance with generally accepted accounting principles in the United States and have been reported upon without qualification for the Guarantor by Ernst & Young LLP, certified public accountants, which has its principal place of business at 5 Times Square, New York, New York 10036, U.S.A. Ernst & Young LLP is an independent registered public accounting firm with respect to the Guarantor and its subsidiaries within the meaning of the Securities Act of 1933, as amended and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States) (PCAOB).

SIGNIFICANT CHANGE

Save as disclosed herein (including in any Information Incorporated by Reference herein) there has been no significant change in the financial or trading position of LBS since 30 November 2007, in the case of LBEF, since 30 November 2007 and in the case of LBB, since 30 November 2007]. There has been no significant change in the financial or trading position of the Guarantor and its subsidiaries (taken as a whole) since 31 May 2008 except as disclosed herein or in the Information Incorporated by Reference.

TREND INFORMATION

Save as disclosed herein (including in any Information Incorporated by Reference herein) none of the Issuers or the Guarantor are aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on their respective prospects during the current financial year.

Save as disclosed herein (including in any Information Incorporated by Reference herein) there has been no material adverse change in the prospects of LBS since 30 November 2007, in the case of LBEF, since 30 November 2007 and in the case of LBB, since 30 November 2007. There has been no material adverse change in the prospects of the Guarantor since 30 November 2007 except as disclosed herein or the Information Incorporated by Reference.

LITIGATION

Save as disclosed herein (including in any information incorporated by reference herein) neither the Guarantor nor any of its subsidiaries (including LBS, LBEF and LBB) is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or prospects of the Guarantor and its subsidiaries (taken as a whole) nor, so far as the Guarantor, LBS, LBEF or LBB are aware, are any such proceedings pending or threatened.

TRANSPARENCY DIRECTIVE

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on an EEA Regulated Market and amending Directive 2001/34/EC (the "**Transparency Directive**") entered into force on 20 January 2005. It requires member states to take measures necessary to comply with the Transparency Directive by 20 January 2007. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, LBHI could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, LBHI may seek an alternative admission to listing, trading and/or quotation for the Securities on a different section of the Luxembourg stock exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as it may (with the approval of the Dealers) decide.

PUBLICATION OF OFFERING CIRCULAR AND FINAL TERMS

The Offering Circular and any Final Terms will be available on the Internet site of the Luxembourg Stock Exchange (www.bourse.lu).

APPENDIX A

NON-DISTRIBUTION LETTER FOR U.S. ACCREDITED INVESTORS PURCHASING
SECURITIES

[Letterhead of US Purchaser]

[date]

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

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

Lehman Brothers Securities N.V.
E-Commercepark
E-Zone Vredenberg
Hoek Heelsumstraat
Hugenolzweg Z/N
Curaçao
The Netherlands Antilles

Lehman Brothers (Luxembourg) Equity Finance S.A.
1 Allée Scheffer
L-2520 Luxembourg,
Luxembourg

Lehman Brothers Bankhaus AG
Rathenauplatz 1, D-60313
Frankfurt am Main Germany

Dear Sirs

Re: Purchase of [Number of Securities] [Title of Securities] (the "Securities") issued by [Lehman Brothers Securities N.V./Lehman Brothers (Luxembourg) Equity Finance S.A./Lehman Brothers Bankhaus AG] (the "Company")

Under the terms of its Warrant and Certificate Programme (the "**Programme**"), [Lehman Brothers Securities N.V./Lehman Brothers (Luxembourg) Equity Finance S.A./Lehman Brothers Bankhaus AG] (the "**Issuer**") may from time to time issue warrants and certificates of any kind including, but not limited to, warrants and certificates relating to: a specified index or a basket of indices; a specified share or basket of shares or a specified depository receipt in respect of a specified share or a basket of depository receipts in respect of the shares of multiple companies ("**Securities**"). Lehman Brothers Inc. shall act as Lead Manager for the Programme.

In order to facilitate my purchase of Securities from time to time, I hereby make the following representations, and I understand and intend that each such representation shall be deemed to be repeated

whenever I purchase Securities. Nothing contained herein obliges me to purchase any Securities nor the Issuer to issue any Securities.

I hereby confirm that:

- (i) I am a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act 1940, as amended (the "**1940 Act**") and the rules thereunder;
- (ii) I am an "accredited investor" within the meaning of Rule 501(a) ("**Rule 501(a)**") under the Securities Act of 1933, as amended (the "**Securities Act**"), and if I am a natural person, I certify that I have, on the date of this representation, (1) individual net worth, or joint net worth with my spouse, in excess of \$1,000,000 or (2) individual income in excess of \$200,000 in each of the two most recent years or joint income with my spouse in excess of \$300,000 in each of those years (and I have a reasonable expectation of reaching the same income level in the current year);
- (iii) I have such knowledge, sophistication and experience in financial and business matters that I am capable of evaluating the merits and risks of purchasing the Securities and I am able and prepared to bear the financial risk of investing in and holding the Securities. I understand and agree that, in making a decision to purchase the Securities, I am relying on my own examination of the transaction (in consultation with such of my advisors as I have deemed necessary), and that neither the Issuer nor any affiliate thereof has made, and neither shall be deemed to have made, any recommendation regarding the merits of an investment in the Securities or the suitability of an investment in the Securities. I also understand that neither the Issuer nor any affiliate thereof has any obligations to supply me with any information, except such information concerning the terms of the Securities. I further understand that neither the Issuer nor any affiliate thereof has performed any independent due diligence investigation with respect to the Underlying of the Securities (as set forth in the related indicative term sheet and final terms or, as the case may be, the prospectus). Finally, I acknowledge and agree that I have not relied on research published by the Issuer or any affiliate thereof, but I have instead made my own independent review and reached my own conclusions regarding the legal, credit, tax and accounting aspects of their transaction relating to my assets, liabilities, risk management objectives and risk tolerance;
- (iv) I have received information regarding the Securities, I have read such documents, I understand the related provisions and I acknowledge that I have had access to such financial and other information, and I have been afforded the opportunity to ask such questions and representatives of the Issuer, and to receive answers thereto, as I deem necessary in connection with my decision to purchase the Securities;
- (v) (A) I am not, directly or indirectly, purchasing the Securities or any interest therein on behalf of, or as a named fiduciary of, an employee benefit plan or other retirement arrangements, including any individual retirement account or annuity, Keogh plan or collective investment fund or separate account in which such plans, accounts or arrangements are invested, that is subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**") or a "government plan" as defined in Section 3(32) of ERISA a "church plan" as defined in Section 3(33) of ERISA or a non-US plan as described in Section 4(b)(4) of ERISA and which is subject to an Federal, state or other law which is, to a material extent, similar to the foregoing provisions of the ERISA or the Code (collectively, a "**Plan**"), nor (B) am I purchasing the Securities or any interest therein with assets of a Plan;
- (vi) I am not acquiring the Securities with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities law of any State of the United States or any other applicable jurisdiction; and

- (vii) I am not, either alone or together with others, directly or indirectly controlled or controlled by the Issuer or under direct or indirect common control with the Issuer, all within the meaning of the Securities Act.

I understand that the Securities have not been and will not be registered and are not being offered in "transactions" by an issuer not involving any public offering" within the meaning of the Securities Act. I understand and agree that the Securities may only be offered, resold, pledged or otherwise transferred (A) with the prior consent of the Issuer, in its sole discretion, which consent may be withheld for any or no reason, (B) only to an "accredited investor" (as defined by Rule 501(a)) that is also a "qualified purchaser" (as defined in Section 2(a)(51) of the 1940 Act) in a transaction exempt from the registration requirements of the Securities Act (and based upon an opinion of the counsel if the Issuer so requests) and in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (C) only upon the buyer's execution and delivery to the Issuer of a letter substantially in the form hereof. Furthermore, I understand that the Issuer has the right to compel any beneficial owner that is a US person and is not a Qualified Purchaser and a (i) QIB or (ii) an Accredited Investor to sell its interest in the Securities, or may sell such interest on behalf of such owners. In addition, the Issuer has the right to refuse to honour the transfer of an interest in the Securities to a US person who is not a Qualified Purchaser and a (i) QIB or (ii) an Accredited Investor.

I acknowledge that you and others will rely upon my representations, confirmations, acknowledgements and agreements set forth herein and as deemed repeated from time to time, and irrevocably authorize you to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings on any official enquiry with respect to matters covered hereby. I agree to notify you promptly in writing if any of my representations or warranties herein ceases to be accurate and complete. In addition, I understand that I may be requested periodically to reissue a matter representation letter in connection with the Programme.

Dated: _____

(Name of Purchaser of Securities)

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