INFORMATION MEMORANDUM

LEHMAN BROTHERS HOLDINGS INC.

(INCORPORATED IN THE STATE OF DELAWARE)

LEHMAN BROTHERS TREASURY CO. B.V.

(INCORPORATED WITH LIMITED LIABILITY IN THE NETHERLANDS AND HAVING ITS STATUTORY DOMICILE IN AMSTERDAM)

LEHMAN BROTHERS BANKHAUS AG

(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY)

U.S. $18,000,000,000
EURO MEDIUM-TERM NOTE PROGRAM

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED AS TO NOTES TO BE ISSUED BY EACH OF LEHMAN BROTHERS TREASURY CO. B.V. AND LEHMAN BROTHERS BANKHAUS AG BY

LEHMAN BROTHERS HOLDINGS INC.

Lehman Brothers Holdings Inc. ("*LBHI*"), Lehman Brothers Treasury Co. B.V. ("*LBTCBV*") and Lehman Brothers Bankhaus AG ("*LBB*") (each an "*Issuer*" and collectively, the "*Issuers*") have established a program (the "*Program*") under which they may from time to time issue medium-term notes (the "*Notes*") in series (each a "*Series*" or the "*Notes of a Series*") with each Series comprising one or more tranches (each a "*Tranche*") of Notes, outside the United States with maturities of one month or more from the date of issue and denominated in U.S. dollars or, subject to certain conditions and as provided in "Form of the Notes" and "Terms and Conditions of the Notes" herein, in other currencies or composite currencies. Each Note issued by LBTCBV or LBB will have the benefit of an unconditional and irrevocable guarantee (the "*Guarantees*") of LBHI, as guarantor thereunder (in such capacity, the "*Guarantor*"), as to all amounts of principal and premium and interest, if any, thereof and thereon due. The maximum principal amount of Notes outstanding may not at any time exceed U.S.$18,000,000,000, of which the maximum principal amount of Notes outstanding issued by LBB may not at any time exceed U.S.$500,000,000 (or, in each case, the equivalent in other currencies or composite currencies calculated as described herein); provided that the Issuers reserve the right to increase such amount from time to time.

The Notes, which may be issued at their principal amount or at a premium or discount to their principal amount, may bear interest on a fixed or floating rate basis or equity linked interest and/or interest linked to the performance of one or more reference entities or be issued on a fully discounted basis and not bear interest.

Notes of a Series may be issued on an unsubordinated basis or on a subordinated basis in either bearer or registered form. Notes in bearer form will initially be represented by a temporary global Note which will be deposited on or about the issue date thereof with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, société anonyme, Luxembourg ("*Clearstream, Luxembourg*"). Notes in bearer form will be exchangeable for Notes in registered form in the circumstances set forth herein. Notes in registered form may initially be issued in definitive or global form and, in the latter case, the global Note will be deposited on or about the issue date thereof with a common depositary for Euroclear and Clearstream, Luxembourg. Notes, in registered form will not be exchangeable for Notes in bearer form. See "Form of the Notes" and "Terms and Conditions of the Notes" herein.

Application has been made to the Luxembourg Stock Exchange and the Singapore Exchange Securities Trading Limited (the "*Singapore Exchange*") for the Notes issued under the Program to be listed on the Luxembourg Stock Exchange and the Singapore Exchange, respectively, during the period of twelve months after the date hereof. This Information Memorandum (the "*Information Memorandum*") is only valid for a period of 12 months from the date of this document.

Application may, in the future, be made in certain circumstances to list Notes on Euronext Paris S.A. (the "*Paris Stock Exchange*"). However, unlisted Notes may be issued pursuant to the Program. The relevant Pricing Supplement (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Paris Stock Exchange (or any other stock exchange).

The Program provides that Notes may be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer and the relevant Dealer(s). In particular, Notes denominated in Australian dollars and issued in the domestic Australian capital markets ("*Australian Domestic Notes*") by LBTCBV may be listed on the Australian Stock Exchange Limited (the "*Australian Stock Exchange*"). The Issuers may also issue unlisted Notes.

Neither the Notes nor the Guarantees have been, or will be, registered under the United States Securities Act of 1933, as amended (the "*Securities Act*"), and may include Notes in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, neither the Notes nor the Guarantees may be offered, sold or delivered within the United States or to U.S. persons.

Arranger and Dealer

LEHMAN BROTHERS

The date of this Information Memorandum is August 19, 2003.

This Information Memorandum replaces the Information Memorandum dated August 21, 2002.

INTRODUCTION

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

Each of LBHI, LBTCBV and LBB accepts responsibility for all the information contained in this Information Memorandum. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Information Memorandum must be read in conjunction with all documents deemed to be incorporated by reference (see "Documents Incorporated by Reference" on page 4) and shall, except as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness at any time of this Information Memorandum or any supplement hereto.

No person is authorized to give any information or to make any representations other than those contained in this document in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorized by LBHI, LBTCBV, LBB or any Dealer. None of this Information Memorandum, any supplement, any other financial statements or any further information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation or a statement of opinion, or a report of either of those things, by LBHI, LBTCBV, LBB or the Dealers that any recipient of this Information Memorandum, any supplement, any other financial statements or any further information supplied in connection with the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuers, the Guarantor and the Group. None of this Information Memorandum, any supplement, any other financial statements or any further information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of any of LBHI, LBTCBV, LBB or the Dealers to any person to subscribe for, or to purchase, any of the Notes.

The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning LBHI, LBTCBV, LBB or the Group is correct at any time subsequent to the date hereof or that any supplement, any other financial statements or any further information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of LBHI, LBTCBV, LBB or the Group during the life of the Program. Investors should review, inter alia, the most recent consolidated financial statements of LBHI and the unconsolidated financial statements of LBTCBV and LBB when deciding whether or not to purchase any of the Notes.

The distribution of this Information Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. None of LBHI, LBTCBV, LBB or the Dealers represents that this Information Memorandum may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by LBHI, LBTCBV, LBB or the Dealers which would permit a public offering of the Notes or distribution of this Information Memorandum, any supplement, any offering material or any Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and none of this Information Memorandum, any supplement, any advertisement or any other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and each of the Dealers has represented that all offers and sales by it will be made on the same terms. Persons into whose possession this Information Memorandum comes must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Notes in the United States, the United Kingdom, Japan, France, The Netherlands, Singapore, Switzerland, The Federal Republic of Germany and Australia. See "Subscription and Sale" herein.

Neither the Notes nor the Guarantees have been, or will be, registered under the Securities Act, and may include Notes in bearer form that are subject to U.S. tax law requirements. Accordingly, the Notes are being offered and sold only (A) in registered form in the United States to "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act (*"Rule 144A"*)) in reliance on Rule 144A and (B) in registered or bearer form outside the United States (as such term is defined in Regulation S under the Securities Act (*"Regulation S"*)) to non-U.S. persons in reliance on Regulation S and, in the case of Notes in bearer form, in compliance with appliable U.S. tax law requirements. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Subscription and Sale".

Notwithstanding any provision herein, any person (and each employee, representative, or other agent of such person) may disclose to any and all other persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such person relating to such tax treatment and tax structure.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES 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 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.

In this Information Memorandum, unless otherwise specified or the context otherwise requires, all references to "dollars", "U.S.$" and "$" are to the currency of the United States of America, references to "pounds", "sterling" and "£" are to the currency of the United Kingdom, references to "¥" and "Japanese yen" are to the currency of Japan, references to "Swiss francs" are to the currency of Switzerland, references to "A$" and "Australian dollars" are to the currency of the Commonwealth of Australia, references to "euro", "EUR" and "€" are to the single currency of participating member states of the European Union and references to "S$" are to the currency of Singapore.

In connection with the issue of any Tranche (as defined under "Terms and Conditions of the Notes") of Notes under the Program, the Dealer (if any) which is specified in the relevant Pricing Supplement as the Stabilizing Manager (or any person acting for the Stabilizing Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilizing Manager (or any agent of the Stabilizing Manager) to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilizing shall be in compliance with all applicable laws, regulations and rules.

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AVAILABLE INFORMATION

LBHI is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the *"Exchange Act"*) and, in accordance therewith, files reports and other information with the United States Securities and Exchange Commission (the "*SEC*"). Such reports and other information can be inspected and copied at the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the following Regional Offices of the SEC: Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and Northeast Regional Office, 233 Broadway, New York, New York 10279. Copies of such materials may also be obtained at prescribed rates from the Public Reference Section of the SEC at its Washington address and may be inspected at the offices of the New York Stock Exchange, Inc., 11 Wall Street, New York, New York 10005, and at the Midwest and Pacific Stock Exchanges.

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

So long as any of the Notes are outstanding and LBHI ceases to be a reporting company under Section 13 or Section 15(d) of the Exchange Act, LBHI has agreed to furnish to a Holder of a Note and a prospective purchaser designated by such Holder, upon the request of such Holder in connection with a transfer or proposed transfer of such Note pursuant to Rule 144A, the information required to be delivered under Rule144A(d)(4) under the Securities Act.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

(a) the most recent annual, quarterly and current reports of LBHI filed with the SEC on Forms 10-K, 10-Q and 8-K, or such other similar forms as may be designated by the SEC;

(b) the most recent annual financial statements of LBTCBV;

(c) the most recent annual financial statements of LBB; and

(d) all amendments and supplements (including the pricing supplement) to this Information Memorandum circulated by the Issuers from time to time in accordance with the undertaking given by the Issuers described below,

except that any statement contained herein or in a document all or the relevant portion of which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document all or the relevant portion of which is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuers will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which or portions of which are incorporated herein by reference. Written or oral requests for such documents should be directed to the Issuers at their specified offices below. In addition, such documents will be available without charge from the specified office of any paying agent or the specified office of the listing agent in Luxembourg for Notes listed on the Luxembourg Stock Exchange.

Reports filed by LBHI with the SEC are also available from the SEC's website (http://www.sec.gov).

The Issuers have undertaken, in connection with the listing of the Notes on the Singapore Exchange, that upon the Issuers becoming aware that a significant change affecting any matter contained in this Information Memorandum has occurred or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this Information Memorandum if it had arisen before this Information Memorandum was issued, the Issuers will publish a supplement to this Information Memorandum.

The Issuers have undertaken, in connection with the listing of the Notes on the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuers or any change in the information set out under "Terms and Conditions of the Notes" below, that is material in the context of issuance under the Program, the Issuers will prepare or procure the preparation of an amendment or supplement to this Information Memorandum or, as the case may be, publish a new Information Memorandum, for use in connection with any subsequent issue by any Issuer of Notes to be listed on the Luxembourg Stock Exchange.

Documents in relation to listed Notes other than Notes listed on the Luxembourg Stock Exchange or the Singapore Exchange will be available from other offices as specified in the relevant Pricing Supplement.

If the terms of the Program are modified or amended in a manner which would make this Information Memorandum, as so modified or amended, inaccurate or misleading, a new information memorandum will be prepared to the extent required by law.

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Issuers may from time to time issue Notes denominated in any currency and having a minimum maturity of one month, subject as set out below. A summary of the terms and conditions of the Notes issued under the Program appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or annexed to, the Notes, as supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "Form of the Notes" below.

This Information Memorandum and any supplement will only be valid for the listing of Notes on the Luxembourg Stock Exchange and the Singapore Exchange in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under this Program, does not exceed U.S.$18,000,000,000 (or its equivalent in other currencies). For the purpose of calculating the U.S. dollar equivalent of the aggregate principal amount of Notes issued under the Program from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as hereafter defined) shall be determined as of the date of agreement to issue such Notes (the "Agreement Date") on the basis of the forward rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading bank selected by the relevant Issuer on the Agreement Date;

(b) the U.S. dollar equivalent of Dual Currency Notes and Index-Linked Notes (each as hereafter defined) shall be calculated in the manner specified above by reference to the original principal amount of such Notes;

(c) the principal amount of Zero Coupon Notes (as hereafter defined) and other Notes issued at a discount or a premium shall be deemed to be the net proceeds received by the relevant Issuer for the relevant issue of Notes; and

(d) the face principal amount of Partly Paid Notes (as hereafter defined) will be taken into account regardless of the amount of the subscription price paid.

SUMMARY OF TERMS AND CONDITIONS OF THE NOTES

The following summary does not purport to be complete and is qualified in its entirety by the full text of this document and, in relation to the terms and conditions of any particular Series of Notes, the Pricing Supplement relevant thereto. Terms not defined in this summary are defined elsewhere herein.

Issuers:	Lehman Brothers Holdings Inc., Lehman Brothers Treasury Co. B.V. and Lehman Brothers Bankhaus AG.
Guarantor:	In the case of Notes issued by Lehman Brothers Treasury Co. B.V. or Lehman Brothers Bankhaus AG, Lehman Brothers Holdings Inc.
Arranger:	Lehman Brothers International (Europe).
Dealers:	Lehman Brothers International (Europe) (together with any other dealers appointed from time to time pursuant to the Distribution Agreement, the *"Dealers"*). Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Information Memorandum. Issues of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of March 24, 1995 in connection with article 2, paragraph 2 of the ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of November 8, 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the *"Swiss Dealer"*), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges and Securities Trading of March 24, 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the Issue Date of the relevant Notes.
Fiscal Agent, Principal Paying Agent and Registrar:	Bank One, NA or such other agent as is specified in the relevant Pricing Supplement. The Fiscal Agent will perform the usual functions of a paying agent in respect of the Notes and a registrar in respect of the registered Notes. Any other parties that may perform the functions of a paying agent or a registrar in respect of Australian Domestic Notes (as defined below) will be specified in the relevant Pricing Supplement.
Luxembourg Listing Agent:	Kredietbank S.A. Luxembourgeoise.
Singapore Listing Agent:	Allen & Gledhill.
Amount:	Up to U.S.$18,000,000,000 (but only up to U.S.$500,000,000 of such amount in respect of Notes issued by Lehman Brothers Bankhaus AG) aggregate principal amount of Notes outstanding (and guaranteed, in the case of Notes issued by Lehman Brothers Treasury Co. B.V. or Lehman Brothers Bankhaus AG) at any one

	time (or its equivalent in other currencies or composite currencies calculated on the Agreement Date as described herein), subject to the right of the Issuers to increase such limit from time to time.
Currencies:	Subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, such currencies as may be agreed between the relevant Issuer and the relevant Dealer(s), including, without limitation, Australian dollars, Canadian dollars, Danish kroner, euro, Hong Kong dollars, Japanese yen, Singapore dollars, sterling, Swedish kronor, Swiss francs or United States dollars (as indicated in the applicable Pricing Supplement).
Australian Domestic Notes:	Lehman Brothers Treasury Co. B.V. may issue Notes denominated in Australian dollars in the Australian domestic capital markets (*"Australian Domestic Notes"*). Australian Domestic Notes: • will be issued in registered (or inscribed) form, constituted by a Deed Poll to be executed by Lehman Brothers Treasury Co. B.V. and governed by the laws of New South Wales, Australia (the *"Deed Poll"*) and take the form of entries on a register to be maintained by an Australian registrar to be appointed by Lehman Brothers Treasury Co. B.V. and specified in the applicable Pricing Supplement (the *"Australian Registrar"*); • will provide for payments of principal and interest to be made in Sydney, Australia; • will provide for Lehman Brothers Treasury Co. B.V. to submit to the jurisdiction of the courts of New South Wales, Australia and appoint such person as is specified in the applicable Pricing Supplement as its agent for the service of process in New South Wales, Australia; • may be listed on the Australian Stock Exchange; and • will be eligible for lodgement into the system (*"Austraclear System"*) operated by Austraclear Limited (ABN 94 002 060 773) (*"Austraclear"*). It is not intended that Lehman Brothers Holdings Inc. or Lehman Brothers Bankhaus AG will issue Australian Domestic Notes.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the applicable Pricing Supplement, subject to such minimum or maximum maturities 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 Issuer or the relevant Specified Currency. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable

	to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (c) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the *"FSMA"*) by the relevant Issuer. The maturity of all Notes will be one month or more from the original Issue Date of such Notes.
Issue Price:	Notes may be issued at their principal amount, at a premium or discount to their principal amount or on a partly paid basis, as specified in the Pricing Supplement relating to such Notes.
Fixed Rate Notes:	Fixed Rate Notes will bear interest which will be payable in arrears on each Interest Payment Date as may be specified in the applicable Pricing Supplement and upon redemption or maturity and will be calculated on such basis as may be specified in the applicable Pricing Supplement.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined on the same basis as the floating rate under a nominal interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions, or calculated by reference to LIBOR or EURIBOR or such other reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s) as is specified in the applicable Pricing Supplement, in each case as adjusted by addition or subtraction of any applicable spread or by multiplication by any applicable spread multiplier.
Index-Linked Notes:	The Issuers may offer Notes which provide for payments of principal or premium in respect of Index-Linked Redemption Amount Notes or of interest in respect of Index-Linked Interest Notes which are linked to a currency or commodity index, securities exchange or commodities exchange index or other index or as otherwise specified in the applicable Pricing Supplement. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Pricing Supplement relating to such Notes.
Hybrid Rate Notes:	The Issuers may offer Notes which will be payable in arrears on specified Interest Payment Dates in any combination of rate bases during the term of such Notes including as Zero Coupon Notes, Fixed Rate Notes, Floating Rate Notes and/or Index-Linked Interest Notes (or calculated on any other basis in respect of rate or return), in each case as specified in the applicable Pricing Supplement.
Equity-Linked and Credit-Linked Notes:	The Issuers may offer Notes which provide for payments of principal, premium or interest which are linked to a single share or a basket of several shares or (*"Equity-Linked Notes"*), or Notes which provide for payment upon redemption and/or return based on the credit performance of any one or more reference entities (*"Credit-Linked Notes*"), in each case as specified in the applicable Pricing Supplement. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Pricing Supplement. In either case the Notes may provide for physical settlement with respect to certain specified obligations in accordance with the provisions of the applicable Pricing Supplement.

Other Provisions Relating to Floating Rate Notes and Index-Linked Interest Notes:	Floating Rate Notes and Index-Linked Interest Notes may have a maximum interest rate, a minimum interest rate or both or neither. Interest on Floating Rate Notes and Index-Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Pricing Supplement and will be calculated on the basis of the relevant Day Count Fraction unless otherwise specified in the applicable Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their principal amount and will not bear interest.
Dual Currency Notes:	The Issuers may offer Notes as to which payments (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies and based upon such rate of exchange as agreed by the relevant Issuer and the relevant Dealer(s) as specified in the applicable Pricing Supplement.
Form of Notes:	Notes of a Series may be issued in either bearer or registered form, provided that Extendible Notes and Renewable Notes may only be issued in registered form. Notes sold by a Dealer to a qualified institutional buyer within the meaning of Rule 144A will be delivered in definitive registered form or, after sufficient notice to the Registrar and if the necessary arrangements are made with The Depository Trust Company (*"DTC"*), in book-entry form through DTC. Subject to the provisions of the applicable Pricing Supplement and the terms and conditions set forth in the Fiscal Agency Agreement, the Notes in bearer form will initially be represented by a temporary global Note or (in the case of Issuers other than LBHI) a permanent global Note. Subject to the provisions of the applicable Pricing Supplement and the terms and conditions set forth in the Fiscal Agency Agreement, (a) interests in a temporary global Note will be exchangeable for (i) interests in a permanent global Note in bearer form, (ii) definitive Notes in bearer form or (iii) interests in a global Note in registered form and/or (iv) definitive Notes in registered form (b) interests in a permanent global Note in bearer form will be exchangeable for (i) definitive Notes in bearer form or (ii) interests in a global Note in registered form and/or (iii) definitive Notes in registered form and (c) definitive Notes in bearer form will be exchangeable for definitive Notes in registered form. Notes in registered form may initially be issued in definitive or global form. Interests in a global Note in registered form will be exchangeable for definitive Notes in registered form in the limited circumstances set forth herein and, subject to the provisions of the applicable Pricing Supplement and the terms and conditions set forth in the Fiscal Agency Agreement, definitive Notes in registered form will be exchangeable for interests in a global Note in registered form. Notes in registered form will not be exchangeable for Notes in bearer form. See "Form of the Notes" below. Notes to be issued under the Program will be either Senior Notes or Subordinated Notes (as described below). Australian Domestic Notes will be issued in registered (or inscribed) form as described under "Australian Domestic Notes" above.

Denomination of Notes:	Subject to the provisions of the applicable Pricing Supplement (which may provide, among other things, that the Notes of the relevant Series are to be available in global form only or that definitive Notes are to be available only in restricted circumstances), definitive Notes will be in such denominations and integral multiples as the relevant Issuer and the relevant Dealer(s) shall agree, in each case as specified in the applicable Pricing Supplement, except that: (a) all Notes will be in such minimum denominations 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; (b) Notes issued by LBHI and having a maturity of 183 days or less will have a minimum denomination of U.S.$500,000 or its equivalent in the currency in which the Notes are denominated and (c) Notes denominated in Singapore dollars will have a minimum denomination of S$250,000; Although there is no minimum denomination for Australian Domestic Notes, the minimum subscription price for Australian Domestic Notes is A$500,000 (or the equivalent in another currency and, in either case disregarding moneys lent by the offeror or its associates).
Redemption:	The Notes may be redeemed at the option of the relevant Issuer for taxation reasons as described below. The Pricing Supplement relating to each Tranche of Notes will indicate whether, under what circumstances and the terms on which the Notes of such Tranche may otherwise be redeemed prior to their Maturity. Each Issuer or any subsidiary or affiliate of each Issuer may at any time purchase Notes in any manner and at any price.
Taxation:	Payment of principal of, and premium, if any, and interest, if any, on the Notes will be made without deduction for or on account of United States, The Netherlands or the Federal Republic of Germany withholding taxes, subject to certain exceptions as are more fully described in Condition 9 (Payment of Additional Amounts; Tax Redemption).
Status of the Senior Notes and Senior Guarantees; Negative Pledge:	The Senior Notes and the Senior Guarantees will constitute direct, unconditional and (subject to the provisions of Condition 11 (Negative Pledge with respect to Senior Notes)) unsecured obligations of the relevant Issuer and Guarantor, respectively, and will rank *pari passu* in right of payment among themselves, and equally with all other unsecured and unsubordinated obligations of such Issuer and the Guarantor, respectively (subject, in the event of insolvency, to laws affecting creditors' rights generally) as described in Condition 2(a) (Status of Senior Notes and Senior Guarantees). The Senior Notes and the Senior Guarantees will have the benefit of a negative pledge provision, as described in and subject to the exceptions set forth under Condition 11 (Negative Pledge with respect to Senior Notes).
Status of the Subordinated Notes and Subordinated Guarantees:	Subordinated Notes and Subordinated Guarantees will constitute direct, unsecured and subordinated obligations of the relevant Issuer and the Guarantor, respectively, and will rank *pari passu* among themselves and *pari passu* with all other present and future unsecured, unconditional and subordinated indebtedness of such Issuer and the Guarantor, respectively, as described in Condition 2(b) (Status of Subordinated Notes and Subordinated Guarantees). Subject to applicable law, in the event of the voluntary liquidation

	of the relevant Issuer or the Guarantor, as the case may be, bankruptcy proceedings, or any other similar proceedings affecting such Issuer or the Guarantor, as the case may be, the rights of the Noteholders and the Couponholders will be subordinated to the full payment of the unsubordinated creditors of such Issuer and the Guarantor, respectively, as described in Condition 2(b) (Status of Subordinated Notes and Subordinated Guarantees).
Listing:	Notes of a Series issued under the Program may be listed on the Luxembourg Stock Exchange and/or the Singapore Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer and the relevant Dealer(s) and specified in the relevant Pricing Supplement or may be unlisted. Australian Domestic Notes may be listed on the Australian Stock Exchange.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the United Kingdom, Japan, the Federal Republic of Germany, the Republic of France, The Netherlands, Singapore, Switzerland, Australia and Singapore, see "Subscription and Sale" below.
Governing Law:	The Notes and the Deed of Covenant (as defined below) will be governed by, and construed in accordance with, the laws of England, except that Australian Domestic Notes and the Deed Poll will be governed by, and construed in accordance with, the laws of New South Wales, Australia. The Guarantees will be governed by the laws of the State of New York.

FORM OF THE NOTES

The Notes may be issued from time to time in one or more Series pursuant to an Amended and Restated Fiscal Agency Agreement dated August 19, 2003 (as amended or supplemented from time to time, the "*Fiscal Agency Agreement*") between, amongst others, LBHI, LBTCBV, LBB, Bank One, NA as Fiscal Agent (together with its successors, the "*Fiscal Agent*"), Principal Paying Agent and Registrar and Kredietbank S.A. Luxembourgeoise and the other paying agents referred to therein (together with the Fiscal Agent in its capacity as Principal Paying Agent, the "*Paying Agents*", which expression shall include any additional or successor paying agents), provided that Australian Domestic Notes are issued pursuant to the Deed Poll. The terms of any particular Tranche (as defined under "Terms and Conditions of the Notes" below) of Notes will be set forth in a Pricing Supplement relating to such Tranche, as described under "Pricing Supplements" below. The statements in this section include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement, the Calculation Agency Agreements referred to below, the Notes and any applicable Pricing Supplement. Copies of the Fiscal Agency Agreement and each Calculation Agency Agreement are available for inspection and copies of each Pricing Supplement are obtainable at the specified office of the Fiscal Agent in London, being at the date hereof at 27 Leadenhall Street, London EC3A 1AA, and at the specified offices of such other Paying Agents as may be appointed from time to time. A Pricing Supplement relating to an unlisted Note may only be inspected by the Holder who must produce evidence satisfactory to the relevant Paying Agent as to his identity. The Holders (as defined below) of Notes and the Holders of any interest coupons ("*Coupons*"), receipts ("*Receipts*") and talons ("*Talons*") appertaining to the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them.

Notes may be issued on either an unsubordinated basis or a subordinated basis in either bearer form or registered form, except that Extendable Notes and Renewable Notes will only be issued in registered form and that bearer Notes will not be issued in the Australian domestic capital markets. Unless otherwise specified in the applicable Pricing Supplement, the Notes will be in bearer form and denominated in such denominations and integral multiples as the relevant Issuer and the relevant Dealer(s) shall agree, except that, in any case, the Notes will be in such minimum denominations 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 and that Notes issued by LBHI with a maturity of 183 days or less will have a minimum denomination of U.S.$500,000 or its equivalent in the currency in which the Notes are denominated. The minimum subscription price for Australian Domestic Notes will be A$500,000 (or the equivalent in another currency and, in either case disregarding moneys lent by the offeror or its associates). Australian Domestic Notes issued by LBTCBV are to be issued in registered (or inscribed) form, to be constituted by the Deed Poll and will take the form of entries on a register maintained by the Australian Registrar as described in the relevant Pricing Supplement.

Each Tranche of Notes in bearer form will initially be represented by a temporary global Note, or (in the case of Issuers other than LBHI) a permanent global Note, without Coupons, Receipts or Talons attached, which will be deposited on behalf of purchasers of the Notes of such Tranche with a common depositary for Euroclear and Clearstream, Luxembourg on or about the issue date thereof. Any reference in this section "Form of the Notes" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

Upon deposit of such temporary global Note or permanent global Notes, as applicable, Euroclear and Clearstream, Luxembourg will credit the relevant Dealer(s) with principal amounts of Notes of such Tranche equal to the principal amount thereof for which they have paid. If so specified in the applicable Pricing Supplement, interests in the temporary global Note of any Tranche will be exchangeable for, in whole (i) interests in a permanent global Note in bearer form of such Series, (ii) definitive Notes in bearer form of such Series with, if applicable, Coupons, Receipts and/or Talons attached (as indicated in the applicable Pricing Supplement) and (whether specified or not in the applicable Pricing Supplement) in the case of Notes issued by LBHI, at the request and expense of each Holder (with respect to its own Notes) or (iii) interests in a global Note in registered form of such Series, in each case, on or after the date (the "*Exchange Date*") that is the first Business Day (as defined in the Terms and Conditions of the Notes of such Tranche) following the expiration of a period of 40 days after the original issue date of the Notes of such Tranche (or the "restricted period" within the meaning of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)). If so specified in the applicable Pricing Supplement, interests in such temporary global Note will be exchangeable, in whole or in part, for definitive Notes in registered form on or after the Exchange Date upon such certification from Euroclear or Clearstream, Luxembourg as set forth above. If definitive Notes in bearer form have previously been issued in

exchange for an interest in a permanent global Note representing Notes of the same Series, then (unless the Notes which would continue to be represented by any such permanent global Note would be regarded by Euroclear and Clearstream, Luxembourg as fungible with any such definitive Notes in bearer form issued in partial exchange for interests in any such permanent global Notes) interest in the temporary global Note will henceforth only be exchangeable, in whole, for definitive Notes in bearer form or definitive Notes in registered form of the same Series or any combination thereof. Pursuant to the Fiscal Agency Agreement, the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code number and International Security Identification Number ("*ISIN*") by Euroclear and Clearstream, Luxembourg which is different from the common code and ISIN number assigned to Notes of any previously issued Tranche of the same Series until the Exchange Date of the Notes of such new Tranche and receipt by Euroclear and/or Clearstream, Luxembourg of certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations in respect of the Notes of such new Tranche. References herein to the Notes of a Series shall be deemed to include any temporary or permanent global Notes, any global Notes in registered form and any definitive Notes in bearer or registered form of such Series, unless the context requires otherwise.

If so specified in the applicable Pricing Supplement, interests in a permanent global Note in bearer form will be exchangeable upon not less than 60 days' notice expiring at least 30 days after the Exchange Date to the Fiscal Agent and upon the presentation thereof made at any time at the office of the Fiscal Agent for (i) in whole or in part, definitive Notes in bearer form of the same Series, with, as applicable, Coupons, Receipts and/or Talons attached (as indicated in the applicable Pricing Supplement) and (whether specified or not in the applicable Pricing Supplement) in the case of Notes issued by LBHI, at the request and expense of each Holder (with respect to its own Notes); provided that if definitive Notes in bearer form are issued in partial exchange for an interest in such permanent global Note, such issuance shall (unless the Notes which would continue to be represented by such permanent global Note of such Series would be regarded by Euroclear and Clearstream, Luxembourg as fungible with any such definitive Notes in bearer form issued in partial exchange for interests in any such permanent global Note) give rise to the exchange of such permanent global Note in whole for, at the option of the Holders entitled thereto, definitive Notes in bearer form or definitive Notes in registered form or any combination thereof or (ii) in whole only, interests in a global Note in registered form of the same Series (provided that any such exchange may only occur after all interests in any temporary global Note in bearer form representing Notes of the same Series have been exchanged in full for Notes in other forms) and/or (iii) in whole or in part, definitive Notes in registered form of the same Series.

If so specified in the applicable Pricing Supplement, definitive Notes in bearer form will be exchangeable for, in whole or in part, definitive Notes in registered form of the same Series upon not less than 60 days' notice expiring at least 30 days after the Exchange Date to the Fiscal Agent and upon the surrender thereof (together with all unmatured Coupons, Receipts and Talons, if any, relating thereto) made at any time at the office of the Fiscal Agent. Where, however, a definitive Note in bearer form is surrendered for exchange after a record for any payment of interest or any instalment payment of principal, the Coupon or Receipt, respectively, in respect of that payment need not be surrendered with such Note. No exchanges of definitive Notes in bearer form for definitive Notes in registered form will be made during the period of 30 days ending on the due date for any payment of principal (other than an instalment payment of principal to be made pursuant to a Receipt) on that Note.

Notes in registered form may initially be issued (i) in the form of a global Note in registered form in an aggregate principal amount equal to the principal amount of the Notes of such Tranche or (ii) in the form of definitive Notes in registered form. Global Notes in registered form will be represented by a single, permanent global Note in fully registered form without Coupons, Receipts or Talons and will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of such common depositary or its nominee. Unless (i) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or both Euroclear and Clearstream, Luxembourg announce their intention permanently to cease business or do in fact do so, and a replacement or replacements is or are not appointed by the relevant Issuer within 90 days from the commencement of such closure, announcement or cessation of business, (ii) an Event of Default has occurred and is continuing with respect to the Notes represented by such global Note in registered form or (iii) the relevant Issuer in its sole discretion notifies the Fiscal Agent that definitive Notes in registered form shall be delivered in exchange for such global Note in registered form, owners of beneficial interest in a global Note in registered form will not be entitled to have any portion of such global Note registered in their names, will not receive or be entitled to receive physical delivery of definitive Notes in registered form in exchange for their interests in a global Note in registered form and will not be considered to be the owners or holders of any Notes under the Fiscal Agency Agreement for the Notes. If so specified in the applicable Pricing Supplement, definitive Notes in registered

form will be exhangeable for, in whole or in part, interests in a global Note in registered form of the same Series upon written notification to the Fiscal Agent and surrender thereof made at any time at the office of the Fiscal Agent. Notes in registered form will not be exhangeable for Notes in bearer form.

Pursuant to the Fiscal Agency Agreement, the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a temporary common code and ISIN which are different from the common code and ISIN assigned to the Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any Note sold by a Dealer to a qualified institutional buyer within the meaning of Rule 144A will be delivered in definitive registered form or, after sufficient notice to the Registrar and if the necessary arrangements are made with DTC, in book-entry form through DTC.

In the case of Notes issued by LBHI with an original maturity of 183 days or more, and in the case of Notes issued with an original maturity of more than 365 days, the following legend will appear on all global Notes in bearer form, definitive Notes in bearer form, Coupons, Receipts and Talons: "Any United States person who holds this obligation will be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to provide that U.S. Holders (as defined under "United States Taxation" below), with certain exceptions, will not be entitled to deduct any loss on Notes, Coupons, Receipts or Talons and will not be entitled to capital gains treatment of any gain on any sale, disposition or payment of principal in respect of Notes, Coupons, Receipts or Talons.

In the case of Notes issued by LBHI with an original maturity of 183 days or less, the following legend will also appear on all global Notes, definitive Notes, Coupons, Receipts and Talons:

"By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder)."

LBTCBV will apply to Austraclear for approval for each Series of Australian Domestic Notes to be eligible for lodgement in the Austraclear System. Such approval by Austraclear is not a recommendation or endorsement by Austraclear of such Australian Domestic Notes.

If accepted for admission to the respective system, interests in Australian Domestic Notes may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in such Australian Domestic Notes in Euroclear would be held in the Austraclear System by Westpac Custodian Nominees Limited as nominee of, or another nominee appointed by, Euroclear while entitlements in respect of holdings of interests in such Australian Domestic Notes in Clearstream, Luxembourg would be held in the Austraclear System by ANZ Nominees Limited as nominee of, or another nominee appointed by, Clearstream, Luxembourg.

The rights of a holder of interests in Australian Domestic Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the Austraclear System.

In addition, any transfer of interests in Australian Domestic Notes which is held through Euroclear or Clearstream, Luxembourg will, to the extent such transfer will be recorded in the Austraclear System, be subject to the Corporations Act 2001 of the Commonwealth of Australia and the requirements for minimum consideration set out in Condition 1(j) (Australian Domestic Notes) of such Notes.

LBTCBV will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and the investors.

PRO FORMA PRICING SUPPLEMENT

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

Pricing Supplement dated [ ]

[LEHMAN BROTHERS HOLDINGS INC./LEHMAN BROTHERS TREASURY CO. B.V./ LEHMAN BROTHERS BANKHAUS AG]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by Lehman Brothers Holdings Inc.]
under the U.S.$18,000,000,000
Euro Medium-Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated August 19, 2003. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Information Memorandum.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Information Memorandum 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 Information Memorandum dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Information Memorandum dated August 19, 2003 [and the supplemental Information Memorandum dated ●], save in respect of the Conditions which are extracted from the Information Memorandum dated [*original date*] and are attached hereto.]

[These Notes are issued in the Australian domestic capital markets and are Australian Domestic Notes. Holders of the Australian Domestic Notes are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Deed Poll dated [ ] executed by the Issuer constituting the Australian Domestic Notes.] [*This paragraph need only be included if the Pricing Supplement relates to Australian Domestic Notes.*]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

1.	[(i)] Issuer:	[ ]
	[(ii) Guarantor:	[ ]]
2.	[(i)] Series Number:	[ ]
	[(ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	[ ]
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount:	
	[(i)] Series:	[ ]
	[(ii) Tranche:	[ ]]
5.	[(i)] Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
	[(ii)] Net proceeds:	[ ] *(Required only for listed issues)*

6.	Specified Denomination(s):	*[ ] [Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).]* [ ]
7.	[(i)] Issue Date: [(ii)] Interest Commencement Date (if different from the Issue Date):	[ ] [ ]]
8.	Maturity Date:	[*Fixed Rate – specify date/Floating Rate – specify Interest Payment Date falling on or nearest to month and year*] [*If the Maturity Date is less than one year from the Issue Date, the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" (or another applicable exemption from section 19 of the FSMA must be available).*]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [*specify reference rate* +/– [ ] per cent. Floating Rate] [Zero Coupon] [Index-Linked Interest] [Other (*specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption Amount] [Dual Currency Redemption] [Partly Paid] [Instalment] [Extendible] [Renewable] [Other (*specify*)]
11.	Change of Interest or Redemption/Payment Basis:	[(*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*)]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[(i)] Status of the Notes: [(ii) Status of the Guarantee:	[Senior Notes/Subordinated Notes] [Senior Guarantee/Subordinated Guarantee]]
14.	Listing:	[Application has been made for the Notes to be listed on the Luxembourg Stock Exchange/ Application has been made for the Notes to be listed on the Singapore Exchange Securities Trading Limited/Application has been made for the Notes to be listed on the Australian Stock Exchange Limited/other (*specify*)/None]

15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Fixed Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/ quarterly] in arrear]
	(ii) Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date]/[*specify other – consider whether to adjust in accordance with a Business Day Convention – see items 16(vii) and (viii)] (NB: this will need to be amended in the case of long or short coupons)*
	(iii) Fixed Coupon Amount[(s)]:	[ ] [per Note of [ ] specified denomination [ ] per Note of [ ] specified denomination
	(iv) Fixed Day Count Fraction:	[30/360]/[Actual/Actual (ISMA)] [*If neither of these options applies, give details*]
	(v) Broken Amount(s):	[*Insert particulars of any Broken Amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
	(vii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other (*give details*)]
17.	**Floating Rate Note Provisions**	[Applicable/Not Applicable. *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*]
	(i) Interest Period(s)/Interest Payment Date(s):	[ ]
	(ii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other (*give details*)]
	(iii) Additional Business Centre(s) for interest accrual only (Condition 3(b)(B)):	[*If Euro is the Specified Currency and Business Days are defined only by reference to TARGET or London, specify* "Not Applicable". *If any other currency is the Specified Currency and Business Days are defined only by reference to London and the principal financial centre of that currency, specify* "Not Applicable". *Otherwise give details*]

(iv)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):	[[Name] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]]
(vi)	Screen Rate Determination:	[*For example, LIBOR, EURO LIBOR BBA, EURIBOR or HIBOR*]]
	– Reference Rate:	[*(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR or if HK Dollars, HIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*]
	– Interest Determination Date(s):	
	– Relevant Screen Page:	[*For example, Telerate page 3750 for LIBOR/248 for EURIBOR*]
	– Relevant Time:	[*For example, 11.00 a.m. London time in the case of LIBOR/Brussels time in the case of EURIBOR*]
	– Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)*]
(vii)	ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[*For example, Reset Date, for USD-LIBOR-BBA should be the first day of each Interest Period*]
(viii)	Margin(s):	[+/-][ ] per cent. per annum
(ix)	Multiplier:	[Not Applicable/*give details*]
(x)	Minimum Interest Rate:	[ ] per cent. per annum
(xi)	Maximum Interest Rate:	[ ] per cent. per annum
(xii)	Day Count Fraction:	[ ]
(xiii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Not Applicable/*give details*]
18.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Accrual Yield:	[ ] per cent. per annum
(ii)	Reference Price:	[ ]
(iii)	Day Count Fraction (for the purposes of Condition 5):	[ ]
(iv)	Any other formula/basis of determining amount payable:	[ ]

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

PROVISIONS RELATING TO REDEMPTION

21.	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s) (Call):	[*(Consider for Fixed Rate Notes adjustment in accordance with a Business Day Convention – see items 17(ii) and 17(iii))*]

(ii)	Optional Redemption Amount(s) of each Note (Call) and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ]
	(b) Higher Redemption Amount:	[ ]
(iv)	Notice period (if other than as set out in the Conditions):	[ ]
22.	**Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[*(Consider for Fixed Rate Notes adjustment in accordance with a Business Day Convention – see items 17(ii) and 17(iii))*]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ]
	(b) Higher Redemption Amount:	[ ]
(iv)	Notice period (if other than as set out the Conditions):	[ ]
23.	**Final Redemption Amount of each Note**	[Par/other/see Appendix]
24.	**Early Redemption Amount of each Note** Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Interests in a temporary global Note in bearer form are exchangeable for (i) interests in a permanent global Note in bearer form, (ii) definitive Notes in bearer form or (iii) interests in a global Note in registered form and/or (iv) definitive Notes in registered form; interests in a permanent global Note in bearer form are exchangeable for (i) definitive Notes in bearer form or (ii) interests in a global Note in registered form and/or (iii) definitive Notes in registered form; definitive Notes in bearer form are exchangeable for definitive Notes in registered form; definitive Notes in registered form are exchangeable for interests in a global Note in registered form]

26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No/Not Applicable. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
28.	Details relating to Instalment Notes: Instalment Amounts and Instalment Dates:	[Not Applicable/*give details*]
29.	Details relating to Extendible Notes:	[Not Applicable/*give details (see Condition 4(a) (Extendible Notes))*
30.	Details relating to Renewable Notes:	[Not Applicable/*see Condition4(b) (Renewable Notes))*]
31.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition 19 (Redenomination, Renominalisation and Reconventioning] [annexed to this Pricing Supplement] apply]
32.	Consolidation provisions:	[Not Applicable/The provisions [in Condition 18 (Further Issues of Notes)] [annexed to this Pricing Supplement] apply]
33.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

34.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilizing Manager (if any):	[Not Applicable/*give name*]
35.	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
36.	Selling restrictions:	
	(i) Netherlands Selling Restrictions[1]:	[High denomination Notes: selling restriction 1(ii) applies] [Professional Investors only: selling restriction 1(iii) applies] [Euro-securities exemption: selling restriction 1(vi) applies] [Notes offered outside Netherlands: selling restriction 1(iv) applies] [Professional Investors only within The Netherlands and Notes offered outside The Netherlands: selling restriction 1(v) applies][2].[3]
	(ii) Additional Selling Restrictions:	[Not Applicable: *give details*]

OPERATIONAL INFORMATION

37.	ISIN Code:	[ ]
38.	Common Code:	[ ]
39.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
40.	Delivery:	Delivery [against/free of] payment
41.	The Aggregate Nominal Amount of Notes issued has been translated into U.S. Dollars at the rate of €=$[ ] producing a sum of (for Notes not denominated in U.S. Dollars):	$[ ]
[42.	Additional Paying Agent(s) (if any):	[ ]

1. Select for each issue of Notes by LBTCBV and for Notes issued by LBHI or LBB that may be offered in the Netherlands.
2. Only applicable to Notes issued by LBTCBV.
3. Delete in each case as applicable or delete all of these alternatives if another Netherlands securities law exemption is chosen such as mutual recognition or individual dispensation. In that case, specify such exemption.

[43. In the case of Australian Domestic Notes:

(i)	Notes to be listed on Australian Stock Exchange Limited:	[Yes/No]
(ii)	Agent for service of process in New South Wales:	[ ] of [address]
(iii)	transfer restrictions:	Transfers of Australian Domestic Notes are restricted as provided by Condition 1(j) (Australian Domestic Notes).
(iv)	Australian Registrar:	[ ] of [*address*]
(v)	Australian Administration Agent:	[[ ] (see Condition 7(i) (Payments in respect of Australian Domestic Notes))/Not required]

The Notes will be eligible for lodgment into the Austraclear System. Distributions of principal and interest with respect to Notes held through the Austraclear System will be credited to the cash accounts of members of the Austraclear System in accordance with the regulations and the operating manual applicable to the Austraclear System.

Interests in the Notes may be held through Euroclear and Clearstream, Luxembourg indirectly through institutions which are participants in Euroclear and Clearstream, Luxembourg. In such circumstances, Westpac Custodian Nominees Limited (as nominee of, or another nominee appointed by, Euroclear) or ANZ Nominees Limited (as nominee of, or another nominee appointed by, Clearstream, Luxembourg) would hold the interests in the Notes in the Austraclear System. Austraclear Limited will be inscribed as the Holder of such Notes and will therefore be treated by the Issuer and the Australian Registrar as the absolute owner of such Notes for all purposes.

The Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their participants and the investors.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: .....
Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference in each temporary or permanent global Note in bearer form, each global Note in registered form and will be attached to each definitive Note, in the latter case, only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer(s) at the time of issue but if not so permitted and agreed, such Terms and Conditions will be endorsed upon such definitive Note. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement or the relevant provisions thereof will be incorporated by reference in each temporary or permanent global Note and each global Note in registered form and endorsed on each definitive Note. Reference should be made to "Form of the Notes" above for a description of the content of Pricing Supplements which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series of Notes (the "*Notes*") issued and to be issued pursuant to the Amended and Restated Fiscal Agency Agreement dated August 19, 2003 (as amended, supplemented or replaced from time to time, the "*Fiscal Agency Agreement*") between, amongst others, Lehman Brothers Holdings Inc., a Delaware corporation ("*LBHI*"), Lehman Brothers Treasury Co. B.V., a private company incorporated with limited liability in The Netherlands ("*LBTCBV*"), Lehman Brothers Bankhaus AG a company incorporated in the Federal Republic of Germany ("*LBB*") Bank One, NA, as fiscal agent (the "*Fiscal Agent*", which expression shall include any successor fiscal agent), as registrar (the "*Registrar*") and as principal paying agent (the "*Principal Paying Agent*") and Kredietbank S.A. Luxembourgeoise (together with the Fiscal Agent in its capacity as Principal Paying Agent, the "*Paying Agents*", which expression shall include any additional or successor paying agents), provided that Australian Domestic Notes (as defined below) are issued pursuant to the Deed Poll (as defined below) as described in Condition 1(j) (Australian Domestic Notes). Unless otherwise specified in the applicable Pricing Supplement, Bank One, NA shall act as calculation agent (Bank One, NA, or any other or additional calculation agent appointed from time to time by the Issuer, which may include any of the Dealers, the "*Calculation Agent*") for purposes of determining, among other things, the interest rates on Floating Rate Notes, pursuant to the terms of a calculation agency agreement (the "*Calculation Agency Agreement*") agreed to by the relevant Issuer, the Guarantor (if applicable) and the relevant Calculation Agent. The Notes (other than Australian Domestic Notes) have the benefit of a deed of covenant (as amended, supplemented or replaced from time to time, the "*Deed of Covenant*") dated August 19, 2003, executed by the Issuers.

The Notes are to be issued by LBHI (such Notes, "*LBHI Notes*") or LBTCBV ("*LBTCBV Notes*") or LBB ("*LBB Notes*"). The applicable Pricing Supplement will specify which of LBHI, LBTCBV or LBB is the Issuer (the "*Issuer*"). Each LBTCBV Note or LBB Note (as the case may be) shall have the benefit of an unconditional guarantee of LBHI (in such capacity, the "*Guarantor*") as to, inter alia, the payment of principal (including premium, if any, and in the case of Zero Coupon Notes (as hereafter defined), the Accrual Yield Amount (as hereafter defined) payable in respect thereof) and interest, if any, in respect thereof, as evidenced by guarantees in respect of each of LBTCBV and LBB (in respect of each such Note, the "*Guarantee*", and together the "*Guarantees*") each dated August 19, 2003 as amended or supplemented from time to time, among the Guarantor and the third parties referred to therein.

Interest bearing definitive Notes in bearer form (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons ("*Coupons*") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("*Talons*") attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Notes in bearer form repayable in instalments have receipts ("*Receipts*") for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Pricing Supplement in relation to this Note or the relevant provisions thereof is attached hereto, or is endorsed hereon and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions. References herein to the "*applicable Pricing Supplement*" are to the Pricing Supplement or the relevant provisions thereof attached hereto or endorsed hereon.

As used herein, "*Series*" means each original issue of Notes together with any further issues expressed to form a single series with the original issue which are issued by the same Issuer and which are denominated in the same currency and which have the same Maturity Date, Interest Basis and interest payment dates (if any) (all as indicated in the applicable Pricing Supplement) and the terms of which (except for the Issue Date, the Interest Commencement Date and/or the Issue Price (as indicated as aforesaid)) are otherwise identical (including whether or not the Notes are listed). As used herein, "*Tranche*" means all Notes of the same Series with the same Issue Date, Issue Price and Interest Commencement Date.

Copies of the Fiscal Agency Agreement, the form of Pricing Supplement and each Calculation Agency Agreement are available for inspection and copies of each Pricing Supplement are obtainable at the specified offices of the Fiscal Agent and each of the other Paying Agents, save that a Pricing Supplement relating to an unlisted Note of any Series will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to his identity. The holders of the Notes (the "*Noteholders*" or the "*Holders*", which expression shall, in relation to any registered Notes and any Notes represented by a global Note, be construed as provided in Condition 1 (Form and Transfer) below), the holders of the Receipts (the "*Receiptholders*") and the holders of the Coupons (the "*Couponholders*", which expression shall, unless the context otherwise requires, include the holders of the Talons (the "*Talonholders*")) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Fiscal Agency Agreement, the Deed Poll (if applicable), the relevant Calculation Agency Agreement, if any, and the applicable Pricing Supplement, which are binding on them. The Deed of Covenant is held by the Fiscal Agent and the Registrar.

Words and expressions defined in the Fiscal Agency Agreement or used in the applicable Pricing Supplement (which term as used herein means, in relation to this Note, the Pricing Supplement attached hereto) shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

1. Form and Transfer

(a) *Form.* The Notes are either in bearer form or in registered form and, in the case of definitive Notes, serially numbered in the Specified Currency or Currencies and the Specified Denomination(s). This Note is a Senior Note or a Subordinated Note, as indicated in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

(b) *Interest; Instalment Basis.* This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Redemption Amount Note, an Index-Linked Interest Note, a Dual Currency Note, an Extendible Note or a Renewable Note (each as hereafter defined) or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement. If so indicated in the applicable Pricing Supplement, this Note is also a Partly Paid Note and/or an Instalment Note.

(c) *Coupons attached.* Bearer Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case reference to Coupons and Couponholders in these Terms and Conditions are not applicable.

(d) *Transfer of Bearer Notes.* For so long as any Notes are represented by a temporary or permanent global Note in bearer form or a global Note in registered form (i) such Notes will be transferable in accordance with the rules and procedures for the time being of Clearstream Banking, société anonyme, Luxembourg ("*Clearstream, Luxembourg*") and/or Euroclear Bank S.A./N.V., as operator of the Euroclear System ("*Euroclear*"), as the case may be, and (ii) each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Clearstream, Luxembourg and/or Euroclear, as the case may be, as the owner of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg and/or Euroclear, as the case may be, as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer, the Guarantor (if applicable), the Fiscal Agent and any Paying Agent as a Holder of such nominal amount of Notes (and the term "*Holder*" shall be construed accordingly) for all purposes other than with respect to the payment of principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount (as herein defined) payable in respect thereof) and interest, if any, and any other amounts payable, on such Notes, the right to which shall be vested, as against the Issuer, the Guarantor (if applicable), the Fiscal Agent and any Paying Agent, solely in the bearer of the temporary or permanent global Note or solely in the common depositary for Euroclear and Clearstream, Luxembourg or its nominee as the Registered Holder (as defined below) of the global Note in registered form in accordance with and subject to its terms and the Fiscal Agency Agreement. References to Euroclear and/or Clearstream,

Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuers and the Agent. The term "*Holder*" shall also include the person in whose name a definitive Note in registered form is registered in the note register maintained pursuant to the Fiscal Agency Agreement and the bearer of a definitive Note in bearer form.

(e) *Title to Definitive Notes.* Title to definitive Notes in bearer form, Coupons, Receipts and Talons will pass by delivery. The Issuer, the Guarantor (if applicable), the Fiscal Agent and any Paying Agent may (except as ordered by a court of competent jurisdiction or as required by applicable law) deem and treat the bearer of any definitive Note in bearer form, Couponholder, Receiptholder, or Talonholder as the owner thereof for all purposes (notwithstanding any notice of ownership given or any writing thereon made by anyone) whether or not such definitive Note in bearer form or Coupon, or any Coupon to which any Talon appertains, or Receipt shall be overdue.

(f) *Note register.* The Fiscal Agent shall maintain the Note register in which shall be recorded the names and addresses of Holders of global and definitive Notes in registered form, the numbers of the Notes and other details with respect to issuance, transfer and exchange of such Notes.

(g) *Transfer of Registered Notes.* All Notes in registered form presented for registration of transfer shall be surrendered to the Fiscal Agent at its specified office or at the specified office of any Paying Agent, duly endorsed or accompanied by a written instrument of transfer, in a form satisfactory to the relevant Issuer and the Fiscal Agent, duly executed by the Holder thereof or his attorney duly authorised in writing. Upon satisfaction of the above requirements for registration of transfer, and subject to such reasonable and customary regulations as the relevant Issuer may from time to time prescribe, the Fiscal Agent shall authenticate and deliver to the transferee or send by mail (at the risk of the transferee) to such address as the transferee may request, definitive Notes in registered form in the name of such transferee, for the same aggregate principal amount as shall have been transferred. Subject to any applicable requirements for minimum denomination, in the case of the transfer of any definitive Note in registered form in part the Fiscal Agent shall also authenticate and deliver to the transferor or send by mail (at the risk of the transferor) to such address as the transferor may request, definitive Notes or Notes in registered form registered in the name of the transferor, for the aggregate principal amount that was not transferred.

(h) *Sums payable on Transfer.* No service charge shall be made for any registration of transfer. However, in connection with any such registration of transfer the relevant Issuer may require payment of a sum sufficient to cover any applicable stamp, tax or any other governmental charge that may be imposed.

(i) *Owner of Registered Notes.* Prior to satisfaction of the applicable requirements for registration of transfer, the relevant Issuer, the Guarantor (if applicable), the Fiscal Agent and each Paying Agent may (except as ordered by a court of competent jurisdiction or as required by applicable law) deem and treat the Holder of any registered Note as the absolute owner of such Note for the purpose of receiving payment of the principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, on such Note and for all other purposes whatsoever whether or not such Note shall be overdue, and none of such Issuer, the Guarantor (if applicable), the Fiscal Agent or any Paying Agent shall be affected by notice to the contrary. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(j) *Australian Domestic Notes*

In the case of Notes denominated in Australian dollars and issued by LBTCBV in the Australian domestic capital markets as specified in the applicable Pricing Supplement ("*Australian Domestic Notes*"), the following provisions of this Condition 1(j) (Australian Domestic Notes) shall apply in lieu of the foregoing provisions of this Condition 1 in the event of any inconsistency. Australian Domestic Notes will be debt obligations of LBTCBV owing under a separate deed poll to be executed by LBTCBV (as amended, supplemented or replaced from time to time, the "*Deed Poll*") and will take the form of entries in a register (the "*Australian Register*") to be maintained by an Australian registrar to be appointed by LBTCBV as specified in the applicable Pricing Supplement (the "*Australian Registrar*"). Australian Domestic Notes will have the benefit of the Guarantee of the Guarantor. The Fiscal Agency Agreement is not applicable to Australian Domestic Notes.

Australian Domestic Notes will not be serially numbered. Each entry in the Australian Register constitutes a separate and individual acknowledgement to the relevant Noteholder of the indebtedness of LBTCBV to the relevant Noteholder. No certificate or other evidence of title will be issued by or on behalf of LBTCBV to evidence title to an Australian Domestic Note unless LBTCBV determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

No Australian Domestic Note will be registered in the name of more than four persons. A Note registered in the name of more than one person is held by those persons as joint tenants. Australian Domestic Notes will be registered by name only without reference to any trusteeship. The person registered in the Australian Register as a Noteholder of an Australian Domestic Note will be treated by LBTCBV and the Australian Registrar as absolute owner of that Australian Domestic Note and none of LBTCBV, the Guarantor or the Australian Registrar is, except as ordered by a court or as required by statute, obliged to take notice of any other claim to an Australian Domestic Note.

Conditions 1(c) (Coupons Attached) to 1(i) (Owner of Registered Notes) inclusive do not apply to Australian Domestic Notes. Australian Domestic Notes may be transferred in whole but not part.

Australian Domestic Notes will be transferable by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified by, and obtainable from, the Australian Registrar or by any other manner approved by LBTCBV and the Australian Registrar. Notes entered in the Austraclear System (as defined below) will be transferable only in accordance with the Austraclear Regulations (as defined below).

Unless the Australian Domestic Notes are lodged in the Austraclear System, application for the transfer of Australian Domestic Notes must be made by the lodgement of a transfer and acceptance form with the Australian Registrar. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor's right to transfer the Australian Domestic Note and be signed by both the transferor and the transferee.

Notes may only be transferred within Australia if (a) the aggregate consideration payable by the transferee at the time of transfer is at least A$500,000 (or the equivalent in another currency and, in either case disregarding moneys lent by the transferor or its associates) or the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia ("*Australian Corporations Act*"), and (b) the transfer is in compliance with any other applicable laws, regulations or directives and does not require any document to be lodged or registered with the Australian Securities and Investments Commission or the Australian Stock Exchange.

Australian Domestic Notes may only be transferred to or from Australia if (a) the aggregate consideration payable by the transferee at the time of transfer is at least A$500,000 (or the equivalent in another currency and, in either case disregarding moneys lent by the transferor or its associates) or the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Australian Corporations Act, (b) the transfer is in compliance with any other applicable laws, regulations or directives and does not require any document to be lodged or registered with the Australian Securities and Investments Commission or the Australian Stock Exchange, and (c) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place. Australian Domestic Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if (a) a transfer and acceptance form is signed outside Australia, and (b) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place. A transfer to an unincorporated association is not permitted.

In this Condition 1(j) (Australian Domestic Notes):

Austraclear means Austraclear Limited (ABN 94 002 060 773).

Austraclear Regulations means the regulations known as the "*Regulations and Operating Manual*" established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System.

Austraclear System means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between members of that system.

(k) *LBHI Definitive Notes*

In respect of any Notes issued by LBHI, for so long as any Notes are represented by a temporary or permanent global Note in bearer form interests in any such Note shall, at the request and expense of each Holder (with respect to its own Notes) be exchangeable for interests in definitive bearer Notes in each case, on or after the date (the *"Exchange Date"*) that is the first Business Day following the expiration of a period of 40 days after the original issue date of the Notes of such Tranche (or the "restricted period" within the meaning of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)7)).

2. Status of Notes and Guarantees

(a) *Status of Senior Notes and Senior Guarantees*

The Senior Notes and the Senior Guarantees will constitute direct, unconditional and (subject to the provisions set forth below in Condition 11 (Negative Pledge with respect to Senior Notes) and in the Fiscal Agency Agreement) unsecured obligations of the Issuer and the Guarantor, respectively, and will rank *pari passu* in right of payment among the Notes of such Issuer and the Guarantees, respectively, prior to the equity securities of the Issuer and the Guarantor (if applicable) and equally with all other unsecured and unsubordinated obligations of the Issuer and the Guarantor (if applicable) (subject, in the event of insolvency, to laws affecting creditors' rights generally).

(b) *Status of Subordinated Notes and Subordinated Guarantees*

If the Notes and Guarantees are Subordinated Notes and Subordinated Guarantees, the Subordinated Notes and Subordinated Guarantees and (if applicable) the relative Coupons are direct, unsecured and subordinated obligations of the Issuer and the Guarantor (if applicable), respectively and rank *pari passu* among themselves and *pari passu* with all other present and future unsecured, unconditional and subordinated indebtedness of such Issuer and the Guarantor (if applicable), respectively.

The Notes and the Guarantees constituting part of the subordinated debt of an Issuer and Guarantor, respectively (the "*Subordinated Debt*"), will be subordinate and junior in the right of payment, to the extent and in the manner set forth in the Fiscal Agency Agreement, to all present or future Senior Debt. "*Senior Debt*" is defined to mean (a) any indebtedness for money borrowed or evidenced by bonds, notes, debentures or similar instruments, (b) any indebtedness under capitalized leases, (c) any indebtedness representing the deferred and unpaid purchase price of any property or business, and (d) all deferrals, renewals, extensions and refundings of any such indebtedness or obligation; except that the following does not constitute Senior Debt: (i) indebtedness evidenced by the Subordinated Debt, and (ii) indebtedness which is expressly made equal in right of payment with the Subordinated Debt or subordinate and subject in right of payment to the Subordinated Debt. Additionally, in the case of LBHI, the following also does not constitute Senior Debt: (x) indebtedness for goods or materials purchased in the ordinary course of business or for services obtained in the ordinary course of business or indebtedness consisting of trade payables or (y) indebtedness which is subordinated to any obligation of LBHI of the type specified in clauses (a) through (d) above. The effect of clause (y) is that LBHI may not issue or assume any indebtedness for money borrowed which is junior to the Senior Debt and senior to the Subordinated Debt. The Fiscal Agency Agreement does not limit the amount of Senior Debt or other indebtedness that may be issued.

Subordinated Notes issued by LBTCBV will be subordinated and junior in right of payment to the prior payment in full of all Senior Creditors of LBTCBV. "*Senior Creditors*" means all unsubordinated creditors of LBTCBV and all subordinated creditors of LBTCBV whose claims against LBTCBV rank or are expressed to rank ahead of the claims of the Holders of Subordinated Notes.

In respect to Subordinated Notes issued by LBB, the subordination is limited to events of liquidation, bankruptcy, composition or other procedures to avoid bankruptcy. The right to set-off subordinated claims against claims of LBB is excluded and no contractual security is or will be provided by LBB or by a third party. In accordance with the provisions of Section 10 Paragraph 5 a of the German Banking Supervisory Act (*Gesetz über das Kreditwesen*), the subordination cannot be limited subsequently and neither the term of the Notes nor the term of notice of a call can be shortened. An early repayment of principal must be repaid to LBB despite agreement to the contrary unless the repaid amount will be replaced by LBB by other at least equivalent liable own funds for banking supervisory purposes.

In the event (a) of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings in respect of the Issuer or the Guarantor (if applicable) or a substantial part of its property, (b) that (i) a default shall have occurred with respect to the payment of principal of or interest on or other monetary amounts due and payable on any Senior Debt or (ii) there shall have occurred an event of default (other than a default in the payment of principal of or interest or other monetary amounts due and payable) with respect to any Senior Debt, as defined therein or in the instrument under which the same is outstanding, permitting the holder or holders thereof to accelerate the maturity thereof (with notice or lapse of time, or both), and such event of default shall have continued beyond the period of grace, if any, in respect thereof, and such default or event of default shall not have been cured or waived or shall not have ceased to exist, or (c) that the principal of and accrued interest on the Subordinated Debt shall have been declared due and payable upon an Event of Default under the Fiscal Agency Agreement and such declaration shall not have been rescinded and annulled as provided therein, then the holders of all Senior Debt shall first be entitled to receive payment of the full amount unpaid thereon in cash before the holders of any of the Subordinated Debt are entitled to receive a payment on account of the principal, premium, if any, or interest, if any, on such Subordinated Debt.

3. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Fixed Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date (if that does not fall on an Interest Payment Date).

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date or the Maturity Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Terms and Conditions, the expression "*Fixed Interest Period*" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

For the purposes of these Terms and Conditions:

"*Fixed Day Count Fraction*" means, in respect of the calculation of an amount for any period of time (the "*Calculation Period*"):

(i) if "*Actual/Actual (ISMA)*" is specified in the applicable Pricing Supplement:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

(ii) if "*30/360*" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

"Regular Period" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "*Regular Date*" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "*Regular Date*" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"*sub unit*" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes and Index-Linked Interest Notes*

(i) Interest Payment Dates

Each Floating Rate Note and Index-Linked Interest Note bears interest on its nominal amount (or, if it is a Partly Paid Note, on the amount paid up) from and including the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Interest Payment Date(s) in each year specified in the applicable Pricing Supplement (the period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date each being an "*Interest Period*"); or

(B) if no express Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an "*Interest Payment Date*") which falls the number of months or other period specified as the Interest Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

If a Business Day Convention is specified in the applicable Pricing Supplement and if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Interest Periods are specified in accordance with Condition 3(b)(i)(B) (Interest Payment Dates) above, the Floating Rate Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Pricing Supplement after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the preceding Business Day.

In these Terms and Conditions:

"*Business Day*" means:

(A) in relation to any sum payable in euro, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open (a "*TARGET Settlement Day*") and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) Additional Business Centre; and

(B) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and

"*Principal Financial Centre*" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne, as selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.

(ii) *Interest Payments*

Interest will be paid subject to and in accordance with the provisions of Condition 7 (Payment of Principal and Interest; Paying Agents). Interest will cease to accrue on each Floating Rate Note or Index- Linked Interest Note (or, in the case of the redemption of part of a Note, that part only of such Note) on the due date for

redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the Holder of such Note and (B) the day on which the Fiscal Agent has notified the Holder thereof (either in accordance with Condition 15 (Notices) or individually) of receipt of all sums due in respect thereof up to that date.

(iii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index-Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any) and/or multiplied by the Multiplier (if any). For the purposes of this sub-paragraph (A), "*ISDA Rate*" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent specified in the applicable Pricing Supplement under an interest rate swap transaction if the Calculation Agent was acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), "*Floating Rate*", "*Calculation Agent*" "*Floating Rate Option*", "*Designated Maturity*", and "*Reset Date*" have the meanings given to those terms in the ISDA Definitions, where "*ISDA Definitions*" means the ISDA 2000 Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.)).

When this sub-paragraph (A) applies in respect of each relevant Interest Period, the Calculation Agent will be deemed to have discharged its obligations under Condition 3 (b)(iii) (Rate of Interest) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations;

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any) and/or multiplied by the Multiplier (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If, in respect of any Interest Period, the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three of such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Relevant Financial Centre office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If the provisions of the preceding paragraph are applicable and on the relevant Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. local time in the Principal Financial Centre of the Specified Currency on such Interest Determination Date, deposits in the Specified Currency, in an amount approximately equal to the nominal amount of the relevant Tranche, for a period equal to the relevant Interest Period plus or minus (as appropriate) the Margin (if any) or, if only one of the Reference Banks provides the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency, in an amount approximately equal to the nominal amount of the relevant Tranche, for a period equal to the relevant Interest Period or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to the relevant Interest Period, at which, at approximately 11.00 a.m. local time in the Principal Financial Centre of the Specified Currency on the relevant Interest Determination Date, any one or more banks in the Principal Financial Centre of the Specified Currency (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading European banks plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date at which the Rate of Interest could be determined in accordance with the foregoing provisions (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In this Condition 3 (Interest), the expression "*Reference Banks*" means, in the case of (1) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (2) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(iv) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Calculation Agent will notify the Fiscal Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. The Fiscal Agent will calculate the amount of interest payable in respect of each Specified Denomination (each an "*Interest Amount*") for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to a Specified Denomination, multiplying such sum by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards).

For the purposes of these Terms and Conditions, "*Day Count Fraction*" means, in respect of the calculation of an amount of interest for any Interest Period or for any other period of time (such Interest Period or other period, the "*Calculation Period*"), such day count fraction as may be specified in these Conditions on the relevant Pricing Supplement and:

(A) if "*Actual/365*" or "*Actual/Actual (ISDA)*" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (x) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (y) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(B) if "*Actual/365 (Fixed)*" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;

(C) if "*Actual/360*" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;

(D) if "*Actual/Actual (ISMA)*" is specified in the applicable Pricing Supplement:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(a) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

(E) if "*30/360*" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(F) if "*30E/360*" or "*Eurobond Basis*" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of an Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) *Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period.

(vi) *Minimum and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate. If the applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(vii) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3 (Interest), whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (if applicable), the Fiscal Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Couponholders and Receiptholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor (if applicable), the Noteholders, the Receiptholders or the Couponholders shall attach to the Fiscal Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest fails to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement and payment shall otherwise be made in accordance with Condition 7 (Payment of Principal and Interest; Paying Agents).

(d) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes) interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

4. Extendible and Renewable Notes

(a) *Extendible Notes*

The applicable Pricing Supplement will indicate whether this Note is an Extendible Note. An "*Extendible Note*" is a Note as to which the Issuer will have the option to extend the original Maturity Date of such Note. The applicable Pricing Supplement will set forth the number of periods for which the maturity of such Note is extendible, the date beyond which the final maturity may not be extended, the procedure for notification to the Noteholders of such extension, the procedure, if any, for Noteholders to elect repayment of such Notes in the event of such extension and other details of the Extendible Notes. Extendible Notes may only be issued in registered form.

(b) *Renewable Notes*

The applicable Pricing Supplement will indicate whether this Note is a Renewable Note. A "*Renewable Note*" is a Note, the Maturity Date of which will be automatically extended for such periods and at such times as are set forth in the applicable Pricing Supplement unless the Holder of such Note elects to terminate the automatic extension of such Note. The applicable Pricing Supplement will set forth the periods and times for which the maturity of such Note is to be automatically renewed, the date beyond which the maturity may not be so renewed, the procedures for Noteholders to elect repayment of such Notes in the event of such renewal and other details of the Renewable Notes. Renewable Notes may only be issued in registered form.

5. Zero Coupon Notes

The applicable Pricing Supplement will indicate whether this Note is a Zero Coupon Note.

(a) *Early redemption of Zero Coupon Notes*

Unless otherwise specified in the applicable Pricing Supplement, the principal amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount (the "*Accrual Yield Amount*") equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the applicable Pricing Supplement for the purposes of this Condition 5 (Zero Coupon Notes) or, if none is so specified, a Day Count Fraction of 30E/360.

(b) *Late payment on Zero Coupon Notes:*

If the principal amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the principal amount shall thereafter by an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

6. Payment Currency

(a) *Payment in Specified Currency*

Except as provided below or in the applicable Pricing Supplement, payment of the principal of (including premium, if any, and in the case of a Zero Coupon Note, the Accrual Yield Amount payable in respect thereof) and interest, if any, on each Note will be made in the Specified Currency of such Note (or, if the Specified Currency at the time of such payment is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions of or within the international banking community, in such other coin or currency of the country which issued the Specified Currency which at the time of payment is

used by the government of the country issuing such currency and for the settlement of transactions by public institutions of or within the international banking community).

(b) *Specified Currency Unavailable*

Except as provided in paragraph 6(a) (Payment in Specified Currency), if the Specified Currency is unavailable 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, such Issuer will be entitled to make such payments in such coin or currency of the United States as is at the time of payment legal tender for the payment of public and private debts on the basis of the most recently available Market Exchange Rate (defined below) for such Specified Currency preceding the day on which such payment is due. Any payment made under such circumstances in U.S. dollars will not constitute an Event of Default (as defined in Condition 10 (Events of Default)) under the Notes. "*Market Exchange Rate*" means the noon buying rate in New York City for cable transfers in non-U.S. currencies as certified for customs purposes by the Federal Reserve Bank of New York for the applicable Specified Currency.

(c) *Redenomination of Specified Currency*

Subject to Condition 19 (Redenomination, Renominalisation and Reconventioning), in the event of an official redenomination of the Specified 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 the Notes provide for Index-Linked Interest or an Index-Linked Redemption Amount in the applicable Pricing Supplement provide for the adjustment of the amount of principal or interest payable in respect of such Notes pursuant to application of the formulas provided for in the applicable Pricing Supplement, no adjustment will be made to any amount payable under such Notes as a result of any change in the value of the Specified Currency thereof relative to any other currency due solely to fluctuations in exchange rates.

(d) *Determinations Conclusive*

All determinations referred to in paragraphs 6(b) (Specified Currency Unavailable) or 6(c) (Redenomination of Specified Currency) above made by the Fiscal 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 Notes and any Coupons, Receipts or Talons relating thereto. Holders of Notes and any Coupons, Receipts or Talons relating thereto 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 Fiscal Agent.

7. Payment of Principal and Interest; Paying Agents

(a) *Place of Payment*

No payment of principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) or interest, if any, in respect of any Note in bearer form (and any Notes in registered form issued by LBHI and having a maturity of 183 days or less) will be made at an office of LBHI, LBTCBV or LBB or any agent of LBHI, LBTCBV or LBB in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States, except as may be permitted by United States tax law in effect at the time of such payment without detriment to LBHI, LBTCBV or LBB. Notwithstanding the foregoing, such payments may be made in U.S. dollars at an office or agency located in the United States, if (but only if) the Specified Currency is the U.S. dollar and payment of the full amount so payable in U.S. dollars at each office of the Fiscal Agent and of each Paying Agent outside the United States appointed and maintained pursuant to the Fiscal Agency Agreement is illegal or effectively precluded by exchange controls or other similar restrictions. Any payment made under such circumstances will not constitute an Event of Default under the Notes. As used in this Condition 7 (Payment of Principal and Interest; Paying Agents), "*United States*" means the United States of America (including the States and the District of Columbia); and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

(b) *Payments on Global Notes*

The principal (including premium, if any, and in the case of a Zero Coupon Note, the Accrual Yield Amount payable in respect thereof) and interest, if any, due in respect of any portion of a temporary global Note in bearer form will be paid in immediately available funds to each of Euroclear and Clearstream, Luxembourg

with respect to that portion of such temporary global Note held for its account but only upon receipt by the Fiscal Agent of written certification with respect to such portion from Euroclear or Clearstream, Luxembourg, as the case may be, delivered prior to each such date in the form required by the Fiscal Agency Agreement, dated no earlier than such payment date, which certificate must be based on certifications provided to it by its account holders as to non-U.S. beneficial ownership of interests in such temporary global Note as required by U.S. Treasury regulations and as set forth in the Fiscal Agency Agreement. Payments of principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, due in respect of any portion of a permanent global Note in bearer form or a global Note in registered form will be made in immediately available funds to each of Euroclear and Clearstream, Luxembourg as is appropriate with respect to the portion of such permanent global Note or a global Note in registered form, as the case may be, held for its account without certification as aforesaid. Each of Euroclear and Clearstream, Luxembourg will undertake in such circumstances to credit any such amounts received by it to the respective accounts of the persons who are the owners of such interests on the date on which such amounts are paid. Any such amounts so received by Euroclear and Clearstream, Luxembourg and not so paid shall be returned to the Fiscal Agent immediately prior to the expiration of two years after the receipt thereof.

(c) *Payments on Definitive Bearer Notes*

Any interest on definitive Notes in bearer form (and any Notes in registered form issued by LBHI and having a maturity of 183 days or less) of a Series shall be payable by check mailed to an address outside the United States or by wire transfer to an account maintained outside the United States upon surrender of any applicable Coupon; payment of instalments of principal (if any), shall be payable by check mailed to an address outside the United States or by wire transfer to an account maintained outside the United States upon surrender of the applicable Receipt and presentation of the Note to which such Receipt relates (without which presentation such Receipt shall not be valid); and principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) on definitive Notes in bearer form of such Series at their maturity shall be payable by check or by wire transfer upon surrender of such Notes, in each case at such offices or agencies of the Fiscal Agent or any Paying Agent outside the United States as LBHI, LBTCBV or LBB may from time to time designate, unless LBHI, LBTCBV or LBB shall have otherwise instructed the Fiscal Agent, or additionally or alternatively, in such other manner as may be set forth or provided for in the applicable Pricing Supplement.

(d) *Payments on Definitive Registered Notes*

Any interest (other than interest payable at maturity or upon redemption) on definitive Notes in registered form (other than any Notes in registered form issued by LBHI and having a maturity of 183 days or less) of a Series shall be payable by check or (if a Registered Holder shall have designated an account to which payment should be made at least 15 calendar days prior to the date on which payment is due) by wire transfer, to the Holders in whose name such definitive Notes are registered ("*Registered Holders*") at the close of business on the 15th calendar day (whether or not a Business Day) preceding the date such interest is due and any principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, payable at maturity or upon redemption of definitive Notes in registered form of a Series shall be payable by check or (subject as aforesaid) by wire transfer upon surrender of such Notes, to the Registered Holders, in each case at such offices or agencies of any Paying Agent as LBHI, LBTCBV or LBB may from time to time designate, unless LBHI, LBTCBV or LBB shall have otherwise instructed the Fiscal Agent, or additionally or alternatively, in such other manner as may be set forth or provided for in the applicable Pricing Supplement. If registered Notes are issued, a register will be maintained in accordance with the Fiscal Agency Agreement.

(e) *Payments on Non-Business Days*

Subject to Condition 3(b)(i) (Interest Payment Dates), if any date for payment of any amount in respect of any Note, Receipt or Coupon is not a business day, then the payment to be made on such date may be made on the next day which is a business day, with the same force and effect as if made on the due date. As used in this Condition 7(e) (Payments on Non-Business Days), the term "*business day*" means any day which is both a Business Day (as defined in Condition 3 (Interest)) and, in the case of any Note in bearer form, a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation of such Note.

(f) *Stamp Duties, Etc.*

LBHI, LBTCBV and LBB will pay all stamp and other duties, if any, which may be imposed by the United States, The Netherlands or the Federal Republic of Germany or any political subdivision or taxing authority thereof with respect to the execution and delivery of the Fiscal Agency Agreement or the issuance of the Notes.

(g) *Exchange of Coupons and Talons*

On and after the Interest Payment Date on which the final Coupon on any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to and including the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 17 (Prescription). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the related Coupon sheet matures.

(h) *Fiscal and Paying Agents*

The names of the initial Fiscal Agent and Paying Agents and their initial specified offices are set forth below. LBHI, LBTCBV and LBB have initially designated the Fiscal Agent, acting through its principal offices in London, as its Principal Paying Agent for the Notes outside the United States. The Paying Agent located in London is also referred to herein as the "*Principal Paying Agent*". LBHI, LBTCBV and LBB have covenanted that until the Notes of a Series have been delivered to the Fiscal Agent for cancellation, or monies sufficient to pay the principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, on the Notes of such Series will have been made available for payment and either paid or returned to the Issuer as provided in the Notes, there will at all times be (i) a Paying Agent in a Western European city, (ii) if and for so long as the Notes of any Series are listed on the Luxembourg Stock Exchange and/or are admitted to trading and/or quotation by any other listing authority, stock exchange and/or quotation system, a Paying Agent with a specified office in Luxembourg and/or in such other place as may be required by the rules of such other listing authority, stock exchange and/or quotation system and (iii) if the conclusions of the ECOFIN Council meeting of November 26-27, 2000 are implemented, a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions or any law implementing or complying with, or introduced to conform to, such Directive. A notice of any change of the Fiscal Agent, Principal Paying Agent or Paying Agents will be published in a newspaper having general circulation in Luxembourg, which is expected to be the Luxemburger Wort.

(i) *Payments in respect of Australian Domestic Notes*

The Australian Registrar will act (through an office in Sydney) as principal paying agent for the Australian Domestic Notes pursuant to an Agency and Registry Services Agreement (as amended, supplemented or replaced from time to time, the "*Agency and Registry Services Agreement*") to be entered into between LBTCBV, the Australian Registrar and (depending on the identity of the Australian Registrar) an administration agent appointed by LBTCBV ("*Australian Administration Agent*") as described in the applicable Pricing Supplement. If required, the Australian Administration Agent will act as the agent of LBTCBV for certain purposes pursuant to an Issuing and Payment Administration Agreement to be entered into between LBTCBV and the Australian Administration Agent (as amended, supplemented or replaced from time to time, the "*Issuing and Payment Administration Agreement*").

Payments of principal and interest will be made in Sydney in Australian dollars to the persons registered at the close of business on the relevant Record Date (as defined below) as the holders of such Notes, subject in all cases to normal banking practice and all applicable laws and regulations. Payment will be made by check drawn on the Sydney branch of an Australian bank despatched by post on the relevant payment day at the risk of the Noteholder or, at the option of the Noteholder, in the case of principal or interest, by the Australian Registrar giving in Sydney irrevocable instructions for the effecting of a transfer of the relevant funds to an Australian dollar account in Australia specified by the Noteholder to the Australian Registrar, or in any other manner in Sydney which the Australian Registrar and the Noteholder agree.

In the case of payments made by electronic transfer, payments will for all purposes be taken to be made when the Australian Registrar gives irrevocable instructions in Sydney for the making of the relevant payment by electronic transfer, being instructions which would be reasonably expected to result, in the ordinary course

of banking business, in the funds transferred reaching the account of the Noteholder and, in the case of accounts maintained in Australia, reaching the account on the same day as the day on which the instructions are given.

If a check posted or an electronic transfer for which irrevocable instructions have been given by the Australian Registrar is shown, to the satisfaction of the Australian Registrar, not to have reached the Noteholder and the Australian Registrar is able to recover the relevant funds, the Australian Registrar may make such other arrangements as it thinks fit for the effecting of the payment in Sydney.

Interest will be payable in the manner specified in Condition 3 (Interest) above, to the persons who are registered as Noteholders at the close of business in Sydney on the relevant Record Date and a check will be made payable to the Noteholder (or, in the case of joint Noteholders, to the first-named) and sent to his registered address, unless instructions to the contrary are given by the Noteholder (or, in the case of joint Noteholders, by all such Noteholders) in such form as may be prescribed by the Australian Registrar. Payment of principal will be made to, or to the order of, the persons who are registered as Noteholder at the close of business in Sydney on the relevant Record Date, subject, if so directed by the Australian Registrar, to receipt from them of such instructions as the Australian Registrar may require.

In this Condition 7(i) (Payments in respect of Australian Domestic Notes), "*Record Date*" means, in the case of payments of principal or interest, the close of business in Sydney on the date falling 8 calendar days before each Interest Payment Date and the Maturity Date (as the case may be).

8. Repayment, Redemption and Repurchase

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency (except as otherwise provided in Condition 6 (Payment Currency)). Unless otherwise specified in the applicable Pricing Supplement, the Final Redemption Amount shall be 100% of the aggregate nominal amount outstanding of each Note.

(b) *Instalment Notes*

If the Notes are repayable in instalments, they will be repaid in the Instalment Amounts on the Instalment Dates specified in the applicable Pricing Supplement.

(c) *Redemption for Tax Reasons*

The Notes may be redeemed prior to their Maturity Date for tax reasons as provided in Condition 9 (Payments of Additional Amounts; Tax Redemption).

(d) *Redemption at the Option of the Issuer*

If so specified in the applicable Pricing Supplement, the Issuer may, having (unless otherwise specified in the applicable Pricing Supplement) given not more than 60 nor less than 30 days' notice to the Holders of the Notes in accordance with Condition 15 (Notices) (which notice shall be irrevocable), redeem all or only some of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together with accrued interest (if any) to the date fixed for redemption (which date, in the case of Floating Rate Notes or Index-Linked Interest Notes, must be an Interest Payment Date). If the Notes are to be redeemed in part only on any date in accordance with this Condition 8(d) (Redemption at the Option of the Issuer), the Notes to be redeemed shall be in an amount at least equal to the Minimum Redemption Amount and not greater than the Higher Redemption Amount (in each case as may be specified in the applicable Pricing Supplement) and shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in this Condition 8(d) (Redemption at the Option of the Issuer) shall specify the serial numbers of the Notes so to be redeemed.

(e) *Redemption at the Option of the Noteholders*

If and to the extent specified in the applicable Pricing Supplement, upon the Holder of any Note giving to the Issuer in accordance with Condition 15 (Notices) not more than 60 nor less than 30 days' notice (unless otherwise specified in the applicable Pricing Supplement), which notice shall be irrevocable, the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole or in part such Note (and, if in part, in an amount at least equal to the Minimum Redemption Amount and not greater than the Higher Redemption Amount) on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together with accrued interest (if any) to the date fixed for redemption.

(f) *Early Redemption Amounts*

For the purposes of paragraph 8(c) (Redemption for Tax Reasons) above and Conditions 9 (Repayment of Additional Amounts; Tax Redemption) and 10 (Events of Default), the Notes will be redeemed at an amount (the "*Early Redemption Amount*") calculated as follows (unless otherwise specified in the applicable Pricing Supplement):

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of Notes with a Final Redemption Amount which is or may be less or greater than the Issue Price, or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Pricing Supplement or, if no such amount or manner is set out in the Pricing Supplement, at their principal amount; or

(iii) in the case of Zero Coupon Notes, at their Accrual Yield Amount.

(g) *Purchases*

The Issuer or any of its subsidiaries or affiliates may at any time purchase Notes (provided that, in the case of definitive Notes in bearer form, all unmatured Receipts and Coupons appertaining thereto are surrendered therewith) in the open market or by tender at any price. Notes purchased as aforesaid may, at the option of the purchaser thereof, be held, resold or surrendered for cancellation.

(h) *Cancellation*

All Notes redeemed in full by the Issuer will be cancelled forthwith (together with all unmatured Receipts and Coupons surrendered therewith or attached thereto) and may not be reissued or resold.

(i) *Procedure for Payment upon Redemption*

If notice of redemption has been given in the manner set forth herein, the Notes of a Series to be redeemed shall become due and payable on the redemption date specified in such notice and upon presentation and surrender of the Notes at the place or places specified in such notice, together with all appurtenant Coupons and Talons, if any, maturing subsequent to the redemption date, the Notes shall be paid and redeemed by the Issuer thereof at the places and in the manner and currency therein specified and at the redemption price therein specified together with accrued interest, if any, to the redemption date. If any Fixed Rate Note (other than an Index-Linked Redemption Amount Note or a Dual Currency Note) surrendered for redemption shall not be accompanied by all appurtenant Coupons, if any, maturing after the redemption date (which expression shall include Coupons which are to be issued on exchange of Talons which will have matured on or before the relevant redemption date), such Note may be paid after deducting from the amount otherwise payable an amount equal to the face amount of all such missing Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum so paid bears to the total amount due) or the surrender of such missing Coupon or Coupons may be waived by the Issuer, the Guarantor, if applicable, and the Fiscal Agent if they are furnished with such security or indemnity as they may require to save each of them and each other paying agent of the Issuer and, if applicable, the Guarantor harmless. If a deduction is made from the redemption price in the case of any such missing Coupon and thereafter, but prior to five years after the redemption date, the bearer of such Coupon shall surrender such Coupon at a place specified for redemption, such bearer shall be entitled to receive the amount so deducted with respect to such Coupon. Upon any Fixed Rate Note becoming due and payable prior to its Maturity Date, all unmatured Talons, if any, appertaining thereto and maturing on or after such due date will become void and no further Coupons will be issued in respect thereof. Any unmatured Coupons and Talons, whether attached to or missing from any Floating Rate Note, Dual Currency Note or Index-Linked Note surrendered for redemption, will become void at the redemption date for such Note. From and after the redemption date, if monies for the redemption of Notes called for redemption shall have been made available at the corporate trust office of the Fiscal Agent for redemption on the redemption date, the Notes called for redemption shall cease to bear interest (and in the case of Zero Coupon Notes, cease to increase the Accrual Yield Amount payable in respect thereof), and the only right of the Holders of such Notes shall be to receive payment of the redemption price together with accrued interest, if any, to the redemption date as aforesaid.

9. Payment of Additional Amounts; Tax Redemption

(a) *Additional Amounts*

The Issuer or the Guarantor, as the case may be, will pay, subject to certain exceptions set forth below and to the right of redemption as provided in Condition 9(b) (Tax Redemption) below, to a Holder of a Note, Coupon or Receipt such additional amounts ("*Additional Amounts*") as may be necessary in order that every net payment of the principal of (including premium, if any, and in the case of a Zero Coupon Note, the Accrual Yield Amount payable in respect thereof) and interest, if any, on any Note, Coupon or Receipt appertaining thereto, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon such Holder, or by reason of the making of such payments, by the country in which such Issuer or the Guarantor (as the case may be) is organized, or any taxing authority thereof or therein, will not be less than the amount provided for in such Note, such Coupon or in such Receipt to be then due and payable. Neither the Issuer nor the Guarantor, as the case be, shall be required, however, to make any payment for any Additional Amounts for or on account of:

(i) any tax, assessment or other governmental charge which would not have been imposed but for (A) the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary of, member or shareholder of, or possessor of a power over, such Holder, if such Holder is an estate, trust, partnership or corporation) and the jurisdiction in which such Issuer or the Guarantor, as the case may be, is organized, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident or treated as a resident thereof or being or having been engaged in trade or business or present therein, or having or having had a permanent establishment therein or (B) the presentation of a Note or any Coupon or Receipt appertaining thereto for payment on a date more than 10 days after the Relevant Date (as defined below);

(ii) any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, assessment or other governmental charge;

(iii) in the case of any tax imposed by the United States, any tax, assessment or other governmental charge imposed by reason of such Holder's past or present status as a passive foreign investment company, a controlled foreign corporation, a personal holding company or foreign personal holding company with respect to the United States, as a private foundation or other tax exempt organization for United States federal income tax purposes, or as a corporation which accumulates earnings to avoid United States federal income tax;

(iv) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payment of principal of, or interest on, such Note, Coupon or Receipt;

(v) any tax, assessment or other governmental charge required to be withheld by any Paying Agent from any payment of principal of, or interest on, any Note, Coupon or Receipt (A) if such payment can be made without withholding by any other Paying Agent or (B) in the case of any tax imposed by the United Kingdom, which is presented for payment in the United Kingdom;

(vi) any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of such Note, Coupon or Receipt, if such compliance is required by statute or by regulation as a precondition to relief or exemption from such tax, assessment or other governmental charge;

(vii) in the case of any tax imposed by the United States, any tax, assessment or other governmental charge imposed on (A) interest received by a Holder or beneficial owner of a Note, Coupon or Receipt that is a 10% shareholder (as defined in Section 871 (b) (3) (B) of the United States Internal Revenue Code of 1986, as amended (the "*Code*"), and the regulations that may be promulgated thereunder) of LBHI or (B) interest that is treated as contingent interest described in Section 871(h)(4) of the Code;

(viii) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive;

(ix) a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to, or arranging to receive payment through, another Paying Agent in a Member State of the EU, or

(x) any combination of items (i) through (ix);

nor shall any Additional Amounts be paid to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such Note, Coupon or Receipt appertaining thereto to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof would not have been entitled to the payment of such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Note or any Coupon or Receipt appertaining thereto.

The term "*Relevant Date*" means either (i) the date on which such payment first becomes due or (ii) if the full amount of the moneys payable has not been received by the Fiscal Agent on or prior to such due date, the date on which all moneys then due for payment shall have been so received and notice to that effect shall have been duly given to the Noteholders in accordance with Condition 15 (Notices).

(b) *Tax Redemption*

Subject to the conditions described below, the Notes of any Series may be redeemed, as a whole but not in part, at the option of the Issuer (or, in the case of LBTCBV Notes and LBB Notes, at the option of the Guarantor), upon not more than 60 days' nor less than 30 days' prior notice (given in accordance with Condition 15 (Notices)) to the Holders thereof at a redemption price equal to the Early Redemption Amount (as defined in Condition 8(f) (Early Redemption Amount)), together with interest accrued, if any, to but excluding the date fixed for redemption (which date, in the case of Floating Rate Notes or Index-Linked Interest Notes, must be an Interest Payment Date), if on the next succeeding Interest Payment Date the Issuer (or, in the case of LBTCBV Notes and LBB Notes, in the case of any payment by the Guarantor pursuant to the Guarantee, the Guarantor) determines that, as a result of any change in or amendment to the laws or treaties, or any regulations or rulings promulgated thereunder, of the country in which the Issuer or the Guarantor, as the case may be, is organized affecting taxation, or any proposed change in such laws, treaties, regulations or rulings, or any change in the official application, enforcement or interpretation of such laws, treaties, regulations or rulings (including a holding by a court of competent jurisdiction in the country in which the Issuer or the Guarantor, as the case may be, is organized affecting taxation) which change or amendment becomes effective or is proposed on or after the Issue Date of the first Tranche of Notes of that Series, or any other action predicated on such amendment or change taken by any taxing authority or court of competent jurisdiction in the country in which the Issuer or the Guarantor, as the case may be, is organized or the official proposal of such action, whether or not such action or proposal was taken or made with respect to the Issuer or the Guarantor, the Issuer or the Guarantor, as the case may be, has or will or, if the Guarantees were called, would become obligated to pay Additional Amounts on any Note, Coupon or Receipt and such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, by any reasonable measures available to it which (in the good faith opinion of the Issuer or the Guarantor, as the case may be) will not have a material adverse impact on the conduct of its business; provided that the Notes of any Series may not be so redeemed if, as of the date of an assumption of the obligations of LBTCBV or LBB (as applicable) under the Notes and under the Fiscal Agency Agreement and each Calculation Agency Agreement by any wholly-owned subsidiary of LBHI, such obligation to pay Additional Amounts arises because of the official application or interpretation of the laws or regulations affecting taxation in the country of which such wholly-owned subsidiary is organized. If the relevant Issuer or the Guarantor, as the case may be, provides an opinion of independent counsel licensed to practice law in the appropriate jurisdiction, dated as of the date of such assumption, that no obligation to pay Additional Amounts arises, then that opinion shall be final and binding, solely for purposes of this paragraph, on such Issuer, the Guarantor, the Fiscal Agent and the Holders of the Notes of such Series as to the law of the relevant jurisdiction at the date of such opinion.

Prior to the giving of any notice of redemption pursuant to the preceding paragraph, the Issuer shall deliver to the Fiscal Agent (i) a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and (ii) an opinion of counsel to such effect based upon such statement of facts.

In addition, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obligated to pay Additional Amounts were a payment in respect of the Notes (or the Guarantees, as the case may be) then due.

If the Issuer (or, in the case of payments made by the Guarantor pursuant to the Guarantee, the Guarantor) determines that any payment made outside the United States by the Issuer or the Guarantor, as the case may be, or any of their paying agents of principal, interest, original issue discount or premium due in respect of any Note in bearer form, Coupon or Receipt would be, under any present or future laws or regulations of the United States, subject to any certification, information or other reporting requirement of any kind, the effect of which requirement is the disclosure to the Issuer or the Guarantor, as the case may be, any paying agent or any governmental authority of the nationality, residence or identity of a beneficial owner of such Note, Coupon or Receipt who is a United States Alien (other than such a requirement (i) that would not be applicable to a payment made by the Issuer or the Guarantor, as the case may be, or any of their paying agents (A) directly to the beneficial owner or (B) to a custodian, nominee or other agent of the beneficial owner, or (ii) that can be satisfied by such custodian, nominee or other agent certifying to the effect that such beneficial owner is a United States Alien, or (iii) that would not be applicable in the case of payment made by any other paying agent, provided that in each case referred to in clauses (i) (B) and (ii) payment by such custodian, nominee or agent to such beneficial owner is not otherwise subject to any such requirement), the Issuer at its election will either (X) redeem the Notes, in whole, at a redemption price equal to the Early Redemption Amount, together with interest accrued, if any, to but excluding the date fixed for redemption, or (Y) if and so long as the conditions of the next succeeding paragraph are satisfied, pay the Additional Amounts specified in such paragraph; provided that if any Holder fails to present its Note, together with all appurtenant Coupons, Receipts and Talons, if any, for redemption specified in clause (X) above, such Holder will not be entitled to any Additional Amounts. The Issuer will make such determination and such election and notify the Fiscal Agent as soon as practicable, and the Fiscal Agent will promptly give notice thereof (the "*Determination Notice*"), stating the effective date of such certification, information or other reporting requirement, whether the Issuer has elected to redeem the Notes or to pay the Additional Amounts specified in the next succeeding paragraph, and (if applicable) the last date by which the redemption of the Notes must take place. If the Issuer elects to redeem the Notes, such redemption will take place on such date, not later than one year after the publication of the Determination Notice, as the Issuer elects by notice to the Fiscal Agent at least 60 days before the redemption date, unless shorter notice is acceptable to the Fiscal Agent. Notwithstanding the foregoing, the Issuer will not so redeem the Notes if the Issuer subsequently determines, not less than 30 days prior to the redemption date, that subsequent payments would not be subject to any such requirement, in which case the Issuer will notify the Fiscal Agent which will give prompt notice of such determination and any earlier redemption notice will be revoked and will have no further effect. If the Issuer elects as provided in clause (Y) above to pay Additional Amounts, and as long as the Issuer is obligated to pay such Additional Amounts, the Issuer may subsequently redeem the Notes, at any time, as a whole but not in part, at a redemption price equal to the Early Redemption Amount, together with interest accrued, if any, to but excluding the date fixed for redemption, but without reduction for United States withholding taxes discussed in this paragraph. The term "*United States Alien*" means any person that is, as to the United States, a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust or a foreign partnership one or more of the members of which is, as to the United States, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

If and so long as certification, information or other reporting requirements referred to in the immediately preceding paragraph would be fully satisfied by payment of a backup withholding tax or similar charge, the Issuer may elect (or the Guarantor may cause the Issuer to elect, as the case may be), by so stating in the Determination Notice, to have the provisions of this paragraph apply in lieu of the provisions of the preceding paragraph. In such event, the Issuer or the Guarantor, as the case may be, will pay Additional Amounts to Holders who are United States Aliens, provided that the backup withholding tax or similar charge is not a charge which:

(i) would not be applicable to a payment made to a custodian, nominee or other agent of the beneficial owner or which can be satisfied by such a custodian, nominee or other agent certifying to the effect that such beneficial owner is a United States Alien; provided, however, in each case that payment by such custodian, nominee or agent to such beneficial owner is not otherwise subject to any requirement referred to in this paragraph;

(ii) is applicable only to payment by a custodian, nominee or other agent of the beneficial owner to such beneficial owner;

(iii) would not be applicable to a payment made by any other paying agent;

(iv) is imposed as a result of the fact that the Issuer or the Guarantor, as the case may be, or any paying agent has actual knowledge that the beneficial owner of such Note, Coupon or Receipt is a U.S. person; or

(v) is imposed as a result of presentation of such Note, Receipt or Coupon for payment more than 10 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later.

10. Events of Default

(a) *Events of Default*

An "*Event of Default*" with respect to any Note of a particular Series shall mean any one or more of the following:

(i) default in the payment of any interest or Additional Amounts, if any, upon any Note of that Series and any related Coupon when it becomes due and payable, and continuance of such default for a period of 30 days;

(ii) default in the payment of the principal of (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount thereof) any Note of that Series when it becomes due and payable;

(iii) default in the making or satisfaction of any sinking fund payment or analogous obligation when the same becomes due and payable by the terms of any Note of that Series, and continuance of such default for a period of 30 days;

(iv) default in the observance or performance, or breach, of any other material covenants or agreements of the Issuer (or, if applicable, the Guarantor) in respect of the Notes of that Series contained in the Fiscal Agency Agreement or such Notes (other than a covenant or warranty in respect of the Notes of such Series, a default in the performance of which or the breach of which is elsewhere in this section specifically dealt with or which has expressly been included in the Fiscal Agency Agreement or such Notes solely for the benefit of Series of Notes other than that Series), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to (A) the Issuer (and LBHI, if LBTCBV or LBB is the Issuer) or, if applicable, the Guarantor and (B) the Fiscal Agent by the Holders of at least 25% in principal amount of the Outstanding (as defined in Condition 12 (Meetings and Amendments)) Notes of that Series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "*Notice of Default*";

(v) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of LBHI in an involuntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging LBHI bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of LBHI under any applicable U.S. federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of LBHI or of any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order for relief of any such other decree or order unstayed and in effect for a period of 60 consecutive days;

(vi) the commencement by LBHI of a voluntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of it in an involuntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable U.S. federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of LBHI or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by LBHI in furtherance of any such action;

(vii) except as provided in Condition 13 (Assumption of Obligations) hereof, any of the Guarantees shall cease to be in full force or effect, or LBHI shall deny or disaffirm any of its obligations under any of the Guarantees; or

(viii) in the case of LBTCBV Notes, if LBTCBV applies for suspension of payment ("*surséance van betaling*") or is declared bankrupt ("*failliet verklaard*"), in both cases within the meaning of the Netherlands Bankruptcy Act ("*Faillissementswet*"), or becomes subject to analogous proceedings under the Netherlands Banking Act ("*Wet toezicht Kredietwezen 1992*"), or is unable to pay or shall admit in writing its inability to pay, or shall threaten to stop or suspend payment of, its debts as they fall due or shall otherwise become insolvent or applies for or consents to or suffers the appointment of an administrator, liquidator or receiver of LBTCBV or of the whole or any substantial part of the undertaking, property, assets or revenues of LBTCBV or takes any proceeding under any law for a readjustment or deferment of its obligations or any substantial part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors, or ceases or threatens to cease to carry on all or any substantial part of its business or is wound up.

(ix) in the case of LBB Notes, if (aa) LBB stops payments or announces that it is not in a position to meet its financial obligations; (bb) bankruptcy, composition or any insolvency proceedings are instituted against LBB which shall not have been dismissed or stayed within 60 days after institution; (cc) LBB applies for institution of such proceedings, or LBB offers or makes an arrangement for the benefit of its creditors generally, due to financial difficulties; or (dd) LBB ceases or through an official action of the Board of Directors of LBB threatens to cease to carry on business, in any case otherwise than in connection with a Reorganisation (as defined below).

For the purposes of these Terms and Conditions, "Reorganisation" means a consolidation, amalgamation, merger or reorganisation of LBB with another company, and

(A) the terms of the Reorganisation provide that:

– the obligations of LBB under the Notes (the *"Predecessor"*) are assumed by a successor company of the Predecessor which succeeds to the rights and assets of the Predecessor substantially proportionate to the liabilities of the Predecessor, and

– such successor company does not assume any other substantial obligations or liabilities unless other rights and assets are transferred to it in approximately the same proportion as described above, and

(B) the Reorganisation does not have any material adverse effect on the Holders or 10 per cent. or more of them.

(b) *Automatic Rescission in Certain Circumstances*

So long as no other Event of Default has then occurred and is continuing or would result therefrom, if an Event of Default specified in paragraph (viii) shall have occurred, said Event of Default shall automatically be deemed rescinded and annulled if LBHI shall have assumed the obligations of LBTCBV or LBB (as applicable) under such Notes as referred to under Condition 13 (Assumption of Obligations) below within 30 days of the occurrence of such Event of Default.

(c) *Remedies; Rescission; Waiver*

If an Event of Default with respect to Notes of any Series and any related Coupons or Receipts at the time Outstanding occurs and is continuing, then in every such case, unless the principal of all of the Notes of such Series shall have already become due and payable, the Holders of at least 25% in principal amount of the Outstanding Notes of that Series may declare the principal amount (or, if the Notes of that Series are Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) of all of the Notes of that Series to be due and payable immediately at their Early Redemption Amount, by a notice in writing to the Issuer and, if applicable, the Guarantor, and upon any such declaration such Early Redemption Amount, together with the premium, if any, accrued and unpaid interest, if any, and Additional Amounts, if any, shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Notes of any Series has been made and before a judgment or decree for payment of the money due has been obtained, the Holders of at least a majority in principal amount of Outstanding Notes of that Series, by written notice to the Issuer and, if applicable, the Guarantor, and the Fiscal Agent, may rescind and annul such declaration and its consequences if (i) the Issuer or, if applicable, the Guarantor, has paid or deposited with the Fiscal Agent a sum sufficient to pay in the Specified Currency in which the Notes of such Series are payable: (A) all overdue interest, if any, on all Notes of that Series and any related Coupons and (B) the principal of (and premium, if any, on, and, if such Note is a Zero Coupon Note, the Accrual Yield Amount payable in respect thereof) any Notes of that Series which have

become due otherwise than by such declaration of acceleration and interest thereon at the Fixed Rate of Interest, Rate of Interest or Accrual Yield, as the case may be, applicable to that Series; and (ii) all Events of Default with respect to Notes of that Series, other than the non-payment of the principal of Notes of that Series, which have become due solely by such declaration of acceleration, have been cured or waived as provided below. No such rescission shall affect any subsequent default or impair any right consequent thereon.

The Holders of at least a majority in principal amount of the Outstanding Notes of any Series and any related Coupons or Receipts may on behalf of the Holders of all the Notes of such Series waive any past default hereunder with respect to such Series and its consequences, except a default (i) in the payment of the principal of (or premium, if any, and, if such Note is a Zero Coupon Note, the Accrual Yield Amount payable in respect thereof) or interest, if any, on any Note of such Series, or in the payment of any sinking fund instalment or analogous obligation with respect to the Notes of such Series, or (ii) in respect of a covenant or provision hereof which as described under Condition 12(e) (Amendments Requiring Extraordinary Resolution of Noteholders) below cannot be modified or amended without the passing of an Extraordinary Resolution (as hereafter defined) by the Holders of the Outstanding Notes of such Series affected. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Fiscal Agency Agreement and the Notes of such Series, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

11. Negative Pledge with respect to Senior Notes

Except as may be otherwise provided in the Notes of a Series and in the applicable Pricing Supplement, so long as any Senior Note remains Outstanding and unpaid, LBHI will not, and will not permit any Designated Subsidiary (as defined below) to, directly or indirectly, create, issue, assume, incur or guarantee any indebtedness for money borrowed which is secured by a mortgage, pledge, lien, security interest or other encumbrance of any nature on any of the present or future common stock of a Designated Subsidiary unless the Senior Guarantees and the Senior Notes issued by LBHI (and, if LBHI so elects, any other indebtedness of LBHI ranking at least *pari passu* with the Senior Guarantees and such Senior Notes) shall be secured equally and rateably with (or prior to) such other secured indebtedness for money borrowed so long as it is outstanding. As used herein, the following terms shall have the following meanings: "*Consolidated Net Worth*" means consolidated assets minus consolidated liabilities as calculated in accordance with generally accepted accounting principles in effect in the United States from time to time; "*Designated Subsidiary*" means any present or future consolidated Subsidiary the Consolidated Net Worth of which constitutes at least 5% of the Consolidated Net Worth of LBHI; and "*Subsidiary*" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by LBHI or by one or more other Subsidiaries, or by LBHI and one or more other Subsidiaries. For the purposes of this definition, "*voting stock*" means stock which ordinarily has voting power for the election of directors, whether at all times or only as long as no senior class of stock has such voting power by reason of any contingency.

12. Meetings and Amendments

(a) *Meetings*

A meeting of Holders of Notes of one or more Series may be called at any time and from time to time by the Issuer to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement or the Notes of such Series to be made, given or taken by Holders of Notes of such Series or to modify, amend or supplement the terms of the Notes of such Series or the Fiscal Agency Agreement as hereinafter provided. The Fiscal Agent may at any time, and shall upon the request of the Issuer, call a meeting of Holders of Notes of one or more Series for any such purpose to be held at such time and at such place as the Issuer (and LBHI, if LBTCBV or LBB is the Issuer) shall determine. Notice of every meeting of Holders of Notes of a Series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given as specified in Condition 15 (Notices) not less than 30 nor more than 60 days' prior to the date fixed for the meeting. In case at any time the Holders of at least 10% in aggregate principal amount of the Outstanding Notes of a Series shall have requested the Issuer to call a meeting of the Holders of Notes of such Series to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement or the Notes of such Series, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the Issuer shall call such meeting for such purposes by giving notice thereof.

(b) *Quorum Requirements*

To be entitled to vote at any meeting of Holders of Notes of a Series, a person shall be (i) a Holder of Outstanding Notes of such Series or (ii) a person appointed by an instrument in writing as proxy for a Holder or Holders of Outstanding Notes of such Series by such Holder or Holders, which proxy need not be a Holder of

Notes. The persons entitled to vote 10% in aggregate principal amount of the Outstanding Notes which may be affected by the action to be taken at such meeting, except as hereinafter provided, shall constitute a quorum for the transaction of all business referred to in the preceding paragraph. No business shall be transacted in the absence of a quorum unless a quorum is represented when the meeting is called to order. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of the Holders of Notes (as provided above), be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Condition 15 (Notices) except that notice must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened. Subject to the foregoing, at the reconvening of any meeting adjourned for a lack of a quorum two or more persons who are present in person holding Notes which may be affected by the action to be taken at such meeting or who have been appointed by an instrument in writing as proxy for a Holder of such Notes by such Holder, which proxy need not be a Holder of Notes, shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. Notice of the reconvening of such an adjourned meeting shall state expressly the quorum requirements for any such reconvened meeting. Any Holder of a Note who has executed an instrument in writing appointing a person as his proxy shall be deemed to be present for the purposes of determining a quorum and be deemed to have voted; provided that such Holder shall be counted as present or voting only with respect to the matters covered by such instrument in writing (which may include authorization to vote on any other matters as may come before the meeting).

(c) *Regulations for Meetings*

The Fiscal Agent may make such reasonable and customary regulations as it shall deem advisable for any meeting of Holders of Notes of any Series with respect to the proof of the holding of Notes of such Series, the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of votes, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

(d) *Certain Amendments*

Any meeting of Holders of Notes at which a quorum is present may be adjourned from time to time by a vote of more than 50% in aggregate principal amount of the Outstanding Notes represented at the meeting, and the meeting may be held as so adjourned without further notice. Except as provided in paragraphs 12(e) (Amendments Requiring Extraordinary Resolution of Noteholders) and 12(f) (Amendments without the Consent of Noteholders), any modifications, amendments or waivers to the Fiscal Agency Agreement or the terms and conditions of the Notes of a Series shall require (i) the consent of the Issuer (and LBHI, if LBTCBV or LBB is the Issuer) and (ii) (A) the written consent of Holders of more than 50% in aggregate principal amount of the Outstanding Notes of such Series or (B) the approval of more than 50% of the aggregate principal amount of such Notes represented at a meeting of the Holders of Notes of such Series called in accordance with the provisions set forth above; provided that any such modification, amendment or waiver which affects the Outstanding Notes of more than one Series (as determined by the relevant Issuer (and LBHI, if LBTCBV or LBB is the Issuer)) shall require (X) the written consent of Holders of more than 50% in aggregate principal amount of the Outstanding Notes affected thereby or (Y) the approval of more than 50% of the aggregate principal amount of such Notes represented at such meeting of the Holders of Notes. Except as otherwise provided in paragraph 12(e) (Amendments Requiring Extraordinary Resolution of Noteholders), any such modification, amendment or waiver shall be conclusive and binding on all Holders of Notes, whether or not they have given such consent or were present at such meeting and whether or not notation of such modification, amendment or waiver is made upon the Notes, and on all future Holders of Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver shall be irrevocable once given and shall be conclusive and binding on all subsequent Holders of such Note.

(e) *Amendments Requiring Extraordinary Resolution of Noteholders*

Notwithstanding the foregoing, no action at any meeting of Holders of Notes, and no modification, amendment, or supplement to the Notes, the Fiscal Agency Agreement or the Guarantees, may (i) change the due date for the payment of the principal of (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) or any instalment of interest, if any, on any Note of such Series, (ii) reduce the principal amount of (including premium, if any, and in the case of Zero Coupon Notes, the

Accrual Yield Amount payable in respect thereof) any Note of such Series, the portion of such principal amount which is payable upon acceleration of the maturity of such Note, the interest rate thereon or the premium payable upon redemption thereof, (iii) change the obligation of the Issuer or the Guarantor, as the case may be, to pay Additional Amounts on any Note of such Series, (iv) except as provided in Conditions 13 (Assumption of Obligations) and 14 (Merger or Consolidation of the Issuer or the Guarantor), modify the obligation of the Guarantor to make payment under the Guarantees, (v) change the Specified Currency in which or the required places at which payment with respect to principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) or interest, if any, in respect of Notes of such Series or the Guarantees related thereto is payable, (vi) impair the right to institute suit for the enforcement of any such payment on or with respect to any Note of such Series or any Coupon or Receipt or the Guarantee, 45.as the case may be, related thereto, (vii) amend the procedures provided for or the circumstances under which the Notes of such Series may be redeemed, (viii) reduce the proportion of the principal amount of Notes of such Series the consent of the Holders of which is necessary to modify or amend the Fiscal Agency Agreement or the terms and conditions of the Notes of such Series or the Guarantees related thereto or to make, take or give any consent, waiver or other action provided hereby or thereby to be made, taken or given, or (ix) reduce the percentage of aggregate principal amount of Notes Outstanding required for the adoption of a resolution or the quorum required at any meeting of Holders of Notes at which a resolution is adopted, in each case, unless such action or modification, amendment or supplement is approved by an extraordinary resolution (an "*Extraordinary Resolution*") as follows: (A) in the case of a Series of Notes issued only in bearer form, the quorum at any meeting of Holders of Notes for passing an Extraordinary Resolution will be any person or persons holding or representing not less than 75%, or at any such adjourned meeting not less than 25%, in aggregate principal amount of the Notes of such Series for the time Outstanding and entitled to be voted at such meeting and an Extraordinary Resolution may be passed by the affirmative vote of not less than 75% in aggregate principal amount of such Notes voted in respect of such Extraordinary Resolution; (B) in the case of a Series of Notes issued only in registered form, an Extraordinary Resolution may only be passed by the affirmative vote of the Registered Holder of each Note of such Series then Outstanding; and (C) in the case of a Series of Notes issued both in bearer and registered form, such Series will be deemed, for the purposes of determining which Extraordinary Resolution voting provisions shall apply, to have been issued only in bearer form.

(f) *Amendments without the Consent of Noteholders*

LBHI, LBTCBV, LBB and, in the case of the Fiscal Agency Agreement, the Fiscal Agent, may agree, without the vote or consent of any Holder of Notes, Couponholder, Receiptholder or Talonholder, to any modification (except as aforesaid) of, or to any waiver or authorization of any breach or proposed breach of, any of the terms and conditions of the Notes or any other provisions of the Fiscal Agency Agreement for the purpose of (i) adding to the covenants of LBHI, LBTCBV or LBB for the benefit of the Holders of Notes, Couponholders, Receiptholders or Talonholders, (ii) surrendering any right or power conferred upon LBHI, LBTCBV or LBB which does not adversely affect the interest of any holders of Notes, Coupons, Receipts or Talons in any material respect, (iii) securing the Notes pursuant to the requirements of the Notes or otherwise for the benefit of the Holders of Notes, Coupons, Receipts or Talons, (iv) subject to the existence of the conditions set forth in Condition 7(a) (Place of Payment), permitting the payment of principal (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, in respect of Notes in bearer form in the United States, (v) evidencing the succession of another corporation to LBHI, LBTCBV or LBB as described in Condition 14 (Merger or Consolidation of the Issuer or the Guarantor) and the assumption by such successor of the covenants and obligations of LBHI or LBTCBV in the Fiscal Agency Agreement and in the Notes, Coupons, Receipts and Talons as permitted by the Notes, (vi) evidencing the assumption by LBHI of the obligations of LBTCBV or LBB under the Fiscal Agency Agreement and the Notes issued by LBTCBV or LBB or the designation by LBHI of one of its wholly-owned Subsidiaries to be the issuer of the Notes previously issued by LBTCBV or LBB, as described in Condition 13 (Assumption of Obligations), (vii) correcting or supplementing any defective provision contained in the Fiscal Agency Agreement or in the Notes, Coupons, Receipts or Talons in a manner which does not adversely affect the interest of any Holders of the Notes, Coupons, Receipts or Talons in any material respect, (viii) amending the certification requirements referred to in Condition 7 (Payment of Principal and Interest; Paying Agents) in order to allow LBHI, LBTCBV or LBB to comply with the certification requirements with respect to nationality or status as required by applicable laws, (ix) making any modification, or granting any waiver or authorization of any breach or proposed breach of, any of the terms and conditions of the Notes or any other provisions of the Fiscal Agency Agreement in any manner which LBHI, LBTCBV or LBB and, in the case of the Fiscal Agency Agreement, the Fiscal Agent may determine and which does not adversely affect the interest of any Holders of Notes, Coupons, Receipts or Talons in any material respect, or (x) making any modification which is of a minor or technical nature or correcting a manifest error.

(g) *Effect of Amendments*

Notes of a Series authenticated and delivered after the effectiveness of any such modification, amendment, supplement, request, demand, authorization, direction, notice, consent, waiver or other action may bear a notation in the form approved by the Fiscal Agent and the Issuer (and LBHI, if LBTCBV or LBB is the Issuer) as to any matter provided for in such modification, amendment, supplement, request, demand, authorization, direction, notice, consent, waiver or other action. New Notes of such Series modified to conform, in the opinion of the Fiscal Agent and LBHI, to any such modification, amendment, supplement, request, demand, authorization, direction, notice, consent, waiver or other action may be prepared by LBHI, LBTCBV or LBB, authenticated by the Fiscal Agent (or any authenticating agent appointed pursuant to the Fiscal Agency Agreement) and delivered in exchange for the Outstanding Notes of such Series.

(h) *Notes Deemed to be Outstanding*

As used herein, any Note authenticated and delivered pursuant to the Fiscal Agency Agreement shall, as of any date of determination, be deemed to be "*Outstanding*", except: (i) Notes theretofore cancelled by the Fiscal Agent or delivered to the Fiscal Agent for cancellation or held by the Fiscal Agent for reissuance but not reissued by the Fiscal Agent; (ii) Notes which have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, thereon shall have been made available to the Fiscal Agent; or (iii) Notes in lieu of or in substitution for which other Notes shall have been authenticated and delivered pursuant to the Fiscal Agency Agreement; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Notes of a Series are present at a meeting of Holders of Notes of such Series for quorum purposes or have consented to or voted in favour of any request, demand, authorization, direction, notice, consent, waiver, amendment, modification or supplement hereunder, Notes of such Series owned directly or indirectly by LBHI, LBTCBV or LBB or any Affiliate of LBHI, LBTCBV or LBB shall be disregarded and deemed not to be Outstanding. As used herein, the term "*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with LBHI, LBTCBV or LBB. For the purposes of this definition, (i) "*control*" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing; and (ii) "*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

(i) *Number of Votes*

The Holder of a Note may, at any meeting of Holders of a Series of Notes at which such Holder is entitled to vote, cast one vote for each currency unit in principal amount of the Notes held by such Holder in which such Notes are denominated. Notwithstanding the foregoing, at any meeting of Holders of more than one Series of Notes, a Holder of a Note which does not specify regular payments of interest, including, without limitation, Zero Coupon Notes, shall be entitled to one vote at any such meeting for each such currency unit of the redemption value of such Note calculated as of the date of such meeting. Where Notes are denominated in one or more currencies other than U.S. dollars, the U.S. dollar equivalent of such Notes shall be calculated at the exchange rates prevailing in the Principal Financial Centre on the date of such meeting or, in the case of written consents or notices, on such date as LBHI shall designate for such purpose and each Holder of such a Note shall have one vote for every U.S. dollar of Notes (converted as aforesaid) which he holds.

13. Assumption of Obligations

LBHI or any wholly-owned Subsidiary of LBHI may assume the obligations of LBTCBV or LBB (or any corporation which shall have previously assumed the obligations of LBTCBV or LBB (as applicable) as provided in this Condition 13 (Assumption of Obligations); LBTCBV or LBB (as applicable) or such corporation in each case being referred to herein as the "*prior Issuer*") for the due and punctual payment of the principal of (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, on and Additional Amounts, if any, in respect of the Notes issued by it and the performance of every covenant of the Fiscal Agency Agreement, the Notes and each Calculation Agency Agreement on the part of the prior Issuer to be performed or observed; provided that: (i) LBHI or such Subsidiary of LBHI, as the case may be, shall expressly assume such obligations by an amendment or supplement to the Fiscal Agency Agreement, executed by LBHI and such Subsidiary, if applicable, and delivered to the Fiscal Agent for the benefit of the Holders of the Notes, Coupons, Receipts and Talons; (ii) if such Subsidiary assumes such obligations, LBHI shall, by such amendment or supplement, confirm that its

Guarantees shall apply to such Subsidiary's obligations under the Notes, Coupons, Receipts and Talons and the Fiscal Agency Agreement and each Calculation Agency Agreement, as modified by such amendment or supplement; provided, however, that this subsection (iii) shall not apply in the event of such an assumption by a Subsidiary of LBHI, not being incorporated in The Netherlands, the long-term debt securities of which, as of the effective date of such assumption and after giving effect thereto, have a rating from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. which is equal to or higher than those of LBHI; (iv) LBHI or such Subsidiary, as the case may be, shall confirm in such amendment or supplement that LBHI or such Subsidiary, as the case may be, will pay to the Holders such Additional Amounts as provided by, and subject to the limitations set forth in, Condition 9 (Payment of Additional Amounts; Tax Redemption) as may be necessary in order that every net payment of the principal of (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, on the Notes will not be less than the amount provided for in the Notes to be then due and payable; provided, that such obligation shall extend to any deduction or withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such payment by any taxing authority of or in the country in which LBHI or any such Subsidiary is organized (it being understood that, except as aforesaid, neither LBHI nor such Subsidiary shall be obligated to make any indemnification or payments in respect of any tax consequences to any Holder of a Note or Couponholder, Receiptholder or Talonholder as a result of the assumption of rights and obligations described herein and which arise as a result of the domicile or residence of such Holder in, or connection of such Holder with, or subjection of such Holder to, any jurisdiction); and (v) immediately after giving effect to such assumption, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

Upon any such assumption, LBHI or such Subsidiary, as the case may be, shall succeed to, and be substituted for, and may exercise every right and power of, the prior Issuer under the Fiscal Agency Agreement, the Notes issued by the prior Issuer and each Calculation Agency Agreement, with the same effect as if LBHI or such Subsidiary, as the case may be, had been named as the prior Issuer in the Fiscal Agency Agreement, and the prior Issuer shall be released from all liability under the Fiscal Agency Agreement, the Notes issued by it and each Calculation Agency Agreement.

For the avoidance of doubt, no consent of any Holder of Notes is required for the transactions contemplated by this Condition 13 (Assumption of Obligations).

In the event that LBHI, during the term of this Programme, no longer complies with the conditions described in clause 3.1.19 of the Distribution Agreement (as defined under "*Subscription and Sale*" below), in particular as soon as it becomes aware that it may not continue to have a positive consolidated shareholder's equity (*positief geconsolideerd eigen vermogen*) within the meaning of Section 2:373 of the Dutch Civil Code, either

(a) the obligations of LBTCBV shall be assumed (in the manner described above) by LBHI or any wholly-owned Subsidiary of LBHI, such Subsidiary not being incorporated in The Netherlands; or

(b) LBHI shall arrange for its substitution as guarantor of any Notes issued by LBTCBV by a different entity (the "*New Guarantor*") provided that: (i) the New Guarantor shall have a positive consolidated shareholder's equity (as defined above); (ii) the New Guarantor and LBTCBV shall belong to one group (*concern*) as defined in the Exemption Regulation pursuant to the Act on the Supervision of Credit Institutions 1992 (*Wet toezicht kredietwezen 1992*) of the Minister of June 26, 2002 (the "*Exemption Regulation*") and (iii) LBTCBV shall be a subsidiary (*dochtermaatschappij*) of the New Guarantor within the meaning of Section 2:24a of the Dutch Civil Code; or

(c) any Notes issued by LBTCBV shall, in addition to the existing Guarantee by LBHI, be guaranteed by a credit institution that is subject to prudential supervision in The Netherlands, another European Economic Area member state, the U.S., Canada, Japan, Australia or Switzerland.

14. Merger or Consolidation of the Issuer or the Guarantor

So long as any Note remains Outstanding, neither the Issuer nor the Guarantor, if applicable, shall consolidate or amalgamate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person unless: (i) the corporation formed by such consolidation or amalgamation or into which such Issuer or the Guarantor, as the case may be, is merged or the person which acquires by conveyance or transfer, or which leases, the properties and assets of such Issuer or the Guarantor, as the case may be, substantially as an entirety shall expressly assume, by an amendment to the Fiscal Agency

Agreement executed and delivered to the Fiscal Agent (A) (1) in the case of a successor to an Issuer, the due and punctual payment of the principal of (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof), and interest, if any, and Additional Amounts, if any, on all of the Notes and the performance of every covenant in the Notes, each Calculation Agency Agreement and the Fiscal Agency Agreement to be performed by such Issuer and (2) in the case of a successor to LBTCBV or LBB, LBHI shall confirm that the Guarantee shall apply to the obligations of such successor under the Notes, each Calculation Agency Agreement and the Fiscal Agency Agreement; provided that this subsection (i) (A) (2) shall not apply in the event of a conveyance or transfer of the properties and assets of LBTCBV or LBB (as applicable) substantially as an entirety to any corporation, the long-term debt securities of which, as of the effective date of such conveyance or transfer and after giving effect thereto, have a rating from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. which is equal to or higher than those of the Guarantor, so long as such corporation shall assume the obligations of LBHI under the Guarantees, the Fiscal Agency Agreement and each Calculation Agency Agreement in the manner contemplated by the following subsection (i) (B) and (B) in the case of a successor to the Guarantor, the due and punctual performance of the Guarantees and the performance of every covenant in the Fiscal Agency Agreement and each Calculation Agency Agreement on the part of the Guarantor to be performed, which assumption shall provide in each case that such corporation or person, as the case may be, shall pay to the Holder of any Note and any Couponholder, Receiptholder or Talonholder such Additional Amounts as provided by, and subject to the limitations set forth in, Condition 9 (Payment of Additional Amounts; Tax Redemption) as may be necessary in order that every net payment of the principal of (including premium, if any, and in the case of Zero Coupon Notes, the Accrual Yield Amount payable in respect thereof) and interest, if any, will not be less than the amount provided for in the Notes to be then due and payable; provided that such obligation shall extend to any deduction or withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such payment by any taxing authority of or in the country in which any such corporation or person is organized (it being understood that except as aforesaid, no such corporation or person shall be obligated to make any indemnification or payment in respect of any tax consequences to any individual Holder of a Note or Couponholder, Receiptholder or Talonholder as a result of the assumption of rights and obligations described herein and which arise as a result of the domicile or residence of such Holder in, or connection of such Holder with, or subjection of such Holder to, any jurisdiction); (ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; (iii) if, as a result of any such consolidation, amalgamation or merger or such conveyance, transfer or lease, properties or assets of LBHI, LBTCBV or LBB would become subject to a mortgage, pledge, lien, security interest or other encumbrance which would not be permitted by the Fiscal Agency Agreement or the Notes, LBHI, LBTCBV or LBB or such successor corporation or person, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes equally and rateably with (or prior to) all indebtedness secured thereby; and (iv) a certificate, signed by a duly authorized officer of such Issuer or the Guarantor, as the case may be, and a written opinion of counsel, each stating that such consolidation, amalgamation, merger, conveyance, transfer or lease and such document evidencing the assumption by such corporation or person complies with all conditions precedent herein provided for relating to such transaction shall have been made available for inspection by Holders of the Notes at the principal office of the Fiscal Agent.

Upon any such assumption, such corporation or person, as the case may be, shall succeed to, and be substituted for, and may exercise every right and power of, such Issuer or the Guarantor, as the case may be, under the Fiscal Agency Agreement with the same effect as if such corporation or person had been named as "*Issuer*" or the "*Guarantor*", as the case may be, under the Fiscal Agency Agreement, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under the Fiscal Agency Agreement, each Calculation Agency Agreement, the Notes, the Coupons, the Receipts and the Talons.

For the avoidance of doubt, no consent of any Holder of Notes is required for the transactions contemplated by this Condition 14 (Merger or Consolidation of the Issuer or the Guarantor).

15. Notices

(a) *Bearer Notes*

Notices to redeem Notes in bearer form and all other notices to Holders of Notes in bearer form will be valid if published (i) in one leading London daily newspaper (which is expected to be the *Financial Times*), (ii) if any Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (iii) if any Notes are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so

require, a daily English language newspaper having general circulation in Singapore (which is expected to be *The Business Times*) or, in the case of (i) or (ii), if such publication is not practicable in the opinion of the Issuer, in another leading English language daily newspaper which is approved by the Issuer with circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange on which the Notes are for the time being listed. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

Except for Notes listed on the Luxembourg Stock Exchange, in the case of global Notes in bearer form of a Series, there may, so long as such global Notes are held in their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication as aforesaid, the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to Holders of Notes. Any such notice shall be deemed to have been given to Holders of Notes three Business Days after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

(b) *Registered Notes*

Notices to redeem definitive Notes in registered form and all other notices to Holders of definitive Notes in registered form shall (except to the extent otherwise expressly provided) be in writing and shall be addressed to such Holders at their addresses appearing in the note register maintained pursuant to the Fiscal Agency Agreement. In the case of Notes which are listed on the Luxembourg Stock Exchange and, if the rules of that exchange so require, such notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Except for Notes listed on the Luxembourg Stock Exchange, in the case of global Notes in registered form of a Series, such notices shall be sent to the common depositary for Euroclear and Clearstream, Luxembourg or its nominee, as the Registered Holder, who will in turn forward such notices to Euroclear and Clearstream, Luxembourg for communication by them to Holders of such Notes. Any such notice shall be deemed to have been given to Holders of Notes three Business Days after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

(c) *Notices to the Issuers*

Notices given by any Holders of Notes to LBHI, LBTCBV or LBB shall be in writing and given by delivering the same: (i) in the case of LBHI, to Lehman Brothers Holdings Inc., 745 Seventh Avenue, New York, New York 10019, U.S.A., Attention: Treasurer, (ii) in the case of LBTCBV, to Lehman Brothers Treasury Co. B.V., Officia 1, 2nd Floor, De Boelelaan 7, 1083 HJ Amsterdam, The Netherlands, Attention: R.Funnekotter and (iii) in the case of LBB, to Lehman Brothers Bankhaus AG, Rathenauplatz 1, D-60313 Frankfurt am Main, Germany, Attention: Treasury.

(d) *Notices in respect of Australian Domestic Notes*

Notices in respect of Australian Domestic Notes will be published in a leading daily newspaper of general circulation in Australia (which is expected to be *The Australian Financial Review*).

16. Replacement of Notes, Coupons, Receipts and Talons

If any Note, Coupon, Receipt or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require.

17. Prescription

All amounts paid by the Issuer or the Guarantor, as the case may be, to a Paying Agent for payment of the principal of or premium or interest on any Note and remaining unclaimed for two years after such payment has been made shall be repaid to the Issuer or the Guarantor, as the case may be, and to the extent permitted by law, the Holder of such Note or related Coupon or Receipt thereafter may look only to the Issuer or the Guarantor, as the case may be, for payment. Definitive Notes in bearer form, Receipts and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and 5 years (in the case of interest)

from the Relevant Date (as defined in Condition 9 (Payment of Additional Amounts; Tax Redemption)). Talons will become void unless presented for exchange for a fresh Coupon sheet within a period of 5 years from the date on which all Coupons on the Coupon sheet to which the Talon appertains have matured. Under the State of New York's statute of limitations, any legal action upon the Notes must be commenced within six years after the payment thereof is due.

18. Further Issues of Notes

Each original issue of Notes together with any further issues expressed to form a single series with the original issue which are issued by the same Issuer, denominated in the same currency, having the same maturity date, bearing interest, if any, on the same basis and at the same rate and the terms of which (but for the issue date, issue price and the date from which interest accrues) are otherwise identical will constitute a Series (a "*Series*" or the "*Notes of a Series*").

19. Redenomination, Renominalisation and Reconventioning

This Condition 19 (Redenomination, Renominalisation and Reconventioning) is applicable to the Notes only if it is specified in the applicable Pricing Supplement as being applicable.

(a) If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Holders of Notes and Couponholders, on giving at least 30 days' prior notice to the Holders of Notes and the Paying Agents, designate a date (the "*Redenomination Date*"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

(b) Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Holders of Notes and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

(ii) if Notes have been issued in definitive form:

(A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "*Euro Exchange Date*") on which the Issuer gives notice (the "*Euro Exchange Notice*") to the Holders of Notes that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 19 (Redenomination, Renominalisation and Reconventioning)) shall remain in full force and effect; and

(C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Holders of Notes in the Euro Exchange Notice; and

(iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made

solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

(c) Following redenomination of the Notes pursuant to this Condition 19 (Redenomination, Renominalisation and Reconventioning), where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented for, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

(d) If the Floating Rate Note provisions are specified in the applicable Pricing Supplement as being applicable and Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

(e) In this Condition:

"*Participating Member State*" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty; and

"*Treaty*" means the Treaty establishing the European Communities, as amended.

20. Governing Law; Consent to Jurisdiction

(a) *Governing Law*

The Fiscal Agency Agreement, each Calculation Agency Agreement, the Notes, the Coupons, the Receipts, the Talons and the Deed of Covenant and all matters arising from or connected with the Fiscal Agency Agreement, each Calculation Agency Agreement, the Notes (other than Australian Domestic Notes and Condition 2(b) in respect of Subordinated Notes issued by LBB), the Coupons, the Receipts, the Talons and the Deed of Covenant are governed by, and shall be construed in accordance with, English law. Any Australian Domestic Notes, the Deed Poll, the Agency and Registry Services Agreement and (if required) the Issuing and Payment Administration Agreement in respect of such Australian Domestic Notes are governed by the laws of New South Wales, Australia. The Guarantees and all matters arising from or connected with the Guarantees, are governed by, and shall be construed in accordance with, the laws of the State of New York.

In case of Subordinated Notes issued by LBB, Condition 2(b) (Status of Subordinated Notes and Subordinated Guarantees) is governed by German law.

(b) *English courts*

The courts of England have exclusive jurisdiction to settle any dispute (a "*Dispute*") arising from or connected with the Notes (other than Australian Domestic Notes).

(c) *Appropriate forum*

Each of LBHI, LBTCBV and LBB 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 Noteholders to take proceedings outside England*

Condition 20(b) (English courts) is for the benefit of the relevant Noteholders only. As a result, nothing in this Condition 20 (Governing law; Consent to jurisdiction) prevents any Noteholder from taking proceedings relating to a Dispute ("*Proceedings*") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Service of process*

Each of LBHI, LBTCBV and LBB 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 it at One Broadgate, London EC2M 7HA, England or at any other address in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. This Condition 20 (Governing law; Consent to jurisdiction) applies to Proceedings in England and to Proceedings elsewhere. If the appointment of the person mentioned in this Condition 20(e) (Service of Process) ceases to be effective, each of LBHI, LBTCBV and LBB shall forthwith appoint a person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such

appointment within fifteen days, any Holder of a Note, shall be entitled to appoint such a person by written notice addressed to LBHI, LBTCBV or LBB, as the case may be, and delivered to the relevant Issuer or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(f) *Australian Domestic Notes*

In respect of Australian Domestic Notes, the Deed Poll, the Agency and Registry Services Agreement and (if required) the Issuing and Payment Administration Agreement, LBTCBV will agree to submit to the jurisdiction of the courts of New South Wales, Australia. LBTCBV will ensure, in respect of Australian Domestic Notes, that there is an agent for service of process in New South Wales, Australia as specified in the relevant Pricing Supplement.

21. Fiscal Agent

The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent and for its relief from responsibility. The Fiscal Agent and the Paying Agents are entitled to enter into business transactions with the Issuers without accounting for any profit resulting therefrom.

In acting under the Fiscal Agency Agreement and in connection with the Notes, Coupons, Receipts and Talons, the Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholder, Couponholder, Receiptholder or Talonholder, except that any funds held by the Fiscal Agent for payment of any sums due in respect of the Notes or any Coupons or Receipts shall be held in trust by it for the Noteholders, the Couponholders and the Receiptholders (as the case may be) until the expiration of the period set forth in Condition 17 (Prescription) and shall be applied as set forth herein, but need not be segregated from other funds held by it, except as required by law. For a description of the duties and the immunities and rights of the Fiscal Agent under the Fiscal Agency Agreement, reference is made to the Fiscal Agency Agreement, and the obligations of the Fiscal Agent to the Holder of each Note are subject to such immunities and rights.

The Fiscal Agency Agreement is not applicable to Australian Domestic Notes.

22. Descriptive Headings

The descriptive headings appearing in these Terms and Conditions are for convenience of reference only and shall not alter, limit or define the provisions hereof.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used for the general corporate purposes of the Group.

LEHMAN BROTHERS HOLDINGS INC.

Lehman Brothers Holdings Inc. (together with its consolidated subsidiaries hereinafter referred to as "Lehman Brothers" or "the Company" or "LBHI", unless the context otherwise requires) is one of the leading global investment banks, serving institutional, corporate, government and high-net-worth individual clients and customers. The Company's worldwide headquarters in New York and regional headquarters in London and Tokyo are complemented by offices in additional locations in the United States, Europe, the Middle East, Latin America and the Asia Pacific region. The Company is engaged primarily in providing financial services. Other businesses in which the Company is engaged represent less than 10 percent of consolidated assets, revenues or pre-tax income. The Company's business includes capital raising for clients through securities underwriting and direct placements, corporate finance and strategic advisory services, private equity investments, securities sales and trading, research, and the trading of foreign exchange and derivative products and certain commodities. The Company acts as a market-maker in all major equity and fixed income products in both the U.S. and international markets. Lehman Brothers is a member of all principal securities and commodities exchanges in the United States, as well as the National Association of Securities Dealers, Inc., and holds memberships or associate memberships on several principal international securities and commodities exchanges, including the London, Tokyo, Hong Kong, Frankfurt, Paris and Milan stock exchanges.

Lehman Brothers provides a full array of capital market products and advisory services worldwide. Through the Company's investment banking, trading, research, structuring and distribution capabilities in equity and fixed income products, the Company continues its focus of building its client/customer business model. These "customer flow" activities represent a majority of the Company's revenues. In addition to its customer flow activities, the Company also takes proprietary positions, the success of which is dependent on its ability to anticipate economic and market trends. The Company believes its customer flow orientation mitigates its overall revenue volatility.

LBHI was incorporated with limited liability for an unlimited duration in the State of Delaware on December 29, 1983. LBHI's principal executive offices are located at 745 Seventh Avenue, New York, New York 10019, U.S.A.

Risk Management

As a leading global investment banking company, risk is an inherent part of the Company's businesses. Global markets, by their nature, are prone to uncertainty and subject participants to a variety of risks. Lehman Brothers has developed policies and procedures to identify, measure and monitor each of the risks involved in its trading, brokerage and investment banking activities on a global basis. The principal risks of Lehman Brothers are market, credit, liquidity, legal and operational risks. As part of the Company's customer flow activities, Lehman Brothers takes proprietary positions in interest rates, foreign exchange and various securities, derivatives and commodities. Although the Company seeks to mitigate risk associated with such positions through hedging activities, consistent with its expectations of future events, it is subject to the risk that actual market events may differ from the Company's expectations, which may result in losses associated with such positions.

Overall risk management policy is established at the Office of the Chairman level and begins with the Capital Markets Committee, which consists of the Chief Executive Officer, other members of the Company's Executive Committee, the Global Head of Risk, the Chief Economist and Strategist as well as various other business heads. The Capital Markets Committee serves to frame the Company's risk opinion in the context of the global market environment. The Company's Risk Committee, which consists of the Chief Executive Officer, members of the Executive Committee and the Global Head of Risk, meets monthly and reviews all risk exposures, position concentrations and risk taking activities.

The Global Risk Management Group (the "Group") is independent of the trading areas and reports directly into the Office of the Chairman. The Group includes credit risk management, market risk management and operational risk management. Combining these disciplines facilitates the analysis of risk exposures, while leveraging personnel and information technology resources in a cost-efficient manner. The Group maintains staff in each of the Company's regional trading centers and has daily contact with trading staff and senior management at all levels within the Company. These discussions include a review of trading positions and risk exposures.

Competition

All aspects of the Company's business are highly competitive. The Company competes in U.S. and international markets directly with numerous other brokers and dealers in securities and commodities, including online securities brokerage firms, investment banking firms, investment advisors and certain commercial banks and, indirectly for investment funds, with insurance companies and others. The financial services industry has become considerably more concentrated as numerous securities firms have been acquired by or merged into other firms. These developments have increased competition from other firms, many of which have significantly greater equity capital than the Company. Legislative and regulatory changes in the United States allow commercial banks to enter businesses previously limited to investment banks, and several combinations between commercial banks and investment banks have occurred, which has further increased competition.

Management

Board of Directors of LBHI

Set forth below are the names, the principal occupations and principal outside activities of the current members of the Board of Directors of the Company, each of whose business address in their capacity as a Director is at the Company's principal place of business:

Name	Principal Occupation	Principal Outside Activities
Richard S. Fuld, Jr.....	Chairman and Chief Executive Officer	Chairman of the U.S. Thailand Business Council, Trustee of the Mount Sinai Medical Center, Member of the University of Colorado Business Advisory Council and a member of the Executive Committee of the New York City Partnership and a Director of Ronald McDonald House.
Michael L. Ainslie.....	Private Investor and Former President and Chief Executive Officer of Sotheby's Holdings	Director of St. Joe Company and Artesia Technologies, Trustee of Vanderbilt University and Chairman of the Posse Foundation.
John F. Akers.....	Retired Chairman of International Business Machines Corporation	Director of W. R. Grace & Co., The New York Times Company, PepsiCo, Inc. and Hallmark Cards, Inc.
Roger S. Berlind.....	Theatrical Producer	Theatrical producer and principal of Berlind Productions, Director of Lehman Brothers, Inc. and Governor of the League of American Theatres and Producers.
Thomas H. Cruikshank.....	Retired Chairman and Chief Executive Officer of Halliburton Company	Director of The Williams Companies, Inc.

Name	Principal Occupation	Principal Outside Activities
Henry Kaufman	President of Henry Kaufman & Company, Inc.	Director of Federal Home Loan Mortgage Corporation and the Statue of Liberty-Ellis Island Foundation Inc., Member and Chairman Emeritus of the Board of Trustees of the Institute of International Education, Member of the Board of Trustees of New York University. Member and Chairman Emeritus of the Board of Overseers of the Stern School of Business of New York University and Member of the Board of Trustees of the Animal Medical Center. Member of the Board of Trustees of the Whitney Museum of American Art, a Member of the International Advisory Committee of the Federal Reserve Bank of New York, a Member of the Advisory Committee to the Investment Committee of the International Monetary Fund Staff Retirement Plan, a Member of the Board of Governors of Tel-Aviv University and Treasurer (and former Trustee) of The Economic Club of New York.
John D. Macomber	Principal of JDM Investment Group	Director of Mettler-Toledo International, Sovereign Specialty Chemicals Inc. and Textron Inc. Chairman of the Council for Excellence in Government and Vice Chairman of the Atlantic Council, Director of the National Campaign to Prevent Teen Pregnancy and the Smithsonian Institute and a Trustee of the Carnegie Institution of Washington and the Folger Library.
Dina Merrill	Director and Vice Chairman of RKO Pictures, Inc. and Actress	Vice President of the New York City Mission Society, Trustee of the Eugene O'Neill Theater Foundation, Director of Orbis International, the Juvenile Diabetes Foundation and the Museum of Television and Radio.

Employees

As of November 30, 2002, the Company employed approximately 12,300 persons, including 8,000 in North America and 4,300 internationally. The Company considers its relationship with its employees to be good.

Legal Proceedings

The Company is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business. Such proceedings include actions brought against the Company and others with respect to transactions in which the Company acted as an underwriter or financial advisor, actions arising out of the Company's 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 the Company.

Although there can be no assurance as to the ultimate outcome, the Company generally has denied, or believes it has a meritorious defense and will deny, liability in all significant cases pending against it including the matters described below, and it intends to defend vigorously each such case. Based on information currently available and established reserves, the Company believes that the eventual outcome of the actions against it, including the matters described below, will not, in the aggregate, have a material adverse effect on the consolidated financial position or cash flows of the Company but may be material to the Company's operating results for any particular period, depending on the level of the Company's income for such period.

Research Analyst Independence Investigations

On December 20, 2002, LBI, reached an agreement in principle with the SEC, the New York State Attorney General's Office, the New York Stock Exchange ("NYSE"), the National Association of Securities Dealers ("NASD") and the North American Securities Administrators Association (on behalf of state and territory securities regulators) to resolve their industry-wide investigations relating to allegations of research analyst conflicts of interest at various investment banking firms, including LBI.

On April 28, 2003, a final global regulatory settlement based on the agreement in principle (the "Final Global Settlement") was announced, involving several of the leading securities firms in the United States, including LBI, and various federal and state regulators and self-regulatory organizations. Without admitting or denying any of the allegations of violations of certain NASD and NYSE rules relating to investment research activities, LBI entered into consents and agreements with the SEC, the NYSE, the NASD and the Alabama Securities Commission (which acted as LBI's lead state regulator in connection with the Final Global Settlement) to resolve their investigations of LBI relating to those matters.

Pursuant to the Final Global Settlement, LBI agreed to (i) pay $25 million as a penalty, (ii) pay $25 million as disgorgement of commissions and other monies, (iii) contribute a total of $25 million over five years to provide third-party independent research to clients, (iv) contribute a total of $5 million over five years towards investor education, (v) adopt internal structural and operational reforms that will further augment the steps it has already taken to promote research analyst independence and (vi) be enjoined from the alleged violations of NASD and NYSE rules. In connection with the Final Global Settlement, LBI also voluntarily agreed to adopt restrictions on the allocation of shares in initial public offerings to executives and directors of public companies. LBI expects to reach similar arrangements with most or all of the other states, the District of Columbia and the Commonwealth of Puerto Rico. Any monetary penalties and other payments required by these individual arrangements are expected to be included within the aggregate amounts discussed above.

In April 2003, to effectuate the Final Global Settlement, the SEC filed a Complaint and Final Judgment in the United States District Court for the Southern District of New York. The Final Judgment has not yet been entered by the court, and the court has asked for certain additional information. Also in April, the NASD accepted the Letter of Acceptance, Waiver and Consent entered into with LBI in connection with the Final Global Settlement; and in May 2003, the NYSE advised LBI that the Hearing Panel's Decision, in which it accepted the Final Global Settlement, had become final. Payment will be made in conformance with the payment provisions of the Final Judgment, once the Final Judgment is entered.

The Company recorded a pre-tax charge of $80 million ($56 million after-tax) in the fourth quarter of 2002 relating to the Final Global Settlement, for which the agreement in principal had been signed on December 20, 2002.

Since the announcement of the Final Global Settlement, six purported class actions have been filed against LBI in three federal courts, five of which are specific to LBI's research of particular companies (Razorfish, Inc., RealNetworks, Inc. and RSL Communications, Inc.) and one of which purports to relate to all research coverage by LBI and nine other defendants (other firms which settled with the regulators) for the 1999 through 2001 time period. (*Swack v. Lehman Brothers Inc.,* in the United States District Court for the District of Massachusetts (Razorfish)*; DeMarco v. Lehman Brothers Inc., et al.*, *Sved v. Lehman Brothers Inc., et al.* and *Gravino v. Lehman Brothers Inc. et al.,* all in the United States District Court for the Southern District of New York (RealNetworks)*; Sved v. Lehman Brothers Inc.,* in the United States District Court for the Southern District of New York (RSL Communications); and *Cannon v. Citigroup Global Markets Inc., et al.,* in the United States District Court for the District of Colorado.) All the actions allege conflicts of interest between LBI's investment banking business and research activities.

In June 2003, a purported derivative action, *Bader and Yakaitis P.S.P. and Trust, et al. v. Michael L. Ainslie, et al.*, relating to the Final Global Settlement was filed (but has not yet been served) in New York State Supreme Court. The suit names Holdings and its Board of Directors as defendants and contends that the Board should have been aware of and prevented the alleged misconduct which resulted in the settlement with regulators.

Also in June 2003, in the Circuit Court of Marshall County, West Virginia, the Attorney General of West Virginia filed a civil action on behalf of the State of West Virginia against LBI and nine other investment banks. The Complaint alleges multiple violations of the West Virginia Consumer Credit and Protection Act ("CCPA") from July 1, 1999 through the present. The Complaint seeks $5,000 in money damages per violation for each and every violation of the CCPA. The specific allegations against LBI are identical to those in the Complaint and Final Judgment that the SEC filed against LBI and the other investment banking firms.

AIA Holding SA et al. v. **Lehman Brothers Inc. and Bear Stearns & Co., Inc.**

In July 1997, LBI was served with a complaint in the United States District Court for the Southern District of New York (the "New York District Court") in which 277 named plaintiffs asserted 24 causes of action against LBI and Bear Stearns & Co., Inc. The amount of damages was unspecified. The claims arose from the activities of an individual named Ahmad Daouk, who was employed by an introducing broker which introduced accounts to LBI between 1988 and 1992. Daouk allegedly perpetrated a fraud upon the claimants, who are mostly investors of Middle Eastern origin, and the complaint alleged that LBI breached various contractual and common law duties owed to the investors. In March 1998, the District Court dismissed without prejudice 18 of the 24 counts pleaded in the complaint. In July 1998, the plaintiffs served a First Amended Complaint containing 18 causes of action against LBI and/or Bear Stearns. Prior to the date for the trial, in December 2002 all parties agreed to a settlement of all claims.

Actions Regarding Enron Corporation

In April 2002, a Consolidated Complaint for Violation of the Securities Laws was filed in the United States District Court for the Southern District of Texas (the "Texas District Court") in *In re Enron Corporation Securities Litigation* (the "*Enron Litigation*"), alleging claims for violation of Sections 11 and 15 of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act'), and Rule 10b-5 thereunder, and the Texas Securities Act. The case is brought purportedly on behalf of purchasers of Enron Corporation's publicly traded equity and debt securities between October 19, 1998, and November 27, 2001, against Holdings and eight other commercial or investment banks, 38 current or former Enron officers and directors, Enron's accountants, Arthur Andersen LLP ("Andersen") (and affiliated entities and partners) and two law firms. The complaint seeks unspecified compensatory and injunctive relief based on the theory that defendants engaged or participated in manipulative devices to inflate Enron's reported profits and financial condition, made false or misleading statements and participated in a scheme or course of business to defraud Enron's shareholders. On December 20, 2002, the Court granted Holdings' motion to dismiss as to the Section 10(b)/Rule 10b-5 claim and dismissed that claim as to Holdings. The other claims against Holdings remain pending.

In May 2002, a complaint was filed in the District Court of Galveston County, Texas, 56th Judicial Circuit, against LBI and Holdings by American National Insurance Company and certain of its affiliates. The complaint is based on the allegations in the *Enron Litigation* and asserts that plaintiffs relied on defendants' allegedly false and misleading statements in purchasing and continuing to hold Enron debt and equities in their LBI accounts. The complaint alleges violations of the Texas State Securities Act, fraud, breach of fiduciary duty, negligence and professional malpractice, and seeks unspecified compensatory relief and punitive damages. LBI and Holdings removed this case to the Texas District Court, and plaintiffs have filed a motion to remand the case back to state court.

Also in May 2002, a Third Amended Petition was filed in the District Court of Tulsa County, Oklahoma, by Samson Investment Company alleging that Andersen is liable for plaintiffs' damages, allegedly incurred in connection with certain contracts entered into with Enron. Plaintiffs allege that Andersen conspired with Enron to misrepresent Enron's financial condition in its financial statements. In December 2002, Andersen filed a Third-Party Petition against LBI, Holdings and other commercial and investment banks. The Third Party Petition seeks contribution from LBI and Holdings in the event Andersen is held liable to plaintiffs and alleges that LBI, Holdings and other third-party defendants were involved in creating and using Enron's special purpose entities ("SPEs"), engaged in transactions with the SPEs, misrepresented or failed to disclose to Andersen information about the SPEs and issued analysts' reports that enhanced the public's perception of Enron's financial performance and condition.

In August 2002, a complaint was filed in the Court of Common Pleas, Civil Division, Franklin County, Ohio, against Holdings, along with four other commercial or investment banks, among other defendants, by the Public Employees Retirement System of Ohio and three other state employee retirement plans. The complaint

alleges that defendants engaged or participated in manipulative devices to inflate Enron's reported profits and financial condition, made false or misleading statements and participated in a scheme or course of business to defraud Enron's shareholders, and that plaintiffs relied on defendants' false and misleading statements in purchasing and continuing to hold Enron debt and equities in the State's pension funds. Against Holdings, the complaint alleges claims for common law fraud and deceit, aiding and abetting common law fraud, conspiracy to commit fraud, negligent misrepresentation and violation of the Texas Securities Act, and seeks unspecified compensatory relief and punitive damages. This action was removed to federal court, transferred to the Texas District Court and consolidated with the *Enron Litigation*.

Also in August 2002, Capital Management, L.P., the former general partner of LJM2 Co-Investment, L.P. ("LJM2"), an Enron-related SPE, filed a third-party claim in Delaware Chancery Court alleging that Holdings' subsidiary LB I Group Inc., an investor in LJM2, together with the other LJM2 limited partners breached the Limited Partnership Agreement by rescinding a capital call. The case has been removed to federal court and a motion has been made to transfer it to the U.S. Bankruptcy Court in Dallas, Texas, where the LJM2 bankruptcy is proceeding. A motion to remand the case back to state court is also pending.

In September 2002, the Washington State Investment Board, which is a named plaintiff in the *Enron Litigation*, filed a new purported class action in the Texas District Court. This action mirrors the claims in the *Enron Litigation*, but alleges a class action period of September 9, 1997, to October 18, 1998. This action is an attempt to expand the class action period in the *Enron Litigation* based upon the lengthened statute of limitations in the Sarbanes-Oxley Act of 2002.

In October 2002, two actions were filed in Iowa state court (Linn and Polk Counties) against LBI and Holdings, along with several other commercial or investment banks, by AUSA Life Insurance Co., Principal Global Investors, LLC, and certain other purchasers of Enron securities. The complaints seek rescission and an unspecified amount of compensatory and punitive damages. The complaints allege that defendants participated in the alleged Enron fraudulent scheme by participating in Enron's debt offerings, making disguised loans to Enron and participating in transactions involving Enron's SPEs, which were used to avoid recognizing losses. Plaintiffs allege that through the performance of these services, defendants gained knowledge of Enron's inflated values but failed to disclose that information. The 15 complaints allege violations of the Iowa Securities Act and claims for fraud and deceit and for civil conspiracy. The Polk County action was removed to federal court but has been remanded to state court. The Linn County action has been removed to federal court, and plaintiffs have moved to remand it back to state court, while defendants have requested that the action be transferred to the Bankruptcy Court for the Southern District of New York, where the Enron bankruptcy is proceeding.

Also in October 2002, a complaint was filed in Superior Court for Los Angeles County against LBI, Holdings, and other commercial or investment banks by two Oaktree Capital Management investment funds. The complaint alleges that Enron systematically falsified its financial statements using improper accounting valuations and false hedges that enabled Enron to boost its reported earnings. Plaintiffs allege that Enron's bankers, including LBI and Holdings, participated in the fraudulent scheme by obtaining loan proceeds that Enron falsely characterized as prepaid commodity trades, falsely concealing the true financial condition of Enron from rating agencies and institutional investors and creating and using note offerings by Enron's SPEs to generate new cash for Enron. The complaint alleges that defendants knew and acted on inside information about Enron's true financial condition in connection with its offerings of Enron securities, while misrepresenting or omitting material facts to the public. The complaint makes claims under California state law for trading on inside information, for making false and misleading statements and for unfair competition by material misstatements or omissions in connection with Enron securities offerings. The complaint seeks compensatory damages, an accounting, restitution and disgorgement of profits.

In December 2002, a Second Amended Petition was filed against Andersen in the District Court of Washington County, Texas, 21st Judicial District, by Jane Bullock and other purchasers of Enron securities making claims for fraud, negligent misrepresentation and civil conspiracy in connection with allegedly materially misleading public statements concerning Enron's financial condition. In February 2003, Andersen filed a Third-Party Petition against LBI, Holdings and other commercial or investment banks. The Third Party Petition seeks assessment of proportionate liability and contribution from LBI and Holdings and the other third-party defendants. The Third Party Petition alleges that the third-party defendants were involved in creating, structuring, using and managing Enron's SPEs, misrepresented or failed to disclose information regarding the SPEs, made public statements about Enron, financially assisted Enron, assisted Enron in raising money, invested in the SPEs and engaged in transactions involving Enron's assets.

In February 2003, Arthur Andersen LLP filed a third-party petition against LBI, Holdings and other commercial or investment banks. The third-party petition relates to an original petition filed against Anderson in the District Court of Harris County, Texas, 11th Judicial District, by Al Rajhi Investment Corporation BV, making claims for fraud and negligent misrepresentation in connection with allegedly materially misleading public statements concerning Enron's financial condition in connection with a metals sale in which plaintiff allegedly extended $100 million of credit to Enron. The third-party petition seeks assessment of proportionate liability and contribution from LBI, Holdings and the other third-party defendants. The third-party petition alleges that the third-party defendants were involved in creating, structuring, using and managing Enron's special purpose entities ("SPEs"), misrepresented or failed to disclose information regarding the SPEs, made public statements about Enron, financially assisted Enron, assisted Enron in raising money, invested in the SPEs and engaged in transactions involving Enron's assets.

In April 2003, Westboro Properties LLC and Stonehurst Capital, Inc. filed a complaint against LBI, Holdings and other commercial or investment banks in the United States District Court for the Southern District of Texas. Plaintiffs allege that defendants engaged in fraud, negligence and conspiracy under the federal securities laws and Texas common and statutory law in inducing plaintiffs to purchase certain certificates, or investments, in two special purpose entities ("SPEs"), Osprey I and Osprey II. Plaintiffs also allege that defendants aided and abetted Enron's fraud in setting up SPEs, allegedly falsifying Enron's books and records and in continuing to recommend Enron's stock.

First Alliance Mortgage Company Matters

During 1999 and the first quarter of 2000, Lehman Commercial Paper, Inc. ("LCPI") provided a warehouse line of credit to First Alliance Mortgage Company ("FAMCO"), and LBI underwrote the securitizations of mortgages originated by FAMCO. Prior to 1999, LCPI had provided a $25 million back-up warehouse line to FAMCO for an 18-month period, and LBI had co-managed four securitizations, one each quarter, both of which engagements ended at the conclusion of the third quarter of 1997. In March 2000, FAMCO filed for protection from its creditors under Chapter 11 of the United States Bankruptcy Code. In August 2001, a purported adversary class action (the "Class Action") was filed in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"), allegedly on behalf of a class of FAMCO borrowers seeking equitable subordination of LPCI's (among other creditors') liens and claims in the Bankruptcy Court. In October 2001, the complaint was amended to add LBI as a defendant and to add claims for aiding and abetting alleged fraudulent lending activities by FAMCO and for unfair competition under the California Business and Professions Code. In August 2002, a Second Amended Complaint was filed, which added a claim for punitive damages and extended the class period from May 1, 1996, until FAMCO's bankruptcy filing. The pending complaint seeks actual and punitive damages, the imposition of a constructive trust on all proceeds paid or being paid by FAMCO to LCPI and LBI, disgorgement of profits, and attorneys' fees and costs.

In November 2001, the Official Joint Borrowers Committee (the "Committee") initiated an adversary proceeding, allegedly on behalf of the FAMCO-related debtors, in the Bankruptcy Court by filing a complaint against LCPI, LBI, Holdings and several individual officers and directors of FAMCO and its affiliates. As to the Lehman Brothers defendants, the Committee asserted bankruptcy claims for avoidance of lien, recovery of property, equitable subordination and disallowance of claim, and also asserted claims for declaratory relief and aiding and abetting breach of fiduciary duty. In December 2001, the Committee amended its complaint, dropping Holdings as a defendant and adding claims for equitable indemnification and contribution, which claims have subsequently been dismissed. In addition to relief under the Bankruptcy Code, the Committee seeks unspecified compensatory damages.

The United States Court for the Central District of California (the "California District Court") withdrew the reference to the Bankruptcy Court in both of these cases and in February 2002 consolidated them before the California District Court. In November 2002, the California District Court entered an order defining the class in the Class Action as "all persons who acquired mortgage loans from First Alliance from May 1, 1996 through March 31, 2000, which were used as collateral for First Alliance's warehouse credit line with Lehman Commercial Paper Inc. or were securitized in transactions underwritten by Lehman Brothers Inc." In February 2003, the California District Court issued an Order granting Lehman's motion for summary judgment on the California Business and Professions Code claims and granting Lehman's motion for partial summary judgment on the claims prior to 1999 and dismissing those claims. Trial began on February 18, 2003. Separately, LBI has had discussions with the Florida Attorney General's office about that office's investigation of LBI regarding LBI's role in connection with First Alliance.

In June 2003, the United States Court for the Central District of California issued an order granting defendants' motion to dismiss plaintiffs' claim for punitive damages. On the same date, the jury rendered its verdict finding LBI and Lehman Commercial Paper, Inc. ("LCPI") liable for aiding and abetting First Alliance Mortgage Company's fraud. The jury found damages of $50,913,928 and held the Lehman Brothers defendants responsible for 10% of those damages. The court has not yet issued a decision on the claims for equitable subordination of amounts owed to LCPI at the time of First Alliance Mortgage Company's ("FAMCO") Chapter 11 filing and for avoidance of LCPI's liens and on other bankruptcy-related claims.

Also in June 2003, the Attorney General of the State of Florida filed a civil complaint against LCPI in the Circuit Court of the 17th Judicial Circuit in and for Broward County Florida, alleging violations of the Florida Unfair and Deceptive Trade Practices Act and common law fraud. The allegations arise out of LCPI's relationship with FAMCO insofar as FAMCO did business with Florida borrowers. The Office of the Florida Attorney General alleges in the complaint that, among other things, LCPI provided financing to FAMCO, despite LCPI's purported knowledge that FAMCO was engaged in "predatory lending" practices. The Complaint seeks a permanent injunction, compensatory and punitive damages, civil penalties, attorney's fees and costs.

Actions Regarding Frank Gruttadauria

LBI discovered in January 2002 that Frank Gruttadauria, the former branch manager of LBI's Cleveland office, which was acquired in October 2000 from SG Cowen Securities Corporation ("SG Cowen") as part of the purchase by LBI of certain accounts and related assets belonging to SG Cowen's private client group, had apparently been involved in creating false account statements for clients of that office and may have caused unauthorized transfers of funds from client accounts. This conduct allegedly took place for a number of years and began well prior to the acquisition of this office by LBI. Under the terms of the purchase agreement, SG Cowen retained liability for activities arising out of the conduct or operation of the business while owned by SG Cowen.

As of February 28, 2003, the following cases had been filed against Lehman Brothers and SG: eight cases in the United States District Court for the Northern District of Ohio, six cases in the United States District Court for the Northern District of Illinois, one case in the United States District Court for the Southern District of California, and one case in the United States District Court for the Eastern District of Wisconsin. One of the cases pending in the United States District Court for the Northern District of Illinois had been stayed pending arbitration before the NASD by agreement of the parties. Six arbitrations had been filed including four before the NYSE, the previously referenced matter before the NASD, and one additional matter before the NASD. Four of the foregoing matters, the case pending in United States District Court for the Southern District of California, two of the cases pending in the United States District Court for the Northern District of Illinois, and one of the cases filed before the NYSE, have been settled. Generally speaking, the remaining complaints, amended complaints and statements of claim allege violations of federal securities laws, violations of state and Blue Sky laws, civil conspiracy, and common law claims for fraud, promissory estoppel, negligent and reckless failure to supervise and breach of fiduciary duty. On the whole, plaintiffs seek compensatory and punitive damages, pre- and post-judgment interest, attorneys' fees and costs, an accounting, and in some instances, treble damages. Each case still pending in federal court is or will be subject to a motion to stay pending arbitration based on plaintiffs' contractual agreement to arbitrate their claims against defendants. As of February 28, 2003, eight of the federal court matters were subject to appeals to the United States Court of Appeals as a result of the district courts' denial of motions to stay pending arbitration.

As of April 14, 2003, another of the cases pending in the United States District Court for the Northern District of Illinois had been compelled to arbitration by order of the court.

As of July 15, 2003, two more cases had been settled: one of the cases on appeal from the United States District Court for the Northern District of Ohio, and one of the cases in the United States District Court for the Northern District of Illinois. The two remaining cases in the Northern District of Illinois have been submitted for arbitration before the New York Stock Exchange by agreement of the parties. Another case has been filed against Lehman Brothers and SG Cowen in the United States District Court for the Northern District of Ohio alleging generally the same claims and seeking generally the same relief as in the pending cases. Lehman Brothers intends to file a motion to stay the suit pending arbitration, based on the plaintiff's contractual agreement to arbitrate claims against the defendants.

LBI has received and responded to requests for information, documents and/or testimony related to the Gruttadauria matter from the NYSE, the SEC, the Division of Securities of the Department of Commerce of the State of Ohio ("Ohio Securities Division") and the U.S. House of Representatives Committee on Financial Services, Subcommittee on Oversight and Investigations. LBI is in discussions with the NYSE, the SEC and the Ohio Securities Division to resolve any regulatory concerns in this matter.

In Re Fleming Securities Litigation

In February 2003, a lawsuit captioned *Massachusetts State Carpenters Pension Fund v. Fleming Companies, Inc.*, *et al*. was filed in the 160th District Court of Dallas County, Texas, asserting claims arising under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933. The action was brought on behalf of a purported class of investors who purchased in two simultaneous Fleming securities offerings in June 2002. The offerings raised approximately $378 million. The complaint alleges that the prospectus and registration statement for the offerings contained false and misleading statements or omitted material facts concerning, among other things, deductions Fleming took on vendor invoices, its accounting for recognition of income, amortization of long term assets and use of capitalized interest, and the performance of Fleming's retail operations. The complaint seeks unspecified damages, interest, attorneys' fees, costs and expenses. In addition to Fleming, the suit named ten individual defendants (officers and/or directors of Fleming), Fleming's auditor, and the underwriters of the offerings, including LBI.

The case was removed to the United States District Court for the Northern District of Texas. Subsequent to that removal, on April 1, 2003, Fleming filed for protection under the federal bankruptcy code. Also in April 2003, plaintiffs filed a virtually identical second lawsuit in the United States District Court for the Eastern District of Texas.

IPO Allocation Cases

LBI was named as a defendant in approximately 192 purported securities class actions that were filed between March and December 2001 in the New York District Court. The actions, which allege improper IPO allocation practices, have been brought by persons who, either directly or in the aftermarket, purchased IPO securities during the period between March 1997 and December 2000. The plaintiffs allege that Lehman and other IPO underwriters required persons receiving allocations of IPO shares to pay excessive commissions on unrelated trades and to purchase shares in the aftermarket at specified escalating prices. The plaintiffs, who seek unspecified compensatory damages, claim that these alleged practices violated various provisions of the federal securities laws, specifically, sections 11, 12(a)(2) and 15 of the Securities Act, section 10(b) of the Exchange Act, Rule 10b-5 thereunder, and section 20(a) of the Exchange Act. The 192 actions in which LBI was named a defendant have been consolidated into 83 cases, each involving a distinct offering. Those 83 consolidated cases, and approximately 240 others in which LBI is not named as a defendant, have been coordinated for pretrial purposes before a single judge.

In January 2002, a separate consolidated class action, entitled *In re Initial Public Offering Antitrust Litigatio*n, was filed against LBI, among other underwriters, alleging violations of federal and state antitrust laws. The complaint alleges that the underwriter defendants conspired to require customers who wanted IPO allocations to pay back to the underwriters a percentage of their IPO profits in the form of commissions on unrelated trades, to purchase other, less attractive securities and to buy shares in the aftermarket at predetermined escalating prices. Originally filed as twelve separate class actions in three different courts, the consolidated antitrust action is now pending before a single judge—different from the one hearing the securities cases—in the New York District Court. The antitrust plaintiffs seek unspecified treble damages.

In April 2002, a suit was filed in Delaware Chancery Court by Breakaway Solutions Inc. ("Breakaway"), which names LBI and two other underwriters as defendants. The complaint purports to be brought on behalf of a class of issuers who issued securities in initial public offerings ("IPOs") through at least one of the defendants during the period of January 1998 through October 2000 and whose securities increased in value 15% or more above the original price within 30 days after the IPO. It alleges that defendants underpriced IPO securities and allocated those underpriced securities to certain favored customers in return for alleged arrangements with the customers for increased commissions on other transactions and alleged tie-in arrangements. The complaint asserts claims for breaches of contract, of the implied covenant of good faith and fair dealing and of fiduciary duty, and for indemnification or contribution and unjust enrichment or restitution. Breakaway seeks, among other relief, certification of a class, a permanent injunction preventing defendants from engaging in the alleged practices, an accounting of all defendants' commissions, profits and compensation in connection with the IPOs, declarations requiring defendants to indemnify Breakaway in the pending consolidated IPO securities class actions and determining that Breakaway has no indemnification obligation to defendants in those actions, and compensatory damages.

Lehman Brothers recently received requests from the NYSE, acting in coordination with the SEC and the NASD, for information, documents and testimony relating to "spinning" (the alleged allocation by underwriters of shares of "hot" IPOs to directors and officers of existing or potential investment banking clients in return for their firms' investment banking business). The Company is in the process of responding to these requests.

CONSOLIDATED CAPITALIZATION AND INDEBTEDNESS OF LEHMAN BROTHERS HOLDINGS INC.

All of the financial information below 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 months ended November 30, 2002 filed with the SEC and from the unaudited consolidated financial statements of LBHI for the six months ended May 31, 2003. The following table sets forth the audited consolidated capitalization and indebtedness of LBHI and its subsidiaries as of November 30, 2002 and the unaudited consolidated capitalization and indebtedness of LBHI and its subsidiaries as of May 31, 2003[1]:

	At May 31, 2003	At November 30, 2002
	(U.S.$ millions)	
Commercial paper and short-term debt	$ 2,499	$ 2,369
Long-term indebtedness:		
Senior Notes	41,225	36,283
Subordinated indebtedness	2,305	2,395
Total long-term indebtedness	43,530	38,678
Total commercial paper, short- and long-term indebtedness	46,029	41,047
Trust preferred securities subject to mandatory redemption	1,010	710
Stockholders' equity:		
Preferred Stock[2]: 38,000,000 shares authorized:		
Shares issued: 590,000 at November 30, 2002	700	700
Common Stock: $0.10 par value: 600,000,000 shares authorized:		
Shares issued: 260,633,589 in 2003 and 258,791,416 in 2002;		
Shares outstanding: 242,422,322 in 2003 and 231,131,043 in 2002	26	25
Additional paid-in capital	3,412	3,628
Accumulated other comprehensive income (net of tax)	(2)	(13)
Retained earnings	6,262	5,608
Other stockholders' equity, net	607	949
Common Stock in treasury at cost: 18,211,267 shares in 2003 and 27,660,373 shares in 2002	(1,370)	(1,955)
Total stockholders' equity	9,635	8,942
Total commercial paper, short- and long-term indebtedness, trust preferred securities and stockholder's equity	56,674	50,699

Notes:

1. There has been no material change in the capitalization, indebtedness and contingent liabilities of LBHI since May 31, 2003. There has been no material change in the contingent liabilities of LBHI since November 30, 2002. As at November 30, 2002, the last date at which such detail is publicly available, LBHI's contingent liabilities amounted to $0.8 billion in respect of letters of credit. These letters of credit were primarily used to provide collateral for securities and commodities borrowed and to satisfy margin deposits at option and commodity exchanges. Only short term finance is obtained on a secured and unsecured basis. Unsecured financing is generally obtained through short term debt and the issuance of Commercial Paper. Short term debt and Commercial Paper as at May 31, 2002 was $2,499 million.
2. All preferred stock has a dividend preference over LBHI's common stock in the paying of dividends and a preference in the liquidation of assets.

SCHEDULE OF INDEBTEDNESS OF LBHI BY MATURITY, INTEREST AND DENOMINATION

	U.S. Dollar		Non-U.S. Dollar		
	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	November 30, 2002
			(in millions)		
Senior Notes					
Maturing in Fiscal 2003.....	$ 2,213	$ 3,634	$ 786	$851	$ 7,484
Maturing in Fiscal 2004.....	1,579	3,076	1,245	1,346	7,246
Maturing in Fiscal 2005.....	2,142	724	311	1,003	4,180
Maturing in Fiscal 2006.....	3,057	468	629	637	4,791
Maturing in Fiscal 2007.....	1,568	294	1,409	935	4,206
December 1, 2007 and thereafter	5,627	601	534	1,614	8,376
Senior Notes.....	16,186	8,797	4,914	6,386	36,283
Subordinated Indebtedness					
Maturing in Fiscal 2003.....	487				487
Maturing in Fiscal 2004.....	210	234			444
Maturing in Fiscal 2005.....	106		9		115
Maturing in Fiscal 2006.....	337				337
Maturing in Fiscal 2007.....	339		8		347
December 1, 2007 and thereafter	665				665
Subordinated Indebtedness	2,144	234	17		2,395
Long-Term Debt	$ 18,330	$ 9,031	$ 4,931	$ 6,386	$38,678

Of LBHI's long-term debt outstanding as of November 30, 2002, $837 million is repayable prior to maturity at the option of the holder, at par value. These obligations are reflected in the above table as maturing at their put dates, which range from fiscal 2003 to fiscal 2004, rather than at their contractual maturities, which range from fiscal 2004 to fiscal 2026. In addition, $720 million of LBHI's long-term debt is redeemable prior to maturity at the option of LBHI under various terms and conditions. These obligations are reflected in the above table at their contractual maturity dates.

As of November 30, 2002, LBHI's U.S. dollar and non-U.S. dollar debt portfolios included approximately $1,416 million and $2,972 million, respectively, of debt for which the interest rates and/or redemption values or maturity have been linked to the performance of various indices including industry baskets of stocks or commodities or events. Generally, such notes are issues as floating rate notes or the interest rates on such indexed notes are effectively converted to floating rates based primarily on LIBOR through the use of interest rate, currency and equity swaps.

End User Derivative Activities. LBHI utilizes a variety of derivative products including interest rate, currency and equity swaps as an end user to modify the interest rate characteristics of its long-term debt portfolio. LBHI primarily utilizes interest rate swaps to convert a substantial proportion of the Company's fixed rate debt to floating interest rates to more closely match the terms of assets being funded and to minimize interest rate risk. In addition, LBHI utilizes cross-currency swaps to hedge its exposure to foreign currency risk as a result of its non-U.S. dollar debt obligations, after consideration of non-U.S. dollar assets which are funded with long-term debt obligations in the same currency. In certain instances, two or more derivative contracts may be utilized by LBHI to manage the interest rate nature and/or currency exposure of an individual long-term debt issuance.

Effective 2001, LBHI adopted SFAS 133 and as such all end-user derivatives at November 31, 2001 are recorded at fair value on the balance sheet. LBHI adjusted the carrying value of its hedged fixed rate debt to a modified mark-to-market value in accordance with SFAS 133, as such debt was designated as the hedged item of a fair value hedge.

At November 30, 2002 and 2001, the notional amounts of LBHI's interest rate, currency and equity swaps related to its long-term debt obligations were approximately $49.1 billion and $35.1 billion, respectively.

LBHI's end user derivative activities resulted in the following changes to LBHI's mix of fixed and floating rate debt and effective weighted average rates of interest.

END USER DERIVATIVE ACTIVITIES OF LBHI

	November 30, 2002			
	Long-Term Debt		Weighted Average[1]	
	Before End-User Activities	After End-User Activities	Contractual interest rate	Effective Rate After End-User Activities
	(in U.S.$ millions)			
U.S. Dollar Obligations				
Fixed rate	$18,330	$ 170		
Floating rate	9,031	31,729		
	27,361	31,899		
Non-U.S. Dollar Obligations	11,317	6,779		
Total	$38,678	$38,678	4.73%	2.29%

1. Weighted-average interest rates were calculated using non-U.S. dollar interest rates, where applicable.

SUMMARY FINANCIAL INFORMATION OF LEHMAN BROTHERS HOLDINGS INC.

Year-End Financial Information. The following table sets forth selected consolidated financial information on LBHI for the periods indicated. The selected consolidated financial information for the twelve months ended November 30, 2002 and for the six months ended May 31, 2003 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 months ended November 30, 2002, filed with the SEC and from the unaudited consolidated financial statements of LBHI for the six months ended May 31, 2003, respectively. The selected consolidated financial information for the years ended November 30, 2001 and November 30, 2000 is extracted without material adjustment from the audited consolidated financial statements of LBHI. The selected consolidated financial information for the six months ended May 31, 2003 is extracted without material adjustment from the unaudited consolidated financial statements of LBHI for such period.

Statement of Operations Data

	Six months ended May 31, 2003	Year ended November 30, 2002	Year ended November 30, 2001	Year ended November 30, 2000
		(in U.S.$ millions)		
Revenues:				
Principal transactions	$2,043	$1,951	$2,779	$3,713
Investment banking	803	1,771	2,000	2,216
Commissions	561	1,286	1,091	944
Interest and dividends	5,132	11,728	16,470	19,440
Other	31	45	52	134
Total revenues	8,570	16,781	22,392	26,447
Interest expense	4,568	10,626	15,656	18,740
Net revenues	4,002	6,155	6,736	7,707
Non-Interest Expenses:				
Compensation and benefits	2,041	3,139	3,437	3,931
Other expenses	896	1,617	1,551	1,197
Total non-interest expenses	2,937	4,756	4,988	5,128
Income before taxes and dividends on trust preferred securities	1,065	1,399	1,748	2,579
Provision for income taxes	295	368	437	748
Dividends on trust preferred securities	32	56	56	56
Net income (loss)	$738	$975	$1,255	$1,775
Net income (loss) applicable to common stock	$716	$906	$1,161	$1,679
Earnings per common share (diluted):	$2.81	$3.47	$4.38	$6.38

Balance Sheet Data

	At May 31, 2003	At November 30, 2002	At November 30, 2001	At November 30, 2000
		(in U.S.$ millions)		
Total assets	$302,410	$260,336	$247,816	$224,720
Total assets (excluding matched book)[1]	189,586	165,995	164,538	143,478
Commercial paper and short-term debt	2,499	2,369	4,865	5,800
Long-term debt[2]	43,530	38,678	38,301	35,233
Total liabilities	291,765	250,684	238,647	216,079
Total stockholders' equity	9,635	8,942	8,459	7,781
Total capital[3]	54,175	48,330	47,470	43,874

Notes:

1 Matched book represents "securities repurchased under agreements to resell" ("reverse repos") to the extent that such balance is less than "securities sold under agreements to repurchase" ("repos") as of the statement of financial condition state. Several nationally recognized ratings agencies consider such reverse repos to be a proxy for matched book assets when evaluating the Company's capital strength and financial ratios. Such agencies consider matched book assets to have a low risk profile and exclude such amounts in the calculation of leverage (total assets divided by total stock holder's equity and trust preferred securities). Although there are other assets with similar risk characteristics on the Company's Consolidated Statement of Financial Condition, the exclusion of reverse repos from total assets in this calculation reflects the fact that these assets are matched against liabilities of a similar nature, and therefore require minimal amounts of capital support. Accordingly, the Company believes that the ratio of total assets excluding matched book to total stockholder's equity and trust preferred securities to be a more meaningful measure of the Company's leverage.

2. Long-term debt includes senior notes and subordinated debt.

3. Total capital includes long-term debt, stockholders' equity and preferred securities subject to mandatory redemption.

LEHMAN BROTHERS TREASURY CO. B.V

General

LBTCBV was incorporated in The Netherlands on March 8, 1995 (with registration number 33267322 with the Chamber of Commerce and Industry of Amsterdam (*Kamer van Koophandel en Fabrieken*)) as a private company with limited liability (*"besloten vennootschap met beperkte aansprakelijkheid"*) for an unlimited duration. LBTCBV is a wholly-owned subsidiary of Lehman Brothers U.K. Holdings (Delaware) Inc., a company incorporated under the laws of the State of Delaware, which is in turn wholly-owned by LBHI. The principal activity of LBTCBV is to act as a Netherlands finance company supporting the working capital needs of various, principally European, subsidiaries of LBHI. LBTCBV does not have any subsidiary undertakings. LBTCBV has no employees.

The registered office and principal place of business of LBTCBV is at Officia 1, 2nd Floor, De Boelelaan 7, 1083 HJ Amsterdam, The Netherlands.

Directors of LBTCBV

Set forth below are the names and the principal occupations of the current members of the Board of Management of LBTCBV:

Name	Principal Occupation with LBTCBV
Leonard M. Fuller	Director
Sean P. Moore	Director
Frank O. Zeitz	Director

The business address of Leonard Fuller and Sean Moore is Talstrasse 82, 8021 Zurich, Switzerland and the business address of Frank Zeitz is Rathenauplatz 1, 60313 Frankfurt, Germany. At present, none of the members of the Board of Management have any principal outside activities.

CAPITALIZATION AND INDEBTEDNESS OF LEHMAN BROTHERS TREASURY CO. B.V.

The following table sets forth the capitalization and indebtedness of LBTCBV as of November 30, 2002. The information contained in the following table is extracted without material adjustment from the audited financial statements of LBTCBV for the year ended November 30, 2002.[1]

	At November 30, 2002
	(in EUR thousands)
Indebtedness:	
Total long-term indebtedness[2]	3,445,629
Total short-term indebtedness	294,105
Total long- and short-term indebtedness[3]	3,739,734
Capital and reserves:	
Ordinary shares, EUR 453.78 par value; 7,500 authorized; 1,700 allotted, called up and fully paid	771
Profit and loss[4]	10,625
Total capital and reserves	11,396
Total long- and short-term indebtedness and capital and reserves[5]	3,751,130

Notes:

1. LBTCBV issues consolidated financial statements on an annual basis. The information contained in the above table therefore represents the most recent consolidated financial statements as are available.

2. At November 30, 2002, LBTCBV had outstanding EUR 3,445,629 in long-term indebtedness as follows:

	EUR Amount
	(in thousands)
Euros (balance sheet interest rates range between 0%–6.75%)	2,165,001
US dollars (balance sheet interest rates range between 0.00%–7.90%)	785,340
Japanese yen (balance sheet interest rates range between (0.24)%–2.40%)	342,414
Swedish kronor (balance sheet interest rate range between 4.65%–4.76%)	24,637
Hong Kong Dollars (balance sheet interest rates range between 2.37%–8.88%)	128,237
	3,445,629

3. All LBTCBV's indebtedness is guaranteed by LBHI. All LBTCBV's indebtedness is unsecured.

4. No dividend was paid in respect of either the year ended November 30, 2002 or the year ended November 30, 2001.

5. There has been no material change in the capitalization, indebtedness and contingent liabilities of LBTCBV since November 30, 2002. As at that date, LBTCBV had no contingent liabilities.

SUMMARY FINANCIAL INFORMATION OF LEHMAN BROTHERS TREASURY CO. B.V.

Year-End Financial Information

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

The selected financial information is extracted without material adjustment from the audited financial statements of LBTCBV for the year ended November 30, 2002.

Profit and Loss Account Data

	Year ended November 30, 2002	Year ended November 30, 2001
	(in EUR thousands)	
Financial Income and (Expense)		
Net interest income from group company	101,175	139,768
Gains on early redemption	1,768	(48)
Other income	(739)	46
Interest expense	(96,653)	(135,393)
Net Financial Income	5,551	4,374
Operating and other expenses	(50)	(64)
Profit Before Taxation	5,501	4,310
Taxation	(2,211)	(1,345)
Net Profit for the Year	3,290	2,966

Balance Sheet Data

	At November 30, 2002	At November 30, 2001
	(in EUR thousands)	
Total assets	3,813,014	3,608,232
Total current liabilities[1]	355,989	880,849
Long-term liabilities[1]	3,445,629	2,719,277
Total shareholder's equity	11,396	8,107
Total capital (shareholder's equity and long-term liabilities)	3,457,025	2,727,383

Note:

1. For the years ended November 30, 2001 and November 30, 2002, the total liabilities of LBTCBV will consist of the sum of the Total current liabilities and the Long-term liabilities. The information contained in the above tables represents the most recent financial information as is available.

LEHMAN BROTHERS BANKHAUS AKTIENGESELLSCHAFT

General

Lehman Brothers Bankhaus Aktiengesellschaft (LBB) was incorporated in Germany on June 3, 1987 (with registration number 28139 in the Commercial Register Frankfurt am Main (*Handelsregister in Frankfurt am Main*)) as a private Stock Corporation (*"Aktiengesellschaft"*) for an unlimited duration and entered into the Commercial Register of the Frankfurt am Main District Court 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, principally European, subsidiaries of LBHI. LBB does not have any subsidiary undertakings but a Branch Office in London, UK. LBB has 56 employees.

The registered office and principal place of business of LBB is at Rathenauplatz 1, 60313 Frankfurt am Main, Gremany.

The sole shareholder of LBB is Lehman Brothers Verwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main, whose sole shareholder is Lehman Brothers Holdings Inc..

Lehman Brothers Holdings Inc. issues consolidated financial statements for the largest group of consolidated companies. The consolidated financial statements for the smallest group of consolidated companies are drawn up by Lehman Brothers Verwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main. Both sets of consolidated financial statements are available from LBB.

There is a direct control and profit and loss transfer agreement with the sole shareholders Lehman Brothers Verwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main. On the basis of this agreement, LBB transferred €70.4 million to Lehman Brothers Verwaltungs- und Beteiligungsgesellschaft mbH for the fiscal year 2001 – 2002.

In the year covered by the report, 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.

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.

Name	Principal Occupation with LBB	Principal Outside Activities
Dr. Peter Coym	Director	Member of the Advisory Committee to the German Minister of Finance, Member of the Exchange Counsel "Börsenrat Eurex", Member of the Central Capital Market Committee (ZKMA), Member of the Supervisory Board of the German Deposit Protection Fund of the Association of German Banks "Einlagensicherungsfonds", Member of the Committee for the Enhancement of the Financial Center Germany "Ausschuss Finanzplatz Deutschland", Member of the Advisory Board of the Deutsche Bundesbank in Frankfurt, Member of the Board of the Association of Foreign Banks in Germany, Member of the "Banking Committee" of the IHK in Frankfurt.
Helmut Olivier	Director	Member of the Supervisory Board of D. Logistics AG, Hofheim, Germany.

CAPITALIZATION AND INDEBTEDNESS OF LEHMAN BROTHERS BANKHAUS AKTIENGESELLSCHAFT

The following table sets forth the capitalization and indebtedness of LBB as of November 30, 2002 (all figures are in EUR thousands). The information contained in the following table is extracted without material adjustment from the audited financial statements of LBB for the year ended November 30, 2002.

	At November 30, 2002
	(in EUR thousands)
Indebtedness:	
Total long-term indebtedness to Banks[2]	1,588,604
Total long-term indebtedness to Customers[3]	3,989,606
Total subordinated indebtness	138,664
Certificate of deposit	8,041
Total long- and short-term indebtedness	5,724,915
Capital and reserves:	
Ordinary shares: 115,100 allotted, called up and fully paid shares with a par value of EUR 512.60 per share	59,000
Capital reserve	211,000
Revenue reserve	11,322
Total capital and reserves	281,322
Total long- and short-term indebtedness and capital and reserves[4]	6,006,237

Notes:

1. Consolidated financial statements of LBB are prepared on an annual basis. The information contained in the above table therefore represents the most recent financial statements as are available.
2. Liabilities to banks in foreign currencies were €610,601 (thousand). Liabilities to banks includes liabilities to affiliated companies of €42 (thousand).
3. Liabilities to customers in foreign currencies were €779,100 (thousand). Liabilities to banks include liabilities to affiliated companies of €1,096,065 (thousand).
4. There has been no material change in the capitalization, indebtedness and contingent liabilities of LBB since November 30, 2002. As at that date, LBB had the following contingent liabilities (all figures in EUR thousands):

	At November 30, 2002
	(in EUR thousands)
Contingent liabilities	
Contingent liabilities from guarantees and indemnity agreements	284
Other commitments	
Irrevocable lines of credit	251,828

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 or the year ended November 30, 2002. Financial statements of LBB are consolidated in the consolidated financial statements of LBHI.

Profit and Loss Account Data

	Year ended November 30, 2002	Year ended November 30, 2001
	(in EUR thousands)	
Expenses		
Interest expenses	(177,169)	(187,653)
Commission expenses	(3,606)	(2,990)
Administrative expenses	(17,402)	(28,689)
Other expenses	(3,012)	(25,062)
Profits transferred as a result of a profit transfer or a profit transfer agreement[1]	(70,418)	(22,291)
Taxation	(14,615)	(10,909)
Total expenses	(286,222)	(277,594)
Income		
Interest income	263,651	242,530
Commission income	18,967	26,393
Net income (loss) from financial transactions	3,123	2,063
Other operating income	482	6,623
Total income	286,222	277,609
Net Profit for the year	0	15

Note:

1. There is a direct control and profit and loss transfer agreement with the sole shareholder Lehman Brothers Verwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main. On the basis of this agreement, Lehman Brothers Bankhaus Aktiengesellschaft, Frankfurt am Main, transferred €70.4 million to Lehman Brothers Verwaltungs- und Beteiligungsgesellschaft mbH for the fiscal year 2001-2002.

TAXATION

UNITED STATES TAXATION

The following is a summary of principal U.S. federal income and withholding tax consequences to U.S.Holders, Non-U.S. Registered Note Holders, and Non-U.S. Bearer Note Holders (each, defined below, and together, "*Beneficial Owners*"), of the purchase, ownership and disposition of Notes. This summary discusses only the principal United States federal income and withholding tax consequences to Beneficial Owners that purchased Notes at issue and hold them as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "*Code*"). This summary does not address all of the U.S.federal income tax consequences that may be relevant to a Beneficial Owner in light of the Beneficial Owner's particular circumstances or to Beneficial Owners subject to special rules (including pension plans and other tax-exempt investors, banks, thrift institutions, insurance companies, real estate investment trusts, regulated investment companies, dealers in securities, currencies and Beneficial Owners so treated for U.S.federal income tax purposes, Beneficial Owners whose functional currency is other than the United States dollar, Beneficial Owners who hold Notes as part of a straddle, hedging or conversion transaction, and Beneficial Owners who are expatriates). In addition, this summary does not address the application to Beneficial Owners of the purchase, ownership and disposition of Notes, of state, local, or other tax laws of the United States or its political subdivisions, nor the tax law of any non-U.S. jurisdiction.

Prospective purchasers of the Notes should consult their own tax advisors regarding the application of U.S. federal income tax law, as well as any state, local, foreign or other tax laws, to the purchase, ownership and disposition of Notes in light of their particular circumstances.

This summary is based on the Code, its legislative history, applicable U.S. Treasury Regulations, judicial authority and administrative rulings and practice in effect as of the date of the Information Memorandum, any of which may be appealed, revoked or otherwise altered with retroactive effect, thereby changing the U.S. federal income tax consequences discussed below. There is no assurance that the U.S.Internal Revenue Service (the "*IRS*") will not take a contrary view, and no ruling from the IRS has been or will be sought.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note in registered form ("*Registered Note*") that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or other 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 whose income is subject to U.S. federal income taxation regardless of its source, (iv) a trust, if both (a) a court within the United States is able to exercise primary jurisdiction over the administration of the trust, and (b) one or more United States persons have the authority to control all substantial decisions of the trust, or (v) a trust in existence on August 20, 1996, and treated as a United States person prior to such date, that has elected to continue to be treated as a United States person. As used herein, the term "Non-U.S. Registered Note Holder" means a beneficial owner of a Registered Note that is not a "U.S. Holder". As used herein, the term "Non-U.S. Bearer Note Holder" means a beneficial owner of a Note in bearer form that is not a U.S. Holder and that purchases the Note in bearer form in compliance with the requirements of the applicable U.S. Treasury regulations ("*Bearer Note*").

U.S. federal income and withholding tax treatment of the Notes held by a partnership or other entity (that is treated as a partnership for U.S. federal income tax purposes) will depend on the activities of such partnership or other entity and the status of the partners. **Partners in a partnership or other entity (that is treated as a partnership for U.S. federal income tax purposes) holding a Note should consult their own tax advisors regarding the U.S. federal income and withholding tax consequences of the acquisition, ownership and disposition of a Note by the partnership.**

Treatment of Notes as Indebtedness

Each Note will be issued in a manner consistent with, and with characteristics that are typical of, indebtedness for U.S. federal income tax purposes. The Issuers believe that, and the following summary assumes that, unless expressly indicated below, the Notes are properly treated as indebtedness for U.S.federal income tax purposes.

Treatment of the Guarantees

Each Note issued by LBTCBV or LBB will have the benefit of the Guarantee of LBHI as to all amounts of principal and premium and intere, if any, thereof and thereon due. Based on terms and conditions of each

Guarantee, the Issuers believe, and the following summary assumes, that the Guarantees will not cause the Notes issued by LBTCBV or LBB to be treated as debt of LBHI for U.S. federal income tax purposes.

Taxation of U.S. Holders

A. Interest

1. General

The taxation of interest on a Note depends on whether the interest is "qualified stated interest" (as defined below). Interest that is qualified stated interest is includible in a U.S. Holder's income as ordinary income when actually or constructively received (if such U.S. Holder uses the cash method of accounting for U.S. federal income tax purposes) or when accrued (if such U.S. Holder uses an accrual method of accounting for U.S. federal income tax purposes). Interest that is not qualified stated interest is includible in a U.S. Holder's income under the rules governing "original issue discount", described below, regardless of such U.S. Holder's method of accounting.

Generally, for foreign tax credit purposes, interest on Notes issued by LBHI will be classided as income from U.S. sources while interest on Notes issued by LBTCBV or LBB will classified as passive or financial services income from non-U.S. sources. To the extent that any non-U.S. income or withholding tax is imposed on interest on the Notes issued by LBTCBV or LBB in the hands of a U.S. Holder, such tax may be used either as (i) a credit that offsets the U.S. federal income tax that the U.S. Holder would owe on its income from non-U.S. sources, or (ii) a deduction that reduces the amount of income of the U.S. Holder subject to U.S. federal income tax.

2. Definitions

(a) Qualified Stated Interest

Interest on a Note is "qualified stated interest" if the interest is unconditionally payable in cash or in property (other than debt instruments of the Issuer) at least annually at a single fixed rate (in the case of a Fixed Rate Note) or at a single "qualified floating rate" or "objective rate" (in the case of a Note that qualifies as a "VRDI" as defined below). If a Note that qualifies as a VRDI provides for interest other than at a single qualified floating rate or single objective rate, special rules apply to determine the portion of such interest that is treated as though it were qualified stated interest. See "4. VRDIs with Original Issue Discount".

(b) Variable Rate Debt Instruments (VRDI), Qualified Floating Rate and Objective Rate

A Note, such as a Floating Rate Note or an Indexed Interest Note, is a variable rate debt instrument ("*VRDI*") if all four of the following conditions are met. First, the "issue price" (as defined under "Original Issue Discount") of the Note must not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i).015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date (or, in certain cases, its weighted average maturity) and (ii) 15% of the total noncontingent principal payments. See "7. Extendable and Renewable Notes, Puts and Calls" below for determination of maturity.

Second, except as provided in the preceding paragraph, the Note must not provide for any principal payments that are contingent.

Third, the Note must provide for stated interest (compounded or paid at least annually) at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a "qualified inverse floating rate" (as defined below).

Fourth, the Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day. For example, a Note could not provide for an interest rate based on the LIBOR rate in effect two years prior to each Interest Payment Date.

Subject to certain exceptions, a variable rate of interest on a Note is a "qualified floating rate" if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. This includes a variable rate equal to (i) the product of an otherwise qualified floating rate and a "spread multiplier" that is greater than 0.65 but not more than 1.35 or (ii) an otherwise qualified floating rate (or the product described in clause (i)) plus or minus a

spread. If the variable rate equals the product of an otherwise qualified floating rate and a single spread multiplier greater than 1.35 or less than or equal to 0.65, however, such rate generally is an objective rate. A variable rate is not considered a qualified floating rate if the variable rate is subject to a cap, floor, governor or similar restriction that is not fixed throughout the term of the Note and is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction.

Subject to certain exceptions, an "objective rate" is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the control of the Issuer (or a related party) nor unique to the circumstances of the Issuer (or a related party). A rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term. The IRS may designate rates other than those specified above that will be treated as objective rates. As of the date of the Information Memorandum, no such other rates have been designated. An objective rate is a "qualified inverse floating rate" if (a) the rate is equal to a fixed rate minus a qualified floating rate and (b) the variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate).

If interest on a Note is stated at a fixed rate for an initial period of one year or less, followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together are treated as a single qualified floating rate or objective rate.

(c) Original Issue Discount

Original issue discount is the excess, if any, of a Note's "stated redemption price at maturity" over its "issue price." A Note's "stated redemption price at maturity" is the sum of all payments provided by the Note (whether designated as interest or as principal) other than payments of qualified stated interest. The "*issue price*" of a Note is the first price at which a substantial amount of the Notes in the issuance that includes the Note is sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). See "7. Extendable and Renewable Notes, Puts and Calls" below for determination of maturity.

The amount of original issue discount with respect to a Note will be treated as zero if the original issue discount is less than an amount equal to 0.0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity (or weighted average maturity, as applicable) ("*de minimis* OID"). Generally, a U.S. Holder must include the *de minimis* OID in income as stated principal payments are made, in an amount equal to the product of the total *de minimis* OID and a fraction, the numerator of which is the amount of principal payment and denominator of which is the total stated principal amount of the Note. Generally, such *de minimis* OID will be treated as capital gain in the hands of the U.S. Holder.

3. Fixed Rate Notes with Original Issue Discount

In the case of a Fixed Rate Note with original issue discount, the amount of original issue discount includible in the income of a U.S. Holder for any taxable year is determined under the constant yield method, as follows. First, the "yield to maturity" of the Note is computed. The yield to maturity is the discount rate that, when used in computing the present value of all interest and principal payments to be made under the Note (including payments of qualified stated interest) produces an amount equal to the issue price of the Note. The yield to maturity is constant over the term of the Note and, when expressed as a percentage, must be calculated to at least two decimal places.

Second, the term of the Note is divided into "accrual periods". Accrual periods may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period.

Third, the total amount of original issue discount on the Note is allocated among accrual periods. In general, the original issue discount allocable to an accrual period equals the product of the "adjusted issue price" of the Note at the beginning of the accrual period and the yield to maturity of the Note, less the amount of any qualified stated interest allocable to the accrual period. The adjusted issue price of a Note at the beginning of the first accrual period is its issue price. Thereafter, the adjusted issue price of the Note is its issue price,

increased by the amount of original issue discount previously includible in the gross income of any beneficial owner and decreased by the amount of any payment previously made on the Note other than a payment of qualified stated interest. For purposes of computing the adjusted issue price of a Note, the amount of original issue discount previously includible in the gross income of any beneficial owner is determined without regard to "premium" and "acquisition premium", as those terms are defined below under "C. Premium and Acquisition Premium".

Fourth, the "daily portions" of original issue discount are determined by allocating to each day in an accrual period its ratable portion of the original issue discount allocable to the accrual period.

A U.S. Holder includes in income in any taxable year the daily portions of original issue discount for each day during the taxable year that such U.S. Holder held Notes. Under the constant yield method described above, U.S. Holders generally are required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

4. VRDIs with Original Issue Discount

In the case of a VRDI that provides for qualified stated interest, the amount of qualified stated interest and original issue discount, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Notes by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, and (ii) in the case of an objective rate (other than a qualified inverse floating rate), the rate that reflects the yield that is reasonably expected for the Note. Qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period.

If a VRDI does not provide for qualified stated interest as described above and does not provide for a fixed rate, the amount of interest and original issue discount accruals are determined by constructing an equivalent fixed rate debt instrument, as follows.

First, a fixed rate substitute for each variable rate provided by the Note is determined. The fixed rate substitute for each qualified floating rate provided by the Note is the value of that qualified floating rate on the issue date. If the Note provides for two or more qualified floating rates with different intervals between interest adjustment dates (e.g., the 30-day commercial paper rate and quarterly LIBOR), the fixed rate substitutes are based on intervals that are equal in length (e.g., the 90-day commercial paper rate and quarterly LIBOR, or the 30-day commercial paper rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Note.

Second, a hypothetical equivalent fixed rate debt instrument is constructed that has terms identical to those provided under the Note, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the first step, in lieu of the qualified floating rates or objective rate provided by the Note.

Third, the amount of qualified stated interest and original issue discount for the equivalent fixed rate debt instrument are determined under the rules described above for Fixed Rate Notes. These amounts are taken into account as if the U.S. Holder held the equivalent fixed rate debt instrument.

Fourth, appropriate adjustments are made for the actual values of the variable rates. In this step, qualified stated interest or original issue discount allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument.

If a VRDI provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and in addition provides for stated interest at a single fixed rate, the amount of interest and original issue discount accruals are determined as in the preceding four paragraphs with the modification that the VRDI is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or qualified inverse floating rate) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the VRDI as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate (or qualified inverse floating rate) rather than the fixed rate.

5. Contingent Notes

Certain Notes, such as (i) Floating Rate Notes and Index-Linked Interest Notes that are not VRDIs, and (ii) Index-Linked Redemption Amount Notes (together, "*Contingent Notes*"), will be taxable under the rules applicable to contingent payment debt instruments (the "*Contingent Debt Regulations*"), as follows.

First, the Issuer is required to determine, as of the issue date, the comparable yield for the Contingent Note. The comparable yield is generally the yield at which the Issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the Contingent Note (including the level of subordination, term, timing of payments and general market conditions) but not taking into consideration the risk of the contingencies or the liquidity of the Contingent Note. Further, the comparable yield may not be less than the Applicable Federal Rate announced monthly by the IRS (the "*AFR*"). In certain cases where Contingent Notes are marketed or sold in substantial part to tax-exempt investors or other investors for whom the prescribed inclusion of interest is not expected to have a substantial effect on their United States tax liability, the comparable yield for the Contingent Note is, without proper evidence to the contrary, presumed to be the AFR.

Second, solely for tax purposes, the Issuer constructs a projected schedule of payments determined under the Contingent Debt Regulations for the Contingent Note (the "*Schedule*"). The Schedule is determined as of the issue date and generally remains in place throughout the term of the Contingent Note. If a right to a contingent payment is based on market information, the amount of the projected payment is the forward price of the contingent payment. If a contingent payment is not based on market information, the amount of the projected payment is the expected value of the contingent payment as of the issue date. The Schedule must produce the comparable yield determined as set forth above. Otherwise, the Schedule must be adjusted under the rules set forth in the Contingent Debt Regulations.

Third, under the usual rules applicable to Notes issued with original issue discount and based on the Schedule, the interest income on the Contingent Note for each accrual period is determined by multiplying the comparable yield of the Contingent Note (adjusted for the length of the accrual period) by the Contingent Note's adjusted issue price at the beginning of the accrual period (determined under rules set forth in the Contingent Debt Regulations). The amount so determined is then allocated on a ratable basis to each day in the accrual period that the U.S. Holder held the Contingent Note.

Fourth, appropriate adjustments are made to the interest income determined under the foregoing rules to account for any differences between the Schedule and actual contingent payments. Under the rules set forth in the Contingent Debt Regulations, interest income is generally increased (or decreased) if the actual contingent payment is more (or less) than the projected payment. Differences between the actual amounts of any contingent payments in respect of a Contingent Note made in a calendar year and the projected amounts of such payments are generally aggregated and taken into account, in the case of a positive difference, as additional interest income, or, in the case of a negative difference, first as a reduction in interest income for such year and thereafter, subject to certain limitations, as ordinary loss.

The Contingent Debt Regulations require the Issuer to provide each beneficial owner of a Contingent Note with the Schedule. If the Issuer does not create the Schedule or the Schedule is unreasonable, a U.S.Holder must set its own projected payment schedule and explicitly disclose the fact that the U.S.Holder's schedule is being used and the reason therefor. Unless otherwise prescribed by the IRS, the U.S. Holder must make such disclosure on a statement attached to the U.S. Holder's timely filed U.S. federal income tax return for the taxable year in which the Contingent Note was acquired.

6. Election to Treat All Interest as Original Issue Discount

U.S. Holders may elect to include in gross income all interest that accrues on a Note, including any stated interest, acquisition discount, original issue discount, market discount, *de minimis* OID, *de minimis* market discount and unstated interest (as adjusted by amortizable bond premium and acquisition premium), by using the constant yield method described above under "Original Issue Discount." Such an election for a Note with amortizable bond premium results in a deemed election to amortize bond premium for all taxable debt instruments owned and later acquired by the U.S. Holder with amortizable bond premium and may be revoked only with the permission of the IRS. Similarly, such an election for a Note with market discount results in a deemed election to accrue market discount in income currently for such Note and for all other debt instruments acquired by the U.S. Holder with market discount on or after the first day of the taxable year to which such election first applies, and may be revoked only with the permission of the IRS. A U.S. Holder's tax basis in a Note is increased by each accrual of the amounts treated as original issue discount under the constant yield election described in this paragraph.

The application of the foregoing rules may be different in the case of Contingent Notes. Accordingly, prospective purchasers should consult with their tax advisors with respect to the application of the market discount, acquisition premium and amortizable bond premium rules to such Notes.

7. Renewable and Extendable Notes, Puts and Calls

Generally, the maturity date of a Note will be the maturity date specified in the applicable Pricing Supplement. However, the maturity date of a Note that provides either the Issuer or the U.S. Holder with an unconditional option or options, exercisable on one or more dates during the term of the Note, that, if exercised, requires payments to be made on the Note under an alternative payment schedule or schedules (such as an option to extend or an option to call a debt instrument at a fixed premium) will be determined under the special rules in the U.S. Treasury Regulations. Under these rules, the Issuer will be deemed to exercise or not exercise an option or combination of options in a manner that will minimize the yield on the Note while the U.S. Holder will be deemed to exercise or not exercise an option or options in a manner that will maximize the yield on the Note. In addition, depending on the terms and conditions of a Renewable or Extendable Note, a U.S. Holder may be subject to other special rules under U.S. federal income tax law. **Prospective purchasers of Renewable or Extendable Notes should consult their own tax advisors regarding the application of U.S. federal income tax law such Notes.**

8. Integration of Notes with Other Financial Instruments

Any U.S. Holder that also acquires or has acquired any financial instrument which, in combination with a Note, would permit the calculation of a single yield-to-maturity or could generally constitute a VRDI of an equivalent term, may in certain circumstances treat the Note and the financial instrument as an integrated debt instrument for purposes of the U.S. federal income tax law, with a single determination of issue price and the character and timing of income, deductions, gains and losses. For purposes of determining original issue discount, none of the payments in respect of the integrated debt instrument would be treated as qualified stated interest. Moreover, under the Contingent Debt Regulations, the IRS may require in certain circumstances that a U.S. Holder that owns a Note integrate the Note with a financial instrument held or acquired by the U.S. Holder or a related party.

9. Maximum and Minimum Interest Rates

Certain Notes issued with adjustable interest rate, such as Floating Rate Notes and Indexed Interest Notes, may provide for a maximum and/or minimum interest rate. In addition, Indexed Redemption Amount Notes may provide for a maximum and/or minimum redemption amount. Such restriction on interest rate or redemption amount may alter the U.S. federal income tax consequences generally applicable to a U.S. Holder of purchasing, owning and disposing of a Note.

10. Instalment Notes

Notes may be issued with installment payment of principal through the term of the Notes. Such Note may be subject to special rules in respect of the accrual of interest. **Prospective purchasers of Instalment Notes should consult their own tax advisors regarding the application of U.S. federal income tax law such Notes.**

11. Partly Paid Notes

Notes may be issued where purchasers of the Notes pay for the Notes on an instalment schedule or similar arrangement. Such Partly Paid Notes may be subject to special rules for U.S. federal income tax purposes. **Prospective purchasers of Partly Paid Notes should consult their own tax advisors regarding the application of U.S. federal income tax law such Notes.**

12. Hybrid Rate Notes, Equity-Linked Notes or Credit-Linked Notes

To the extent that any Hybrid Rate Notes, Equity-Linked Notes or Credit-Linked Notes are issued, additional discussion of the applicable U.S. federal income tax rules will be provided in the relevant pricing supplement. **Prospective investors should examine the applicable Pricing Supplements of Hybrid Rate Notes, Equity-Linked Notes and Credit-Linked Notes and consult their own tax advisors with respect to the purchase, ownership and disposition of such Notes.**

B. Premium

If a U.S. Holder purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the date of acquisition (other than payments of qualified stated interest), such U.S. Holder will be considered to have purchased such Note with "amortizable bond premium" equal in amount to such excess, and generally will not be required to include any original issue discount in income. Generally, a U.S. Holder may elect to amortize such premium as an offset to qualified stated interest income, using a constant yield method similar to that described above (see "2. Definitions — c. Original Issue Discount" above), over the remaining

term of the Note (where such Note is not redeemable prior to its maturity date). In the case of Notes that may be redeemed prior to maturity, the premium is calculated assuming that the Issuer or the U.S. Holder will exercise or not exercise its redemption rights in a manner that maximizes the U.S. Holder's yield. A U.S. Holder that elects to amortize bond premium must reduce such Owner's tax basis in the Note by the amount of the premium used to offset qualified stated interest income as set forth above. An election to amortize bond premium applies to all taxable debt obligations held during or after the taxable year for which the election is made and may be revoked only with the consent of the IRS.

C. Early Redemptions

Certain Notes having original issue discount may be redeemed prior to maturity through the exercise of a put or call option. Generally, proceeds received in redemption of a Note will be treated in the same manner as the sale or other taxable disposition of the Note. However, such Note may be subject to rules that differ from the general rules discussed above relating to the U.S. federal income tax treatment of original issue discount.

D. Sale and Other Taxable Disposition of Notes

A U.S. Holder generally recognizes gain or loss upon the sale or other taxable disposition of a Note equal to the difference between the amount realized upon such sale or disposition and the U.S. Holder's adjusted basis in the Note. Such adjusted basis in the Note generally equals the cost of the Note, increased by original issue discount, acquisition discount previously included in respect thereof, and reduced (but not below zero) by any payments on the Note other than payments of qualified stated interest and by any premium that the U.S. Holder has taken into account. To the extent attributable to accrued but unpaid qualified stated interest, the amount realized by the U.S. Holder is treated as a payment of interest. Subject to the discussion under "Foreign Currency Notes" below, any gain or loss is capital gain or loss, except as provided under "Short-Term Notes," below. The excess of net long-term capital gains over net short-term capital losses is taxed at a lower rate than ordinary income for certain non-corporate taxpayers. The distinction between capital gain or loss and ordinary income or loss is also relevant for purposes of, among other things, limitations on the deductibility of capital losses. In addition, generally, gain upon the sale or other taxable disposition will be from U.S. sources.

Generally, a U.S. Holder must recognize any gain upon the sale, redemption or other taxable disposition of a Note that is a Contingent Note as interest income until there are no remaining contingent payments on the Note at the time of the sale, redemption or other taxable transaction. A U.S. Holder must generally also recognize any loss upon the sale or other taxable disposition of a Note that is a Contingent Note as ordinary loss to the extent that the holder's total interest inclusions in respect of the Note exceed the total negative adjustments on the Note the holder took into account as ordinary loss and any additional loss is treated as capital loss.

E. Short-Term Notes

In the case of a Note with a maturity of one year or less from its issue date (a "Short-Term Note"), no interest is treated as qualified stated interest, and therefore all interest is included in original issue discount. U.S. Holders that report income for U.S. federal income tax purposes on an accrual method and certain other U.S. Holders are required to include original issue discount in income on such Short-Term Notes on a straight-line basis, unless an election is made to accrue the original issue discount according to a constant yield method based on daily compounding.

Any other U.S. Holder of a Short-Term Note is not required to accrue original issue discount for U.S. federal income tax purposes, unless it elects to do so. In the case of a U.S. Holder that is not required, and does not elect, to include original issue discount in income currently, any gain realized on the sale, exchange or retirement of a Short-Term Note is ordinary income to the extent of the original issue discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, U.S. Holders that are not required, and do not elect, to include original issue discount in income currently are required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry a Short-Term Note in an amount not exceeding the deferred interest income with respect to such Short-Term Note (which includes both the accrued original issue discount and accrued interest that are payable but that have not been included in gross income), until such deferred interest income is realized. A U.S. Holder of a Short-Term Note may elect to apply the foregoing rules (except for the rule characterizing gain on sale, exchange or retirement as ordinary) with respect to "acquisition discount" rather than original issue discount. Acquisition discount is the excess of the stated redemption price at maturity of the Short-Term Note over the U.S. Holder's basis in the Short-Term Note. This election applies to all obligations acquired by the taxpayer on or after the first day of the first taxable year to which such election applies, unless revoked with the consent of the IRS. A U.S. Holder's tax basis in a Short-Term Note is increased by the amount included in such U.S. Holder's income on such a Note.

F. Foreign Currency Notes

Generally, except specifically discussed below, interest, original issue discount and other payments in respect of Notes denominated in, or that provide for payments determined by reference to, a currency other than the United States dollar ("*Foreign Currency Notes*") are determined in such foreign currency based on the U.S. federal income tax rules described above and translated into the United States dollar in the manners described below. Certain Foreign Currency Notes may be subject to special rules discussed in "4. Dual Currency Notes and Foreign Currency Notes that are CPDIs" below.

1. Interest Includible In Income Upon Receipt

A payment of interest on a Foreign Currency Note that is not required to be included in income by the U.S. Holder prior to the receipt of such payment (e.g., qualified stated interest received by a cash method U.S. Holder) is includible in income by the U.S. Holder based on the United States dollar value of the foreign currency determined on the date such payment is received, regardless of whether the payment is in fact converted to United States dollars at that time. If the interest payment is not so converted, such United States dollar value is the U.S. Holder's tax basis in the foreign currency received.

2. Interest Includible In Income Prior To Receipt

In the case of interest income on a Foreign Currency Note that is required to be included in income by the U.S. Holder prior to the receipt of payment (e.g., stated interest on a Foreign Currency Note held by an accrual basis U.S. Holder or accrued original issue discount), a U.S. Holder is required to include in income the United States dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. Unless the U.S. Holder makes the election discussed in the next paragraph, the United States dollar value of such accrued income is determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the portion of the accrual period within the taxable year. The average rate of exchange for the accrual period (or partial period) is the simple average of the spot exchange rates for each business day of such period (or other method if such method is reasonably derived and consistently applied). Such U.S. Holder recognizes, as ordinary gain or loss, foreign currency exchange gain or loss with respect to accrued interest income on the date such income is actually received, reflecting fluctuations in currency exchange rates between the last day of the relevant accrual period and the date of payment. The amount of gain or loss recognized equals the difference between the United States dollar value of the foreign currency payment received in respect of such accrual period determined based on the exchange rate on the date such payment is received and the United States dollar value of interest income that has accrued during such accrual period (as determined above).

Under the so-called "spot rate convention election", a U.S. Holder may, in lieu of applying the rules described in the preceding paragraph, elect to translate accrued interest income into United States dollars at the exchange rate in effect on the last day of the relevant accrual period for original issue discount, market discount or accrued interest, or in the case of an accrual period that spans two taxable years, at the exchange rate in effect on the last day of the taxable year. Additionally, if a payment of such income is actually received within five business days of the last day of the accrual period or taxable year, an electing U.S. Holder may instead translate such income into United States dollars at the exchange rate in effect on the day of actual receipt. Any such election applies to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and is irrevocable without the consent of the IRS.

3. Purchase, Sale, Exchange or Retirement

A U.S. Holder that converts United States dollars to a foreign currency and immediately uses that currency to purchase a Foreign Currency Note denominated in the same foreign currency normally does not recognize gain or loss in connection with such conversion and purchase. However, a U.S. Holder that purchases a Foreign Currency Note with previously owned foreign currency does recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the United States dollar market value of the Foreign Currency Note on the date of the purchase. A U.S. Holder's tax basis in a Foreign Currency Note (and the amount of any subsequent adjustment to such U.S. Holder's tax basis) is the United States dollar value of the foreign currency amount paid for such Foreign Currency Note (or of the foreign currency amount of the adjustment) determined on the date of such purchase or adjustment. In the case of an adjustment resulting from accrual of original issue discount or market discount, such adjustment is made at the rate at which such original issue discount or market discount is translated into United States dollars under the rules described above.

Gain or loss realized upon the sale, exchange or retirement of, or the receipt of principal on, a Foreign Currency Note, to the extent attributable to fluctuations in currency exchange rates, is generally ordinary income or loss. Gain or loss attributable to fluctuations in exchange rates equals the difference between (i) the United States dollar value of the foreign currency purchase price for such Note, determined on the date such Note is disposed of, and (ii) the United States dollar value of the foreign currency purchase price for such Note, determined on the date such U.S. Holder acquired such Note. Any portion of the proceeds of such sale, exchange or retirement attributable to accrued interest income may result in exchange gain or loss under the rules set forth above. Such foreign currency gain or loss is recognized only to the extent of the overall gain or loss realized by a U.S. Holder on the sale, exchange or retirement of the Foreign Currency Note. In general, the source of such foreign currency gain or loss is determined by reference to the residence of the U.S. Holder or the "*qualified business unit*" of such U.S. Holder on whose books the Note is properly reflected. Any gain or loss realized by a U.S. Holder in excess of such foreign currency gain or loss is capital gain or loss (except to the extent of any accrued market discount not previously included in such U.S. Holder's income or, in the case of a Short-Term Note having original issue discount, to the extent of any original issue discount not previously included in such U.S. Holder's income).

The tax basis of a U.S. Holder in any foreign currency received on the sale, exchange or retirement of a Foreign Currency Note is equal to the United States dollar value of such foreign currency, determined at the time of such sale, exchange or retirement. Treasury regulations provide a special rule for purchases and sales of publicly traded securities by a cash method taxpayer under which units of foreign currency paid or received are translated into United States dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss results from currency fluctuations between the trade date and the settlement of such a purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of publicly traded securities provided the election is applied consistently. Such election cannot be changed without the consent of the IRS. U.S. Holders should consult their tax advisors concerning the applicability to Foreign Currency Notes of the special rules summarized in this paragraph.

Amortizable bond premium of a Foreign Currency Note are determined in the relevant foreign currency. The amount of such exchange gain or loss with respect to amortizable bond premium is determined by treating the portion of premium amortized with respect to any period as a return of principal. With respect to a U.S. Holder of a Foreign Currency Note that does not elect to amortize premium, the amount of premium, if any, is treated as a capital loss when such Note matures.

4. Dual Currency Notes and Foreign Currency Notes that are CPDIs

Current U.S. Treasury Regulations do not discuss the tax consequences of the acquisition of a Foreign Currency Note that is a Dual Currency Note or that is treated as a Contingent Note. Such Foreign Currency Notes may be subject to rules that differ from the general rules described above. **Prospective investors should examine the applicable Pricing Supplement of Foreign Currency Notes that are Dual Currency Notes or Contingent Notes and consult their own tax advisors with respect to the purchase, ownership and disposition of such Foreign Currency Notes.**

5. Redenomination

Under certain circumstances, a Foreign Currency Note may be redenominated in another non-U.S. currency. Generally, if such redenomination is from a legacy currency to the Euro, such redomination is not treated as a taxable conversion for U.S. federal income tax purposes. In other circumstances, a redenomination may be treated as a taxable conversion.

6. Tax Shelter Reporting Requirements

Recently issued U.S. Treasury Regulations (the *"Tax Shelter Regulations"*) intended to address so-called tax shelters and other potentially tax-motivated transactions require participants in a "reportable transaction" to disclose certain information about the transaction on IRS Form 8886 and retain information relating to the transaction. In addition, organizers and sellers of reportable transactions are required to maintain lists identifying the transaction investors and furnish to the IRS upon demand such investor information as well as detailed information regarding the transactions. A transaction may be a "reportable transaction" based upon any of several indicia, including the existence of confidentiality agreements, certain indemnity arrangements, potential for recognizing investment or other losses, including foreign currency losses, or significant book-tax differences, one or more of which may be present with respect to or in connection with an investment in the Notes. If a U.S. Holder participates in a "reportable transaction," in connection with its investment in a Note (because, for example, the U.S. Holder realizes a foreign currency loss over a threshold amount), the U.S. Holder will be treated as participating in a "reportable transaction" and will have to disclose its participation in such transaction while organizers and sellers of reportable transactions will be required to maintain lists described above.

Taxation of Non-U.S. Registered Note Holders

A. Principal and Interest

Generally, except discussed otherwise and subject to the discussion of information reporting and backup withholding below, payments of principal and interest (including original issue discount) with respect to a Registered Note issued by LBTCBV or LBB to a Non-U.S. Registered Note Holder will be treated as non-U.S. sourced payments and will not be subject to U.S. federal income or withholding tax.

Generally, payments of principal and interest (including original issue discount) in respect of Registered Notes issued by LBHI to a Non-U.S. Registered Note Holder will not subject to the United States federal withholding tax, provided that, (i) such Non-U.S. Registered Note Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of LBHI entitled to vote or 10%, (ii) such Non-U.S. Registered Note Holder is not for U.S. federal income tax purposes a controlled foreign corporation related, directly or by attribution, to LBHI through stock ownership, (iii) such Non-U.S. Registered Note Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (iv) the interest is not contingent interest as described in Section 871(h)(4) of the Code (relating primarily to interest based on or determined by reference to income, profits, cash flow and other comparable attributes of the obligor or a party related to the obligor) and (v) either (A) the statement requirement set forth in Section 871(h) or 881(c) of the Code has been fulfilled with respect to the Non-U.S. Registered Note Holder, as discussed in the following paragraph.

The statement requirement set forth in Section 871(h) or 881(c) of the Code is satisfied if either (1) the Non-U.S. Registered Note Holder certifies, under penalties of perjury, to the last United States payor (or non-United States payor who is an authorized foreign agent of the United States payor, a "qualified intermediary," a United States branch of a foreign bank or foreign insurance company or a "withholding foreign partnership") in the chain of payment (the "*withholding agent*"), that such Non-U.S. Registered Note Holder is not a U.S. Holder and provides such owner's name and address, or (2) a securities clearing organization, a bank or another financial institution that holds customers' securities in the ordinary course of its trade or business (a "*financial institution*") that holds the Note certifies to the withholding agent, under penalties of perjury, that the certificate has been received from the Non-U.S. Registered Note Holder by it or by a financial institution between it and the beneficial owner and furnishes the withholding agent with a copy thereof. Generally, this statement is made on an IRS Form W-8BEN, which is effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, an IRS Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided that the Withholding Agent reports at least annually to the beneficial owner on an IRS Form 1042-S. The Non-U.S. Registered Note Holder must inform the withholding agent (or financial institution) within 30 days of such change and furnish a new IRS Form W-8BEN (and the financial institution must promptly so inform the withholding agent). A Non-U.S. Registered Note Holder that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Notes on its own behalf may have substantially increased reporting requirements. In particular, in the case of Notes held by a foreign partnership (or foreign trust), the partners (or beneficiaries) rather than the partnership (or trust) will be required to provide the certification discussed above, and the partnership (or trust) will be required to provide certain additional information.

Even if a Non-U.S. Registered Note Holder is cannot satisfy the requirements for eligibility for an exemption from the U.S. federal withholding tax described above, interest and original issue discount on a Note beneficially-owned by such Non-U.S. Registered Note Holder may be exempt from the U.S. federal withholding tax or subject to the tax at a reduced rate if the Non-U.S. Registered Noted Holder provides (i) the appropriate withholding agent (or financial institution) with a properly executed IRS Form W-8BEN claiming an exemption from or reduction in the U.S. federal withholding tax under an applicable income tax treaty, or (ii), if applicable, a properly completed IRS Form W-8ECI as described below.

If a Non-U.S. Registered Note Holder is engaged in a trade or business in the United States and interest (including original issue discount) on the Note is effectively connected with the conduct of such trade or business, the Non-U.S. Registered Note Holder, although exempt from the withholding tax discussed in the preceding paragraphs, is subject to U.S. federal income tax on such interest (including original issue discount) in the same manner as if it were a U.S. Holder. Such Non-U.S. Registered Note Holder must provide a properly executed IRS Form W-8ECI. In addition, if such Non-U.S. Registered Note Holder is a non-U.S. corporation, it

may be subject to a branch profits tax equal to 30% (or such lower rate as may be specified by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, interest (including original issue discount) on a Note is included in the earnings and profits of such Non-U.S. Registered Note Holder if such interest (including original issue discount) is effectively connected with the conduct by such Non-U.S. Registered Note Holder of a trade or business in the United States.

B. Sale and Other Taxable Exchange

Generally, any gain (other than that attributable to accrued interest or original issue discount, which is taxable in the manner described above) realized upon the sale, retirement or other taxable disposition of a Note is not subject to U.S. federal income tax unless (i) such gain or income is effectively connected with a trade or business in the United States of the Non-U.S. Registered Note Holder or (ii) in the case of a Non-U.S. Registered Note Holder that is an individual, the Non-U.S. Registered Note Holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition and either (a) such individual has a "tax home" (as defined in Section 911(d)(3) of the Code) in the United States or (b) the gain is attributable to an office or other fixed place of business maintained by such individual in the United States.

Taxation of Non-U.S. Bearer Note Holders

In compliance with applicable U.S. Treasury Regulations, Bearer Notes will not be offered or sold during the restricted period (as defined in the applicable U.S. Treasury Regulations) to U.S. Holders other than a limited range of financial institutions and distributors that generally will hold the Notes for resale to investors that are not United States persons. As such, this discussion assumes that each Non-U.S. Bearer Note Holder is a person that is not a U.S. Holder and payments in respect of the Notes are made pursuant to the terms of Bearer Notes as set forth in other parts of the Information Memorandum.

Based on the assumptions above and subject to the discussion of information reporting and backup withholding below, generally, payments of interest by LBTCBV or LBB, or its paying agent made outside the United States and its possessions (including any original issue discount) on a Bearer Note to a Non-U.S. Bearer Note Holder will not be subject to the U.S. federal withholding tax.

Payments of interest on Bearer Notes issued by LBHI made outside the United States and its possessions (including any original issue discount) generally will not be subject to U.S. federal withholding tax provided that, (i) such Non-U.S. Bearer Note Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of LBHI, (ii) such Non-U.S. Bearer Note Holder is not (1) a foreign tax-exempt organization or foreign private foundation for U.S. federal income tax purposes, (2) a bank receiving interest described in Section 881(c)(3)(A) of the Code, (3) a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or by attribution, to LBHI through stock ownership, and (iii) such interest is not contingent interest described in Section 871(h)(4) of the Code (relating primarily to interest based on or determined by reference to income, profits, cash flow and other comparable attributes of LBHI or a related entity.

Information Reporting and Backup Withholding

In the case of U.S Holders, information reporting requirements apply to interest (including original issue discount) and principal payments made to, and to the proceeds of sales before maturity by, certain non-corporate U.S. Holders. In addition, a backup withholding applies if (i) the non-corporate U.S. Holder fails to furnish such non-corporate U.S. Holder's Taxpayer Identification Number ("*TIN*") (which, for an individual, would be his or her Social Security Number) to the payor in the manner required, (ii) the non-corporate U.S. Holder furnishes an incorrect TIN and the payor is so notified by the IRS, (iii) the payor is notified by the IRS that such non-corporate U.S. Holder has failed properly to report payments of interest and dividends or (iv) in certain circumstances, the non-corporate U.S. Holder fails to certify, under penalties of perjury, that it has not been notified by the IRS that it is subject to backup withholding for failure properly to report interest and dividend payments. Backup withholding does not apply with respect to payments made to certain exempt recipients, such as corporations (within the meaning of Section 7701(a) of the Code) and tax-exempt organizations.

In the case of a Non-U.S. Registered Note Holder of a Registered Note issued by LBTCBV or LBB, generally, information reporting and backup withholding will not apply to payments made outside the United States by the Issuer or its paying agent.

In the case of a Non-U.S. Registered Note Holder of a Registered Note issued by LBHI, generally information reporting and backup withholding will not apply to payments made outside the United States LBHI or its paying agent if appropriate certification is received, LBHI or its paying agent, as the case may be, does not have actual knowledge that the payee is a U.S. Holder and certain other conditions are satisfied.

In addition, unless the payor has actual knowledge that the payee is a U.S. Holder, backup withholding generally will not apply to (i) payments of interest made outside the United States to certain offshore accounts and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States. However, information reporting (but not backup withholding) will apply to (i) payments of interest made by a payor outside the United States and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States if payment is made by a payor that is, for U.S. federal income tax purposes, (a) a United States person, (b) a controlled foreign corporation, (c) a United States branch of a foreign bank or foreign insurance company, (d) a foreign partnership controlled by United States persons or engaged in a United States trade or business or (e) a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, unless such payor or broker has in its records documentary evidence that the beneficial owner is not a U.S. Holder and certain other conditions are met or the beneficial owner otherwise establishes an exemption.

In the case of a Non-U.S. Bearer Note Holder, generally, information reporting and backup withholding will not apply to payments of interest or principal, or to the sale or other taxable disposition of such Notes made outside the United States.

Backup withholding tax is not an additional tax. Rather, any amounts withheld from a payment under the backup withholding rules are allowed as a refund or a credit against the holder's United States federal income or withholding tax liability, provided that the required information is furnished to the IRS.

Prospective purchasers of Notes should consult their own tax advisors regarding the application of information reporting and backup withholding to their particular circumstances, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if available.

NETHERLANDS TAXATION

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Information Memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with The Netherlands other than the holding of the Notes. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of the Notes under the laws of their country of citizenship, residence, domicile or incorporation.

1. Withholding Tax

All payments by the Issuer of interest and principal under the Notes, Coupons, Talons or Receipts can be made free of withholding or deduction for, or on account of, any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, provided that, if the Notes, Coupons, Talons or Receipts have no fixed maturity date or a maturity date exceeding ten years,

(i) such payments are not dependent, or deemed to be dependent, in whole or in part, on the profits of or on the distribution of profits by the Issuer or an affiliated company (*verbonden lichaam*); or

(ii) whether such payments become due is not dependent, or deemed to be dependent, in whole or in part, on the profits of or on the distribution of profits by the Issuer or an affiliated company, unless the Notes, Coupons, Talons or Receipts have a fixed maturity date not exceeding 50 years or are not subordinated.

2. Taxes on Income and Capital Gains

A holder of a Note, Coupon, Talon or Receipt who derives income from a Note, Coupon, Talon or Receipt or who realises a gain on the disposal or redemption of a Note, Coupon, Talon or Receipt will not be subject to Dutch taxation on such income or capital gains unless:

(i) the holder is, or is deemed to be, resident in The Netherlands or, where the holder is an individual, such holder has elected to be treated as, resident in The Netherlands; or

(ii) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or

(iii) the holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Issuer and, if the holder is not an individual, such interest does not form part of the assets of an enterprise; or

(iv) the holder is an individual and such income or gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

3. Gift, Estate or Inheritance Taxes

Dutch gift, estate or inheritance taxes will not be levied on the occasion of the transfer of a Note, Coupon, Talon or Receipt by way of gift by, or on the death of, a holder, unless:

(i) the holder is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or as a gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident of The Netherlands for the purpose of the relevant provisions; or

(iii) such Note, Coupon, Talon or Receipt is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands.

4. Value Added Tax

There is no Dutch value added tax payable by a holder of a Note, Coupon, Talon or Receipt in respect of payments in consideration for the issue of the Notes, Coupons, Talons or Receipts or in respect of the payment of interest or principal under the Notes, Coupons, Talons or Receipts, or the transfer of the Notes, Coupons, Talons or Receipts.

5. Other Taxes and Duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in The Netherlands by a holder of a Note, Coupon, Talon or Receipt in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Notes, Coupons, Talons or Receipts or the performance of the Issuer's obligations under the Notes, Coupons, Talons or Receipts.

6. Residence

A holder of a Note, Coupon, Talon or Receipt will not be treated as resident of The Netherlands by reason only of the holding of a Note, Coupon, Talon or Receipt or the execution, performance, delivery and/or enforcement of the Notes, Coupons, Talons or Receipts.

GERMAN TAXATION

The information below is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. Prospective purchasers are urged to satisfy themselves as to the overall tax consequences of purchasing, holding and/or selling the Notes.

Germany

Persons, resident in the Federal Republic of Germany are subject to income taxation (income tax or corporate income tax, as the case may be, and solidarity surcharge) on their worldwide income, regardless of its source, including interest from debentures of any kind, such as the Notes. Capital gain from the sale of the Notes is taxable if (i) it falls into a category of income effectively connected to a German trade or business or (ii) the sale occurs within one year after purchase of the Notes.

Accrued unpaid interest paid as a part of the sales price (*"Accrued Interest"*) is deemed to be interest and taxed accordingly. Furthermore, if the Note is regarded to be a financial innovation *(Finanzinnovation)* within the meaning of the Income Tax Act *(Einkommensteuergesetz)*, amounts received upon sale, transfer or redemption of a Note by an individual Holder may be regarded as taxable interest income ("Deemed Interest") in an amount equal to (i) the difference between the issue price or purchase price of the Note and the redemption amount or sale proceeds to the extent such amount is attributable to the period over which such Holder of a Note has held such Note *(Besteuerung nach der Emissionsrendite)*, or (ii) alternatively, the difference between the proceeds from the sale or redemption and the purchase price or issue price *(Besteuerung nach der Marktrendite)*. If the Notes form part of the property of a German trade or business, the annual increase in value of the Notes, as calculated at the time of acquisition, must be taken into account pro rata temporis as interest income.

Persons not resident nor deemed resident pursuant to German tax law are currently not subject to German income taxation with respect to interest or capital gains which they may receive under the Notes unless such income falls into a category of income from German sources such as income from the letting and leasing of German property or income effectively connected with a German trade or business, or interest is paid upon physical presentation of Coupons or Notes. Where the Notes form part of the property of a German trade or business interest income, including Accrued and Deemed Interest, and capital gains will also be subject to trade tax.

The German withholding tax rules require withholding by a German financial institution, which term includes a German branch of a foreign financial institution but excludes a foreign branch of a German financial institution or, if no such German financial institution pays out the interest amounts, the debtor of the interest payments (i) (other than in the case of (ii) below) at a rate of 30% upon interest payments made by such German financial institution or the debtor to (a) German tax residents (i.e. persons whose residence, customary place of abode, corporate seat or principal place management is located in Germany) and (b) persons who are not resident in the Federal Republic of Germany if according to German income tax law the interest received from the Notes fall into a category of income from German sources such as income from the letting and leasing of German property or income effectively connected with a German trade or business ((a) or (b) each a *"German Holder"*) and (ii) at a rate of 35% upon interest payments made upon presentation to a German financial institution of interest coupons (with or without the Note itself) by a German or foreign Holder (other than a foreign financial institution). Withholding tax on interest is also imposed under the same conditions on Accrued Interest and Deemed Interest. As regards Deemed Interest withholding tax will be assessed on an amount equal to the difference between the issue or purchase price of the Note and the redemption amount or sales proceeds if the Holder has kept the Note in a custodial account with the same financial institution since the time of issuance or acquisition, respectively. Otherwise withholding tax is applied to 30% of the amounts paid in partial or final redemption of the Note or the proceeds from the sale of the Note. The aforementioned tax rates are increased by the solidarity surcharge *(Solidaritätszuschlag)* amounting to 5.5% of the respective tax rate. The total withholding tax burden therefore amounts to 31.65% and 36.925% respectively. The withholding tax (including solidarity surcharge) is an advance payment on the income tax liability if the recipient of the interest payment is subject to German income taxation by assessment.

If the amount of interest due under or the redemption amount of the Note depends on the performance of an index or if the Note can be regarded as an equity-like investment, income and deemed income may be subject to income taxation, trade tax and, even if interest on the Note is not paid out by a German financial institution, to withholding tax.

On December 16, 2002, the Federal Government announced plans to change the existing tax regime in respect of interest income. Instead of the withholding tax currently imposed at a rate of 30% as a prepayment towards a German Holder's actual tax liability, a withholding tax at a lower rate (expected (at the date of this Information Memorandum) to be 25%) would be imposed as the final tax liability. At the date of this Information Memorandum it was unclear whether these plans will actually be implemented.

AUSTRALIAN TAXATION

The following is a summary of the Australian withholding taxation treatment at the date of this Information Memorandum in relation to payments of principal and interest in respect of the Notes. These comments do not deal with other Australian tax aspects of acquiring, holding or disposing of Notes.

So long as the relevant Issuer remains a non-resident of Australia and the Notes (whether Australian Domestic Notes or other types of Notes) are not attributable to a permanent establishment of that Issuer in Australia, payments of principal and interest made under the Notes will not be subject to Australian interest withholding tax. In addition, the requirements of section 126 of the *Income Tax Assessment Act* 1936 of Australia relating to bearer debentures do not apply to debentures (which would include the Notes) issued by a non-resident body corporate which are not attributable to a permanent establishment of that body corporate in Australia.

Furthermore, so long as the relevant Issuer remains a non-resident of Australia and does not carry on business at or through a permanent establishment in Australia, the tax file number requirements of Part VA of the *Income Tax Assessment Act* 1936 of Australia and section 12-140 of the *Taxation Administration Act* 1953 of Australia ("*TAA*") should not apply in connection with the Notes. In addition, so long as the relevant Issuer does not issue the Notes, use the proceeds of the Notes or make payments in relation to the Notes in the course or furtherance of an enterprise carried on in Australia, the requirements of section 12-190 of the TAA relating to the provision of an Australian Business Number ("ABN") should not apply to the obligations of that Issuer in relation to the Notes.

Neither the issue of the Notes nor the payment of principal or interest in respect of the Notes will give rise to a liability to a goods and services tax in Australia.

No stamp duty is payable in Australia on the issuance of, subscription for, transfer of or redemption of the Notes.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments are made on the assumption that the Issuers of the Notes are not resident in the United Kingdom for United Kingdom tax purposes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Note Holders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Pricing Supplement may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Note Holders who are in any doubt as to their tax position should consult their professional advisers. Note Holders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Note Holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

A. UK Withholding Tax on Interest Payments by the Issuer

Interest on Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax.

Interest on Notes issued for a term of one year or more (or under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source. Interest on Notes may have a United Kingdom source where, for example, the Notes are secured on assets situate in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom. LBHI wishes Note Holders to be aware that interest on the Notes may be considered to have a United Kingdom source.

Interest which has a United Kingdom source (*"UK interest"*) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which the UK interest is paid constitute "quoted Eurobonds". Notes which carry a right to interest will constitute quoted Eurobonds provided they are and continue to be listed on a recognised stock exchange. On the basis of the United Kingdom Inland Revenue's published interpretation of the relevant legislation, Notes which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country

and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Luxembourg Stock Exchange, the Singapore Stock Exchange and the Australian Stock Exchange are, as of the date hereof, each recognised stock exchanges for these purposes (however, it has not been possible to confirm whether the Singapore Exchange Securities Trading Limited is a recognised stock exchange for these purposes).

In all other cases, UK interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty.

B. Payments by Guarantor

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) and either the interest on (or other amounts due under) the Notes or any payments made by the Guarantor have a United Kingdom source (and such interest, amounts or payments may have a United Kingdom source where, for example, they are secured on assets situate in the United Kingdom or they are paid out of funds maintained in the United Kingdom - LBHI wishes Note Holders to be aware that interest on the Notes may be considered to have a United Kingdom source), such payments by the Guarantor may be subject to United Kingdom withholding tax at the basic rate (currently 22 per cent.) subject to such relief as may be available either under the provisions of any applicable double taxation treaty. Such payments by the Guarantor may not be eligible for the exemptions described in A above.

C. Payments under Deed of Covenant

Any payments made by the Issuers under the Deed of Covenant may not qualify for the exemptions from UK withholding tax described above.

D. Provision of Information

Holders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuers or any person in the United Kingdom acting on behalf of the Issuers (a "paying agent"), or is received by any person in the United Kingdom acting on behalf of the relevant Holder (other than solely by clearing or arranging the clearing of a cheque) (a "collecting agent"), then the relevant Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Holder (including the Holder's 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 is resident in the United Kingdom for United Kingdom taxation purposes. Where the Holder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Holder is resident for taxation purposes.

For the above purposes, "interest" should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Notes.

The Provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

EU Savings Directive

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from January 1, 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive, each Member State will be 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 an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

E. Other Rules Relating to United Kingdom Withholding Tax

1. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.

2. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

3. Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

4. The references to "interest" above 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 Notes or any related documentation.

UNITED STATES EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "*ERISA Plans*") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "*Plans*")) and certain persons (referred to as "*parties in interest*" or "*disqualified persons*") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which any of the Issuers, the Guarantor, the Arranger or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any Notes, whether in the case of the initial purchase or in the case of a subsequent transfer, the purchaser thereof will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Notes will not be an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or foreign law) for which an exemption is not available.

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal or foreign laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of Notes to a Plan is in no respect a representation by the Issuers, the Guarantor, the Arranger or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE

Subject to the terms and conditions set out in the Amended and Restated Distribution Agreement, dated August 19, 2003 (as amended, supplemented or replaced from time to time, the "*Distribution Agreement*") between, amongst others, LBHI, LBTCBV, LBB and the Dealers named therein, the Notes may be offered from time to time on a continuing basis by the Issuers through the Dealers, which have agreed to use their reasonable best efforts to solicit purchasers of the Notes. The Issuer of a Note will pay the relevant Dealer a commission, based on the principal amounts of the Notes sold by such Dealer, depending upon maturity, for sales made through it as the Dealer.

The Issuers may also sell Notes to the Dealers as principal for their own accounts at a discount to be agreed upon at the time of sale, or the purchasing Dealer may receive from the relevant Issuer a commission or discount equivalent of that described in the preceding paragraph in the case of any such principal transaction in which no other discount is agreed. In addition, the Notes may be sold from time to time through syndicates of financial institutions, for which a Dealer shall act as lead manager. Such Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer.

The Issuers have reserved the right to sell Notes directly on their own behalf and have agreed with the Dealers that in such event they will comply with the restrictions described in this "Subscription and Sale" section as if they were Dealers. In the case of any sale by an Issuer directly, no commissions will be payable with respect to such sale.

The Issuers have agreed to indemnify the Dealers against certain liabilities and expenses.

The following selling restrictions may be modified by the Issuers and the relevant Dealers following a change in the relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the Series to which it is related or in a supplement to this Information Memorandum.

United States

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as permitted by Regulation S ("*Regulation S*") or Rule 144A ("*Rule 144A*") under the Securities Act, or Section 4(2) of the Securities Act in the case of offers and sales by an affiliate of the relevant Issuer to qualified institutional buyers within the meaning of Rule 144A. Terms used in this paragraph have the meaning given to them by Regulation S and Rule 144A.

Each Dealer represents, warrants and agrees that (a) except to the extent permitted under United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "*D Rules*"), (i) it has not offered or sold, and during the restricted period will not offer or sell, any Notes in bearer Form to a person who is within the United States or its possessions or to a United States person and (ii) it has not delivered and will not deliver within the United States or its possessions any Definitive Notes in bearer Form that are sold during the restricted period; (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer Form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules; (c) if it is a United States person, it is acquiring the Notes in bearer Form for the purposes of resale in connection with their original issuance and if it retains Notes in bearer Form for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and (d) with respect to each affiliate that acquires from it Notes in bearer Form for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in this Subscription and Sale section. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder, including the D Rules.

Each Dealer has severally agreed, and each further Dealer appointed under the Program will be required to agree, with the Issuers and the Guarantor (in its capacity as such) that, except as permitted by the Distribution Agreement, it will not offer or sell the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of the Series of which such Notes are a part, as determined and certified to the relevant Issuer by such Dealer (or, in the case of a Series of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of such Series purchased by or through it in which case the relevant Issuer shall notify each such Dealer where all such Dealers have so certified), other than in accordance with Rule 903 of Regulation S or Rule 144A, and it will have sent to each Dealer to which it sells

Notes during the distribution compliance period (other than resales, pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer represents and agrees that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. In addition, each Dealer represents and agrees that neither it, its affiliates, nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act) in connection with any offer or sale of Notes in the United States. Terms used in the preceding sentence have the meaning given to them by Regulation S.

In addition, until 40 days after the later of commencement of the offering of any Series of Notes and the Issue Date therefor, an offer or sale of Notes of such Series 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 made otherwise than in accordance with Rule 144A.

Notwithstanding the foregoing, the Dealer may arrange for the private offer and sale of a portion of the Notes to sophisticated institutional investors in the United States under restrictions and other circumstances designed to preclude a distribution that would require registration of the Notes under the Securities Act, including delivery of a letter containing certain representations and warranties with respect to the investor and its purchase of the securities, an acceptable form of which letter will be supplied to such investors.

Each prospective Purchaser of Notes pursuant to Rule 144A or Section 4(2) of the Securities Act will, by accepting delivery of this Information Memorandum and by its purchase of such Notes, be deemed to have represented and agreed as follows:

(1) it acknowledges that this Information Memorandum is personal to it and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S or, in the case of offers and sales from an affiliate of the relevant Issuer, pursuant to Section 4(2) of the Securities Act. Distribution of this Information Memorandum, or disclosure of any of its contents to any person other than such prospective purchaser and those persons, if any, retained to advise such prospective purchaser with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S, is unauthorized and any disclosure of any of its contents, without the prior written consent of the Issuers, is prohibited; and

(2) it agrees to make no photocopies of this Information Memorandum or any documents referred to herein and, if it does not purchase Notes or the offering is terminated, to return this Information Memorandum and all documents referred to herein to the Dealer or the affiliate thereof who furnished this Information Memorandum and those documents.

The Distribution Agreement provides that a Dealer nominated by a relevant Issuer may arrange for the placing of Notes in the United States to qualified institutional buyers within the meaning of Rule 144A. Each purchaser of Notes in reliance on Rule 144A or, in the case of offers and sales from an affiliate of the relevant Issuer, pursuant to Section 4(2) of the Securities Act will be deemed to have represented and agreed as follows:

(1) it is a qualified institutional buyer within the meaning of Rule 144A and it is acquiring such Notes for its own account or for the account of a qualified institutional buyer and it is aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes is being made in reliance on Rule 144A or Section 4(2) of the Securities Act, as the case may be;

(2) it understands that the Notes are being offered, and may be transferred, only in a transactions not involving any public offering within the meaning of the Securities Act. It understands that none of the Notes have been or will be registered under the Securities Act and it agrees, for the benefit of LBHI, the Issuers, the Guarantor, the Dealers and their affiliates that, if in the future it decides to offer, resell or otherwise transfer such Notes purchased by it, any offer, sale or transfer of such Notes will be made in compliance with the Securities Act and other applicable law of the states, territories and possessions of the United States governing the offer and sale of securities and only (i) to the relevant Issuer (upon the redemption of such Notes or otherwise); (ii) outside of the United States in a transaction exempt from the registration requirements of the Securities Act pursuant to Rule 904 of Regulation S; (iii) pursuant to and in accordance with Rule 144A to an institutional investor that it reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing

for its own account or for the account or for the account of a qualified institutional buyer whom it has informed, in each case, that the offer, resale or other transfer is being made in reliance on Rule 144A; (iv) to a Dealer; or (v) if available, pursuant to the exemption from registration under the Securities Act provided by Rule 144 thereunder. It further understands that no representation can be made by LBHI, the Issuers, any Dealer or any of their respective affiliates, representatives or agents as to the availability of the exemption provided by Rule 144 for resales of the Notes; and

(3) it understands that any Notes purchased pursuant to Rule 144A or Section 4(2) of the Securities Act will be issued in registered form in minimum denominations of $500,000 and will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE OR TRANSFER OF THIS NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS, INCLUDING THOSE SET FORTH IN THE AMENDED AND RESTATED FISCAL AGENCY AGREEMENT DATED AUGUST 19, 2003 RELATING TO THIS NOTE THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE, ACKNOWLEDGES THAT THIS NOTE IS A "RESTRICTED SECURITY" THAT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER (UPON REDEMPTION HEREOF OR OTHERWISE), (2) OUTSIDE OF THE UNITED STATES IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AND IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (OR SECTION 4(2) OF THE SECURITIES ACT, IF THE HOLDER IS AN AFFILIATE OF THE ISSUER) TO AN INSTITUTIONAL INVESTOR THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE OFFER, RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (4) TO A DEALER OR (5) IF AVAILABLE, PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, PROVIDED THAT NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE

(4) It acknowledges that the Issuers, the Guarantor, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more qualified institutional buyers it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Each person purchasing Notes from a Dealer or through an affiliate of a Dealer pursuant to Rule 144A acknowledges that (i) it has been afforded an opportunity to request from the relevant Issuer, and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein; (ii) it has not relied on any Dealer or any person affiliated with any Dealer in connection with its investigation of the accuracy of the information contained in this Information Memorandum or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning the relevant Issuer or the Notes other than those contained in this Information Memorandum and, if given or made, such other information or representation should not be relied upon as having been authorized by the relevant Issuer or any Dealer.

This Information Memorandum has been prepared by the Issuers for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for the resale of the Notes in the United States. The Issuers and the Dealers reserve the right to reject any offer to purchase, in whole or part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A. This Information Memorandum does not constitute an offer to any person in the United States or to any U.S.person other than any

"qualified institutional buyer" within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or an affiliate of one of the Dealers. Distribution of this Information Memorandum to any U.S. person or to any person within the United States, other than those persons, if any, retained to advise it with respect thereto, is unauthorized and any disclosure of any of its contents, without prior written consent of the Issuers, is prohibited.

This Information Memorandum may also be used by Lehman Brothers International (Europe), a subsidiary of LBHI, in connection with offers and sales of the Notes pursuant to Rule 144A or Section 4(2) of the Securities Act related to market making transactions by and through Lehman Brothers, a subsidiary of LBHI, or any other subsidiary of LBHI, at negotiated prices related to prevailing market prices at the time of sale or otherwise.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that:

(a) ***No offer to public:*** in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) ***No deposit-taking:*** in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(c) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(d) ***General compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer to sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, *"Japanese Person"* shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Republic of France

Each Dealer has represented and agreed that, it has not offered or sold and will not offer or sell, directly or indirectly, the Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Information Memorandum or any other offering

material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in and in accordance with Article L.411-1 of the French *Code Monétaire et Financier* and *décret* no. 98-880 dated October 1, 1998.

In addition, each Dealer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Information Memorandum or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in the Republic of France may be made as described above.

The Netherlands/Global

(1) Any Notes (including rights representing an interest in a Note in global form) issued under the Program that are offered *anywhere in the world* as far as the Notes issued by LBTCBV are concerned or offered, as part of their initial distribution or by way of re-offering, in The Netherlands as far as Notes issued by each of LBHI and LBB are concerned, shall, in order to comply with the Netherlands Securities Market Supervision Act 1995 (*Wet toezicht effectenverkeer* 1995, hereinafter the *"Wte"*) only be offered in accordance with any one of the following restrictions (as specified in the relevant Pricing Supplement):

(i) subject to the proviso stated below, in the event that (a) such Notes have been admitted to the official listing on a stock exchange or have otherwise been publicly offered in another state which is a party to the Treaty on the European Economic Area (hereinafter the *"EEA"*) and (b) this Information Memorandum has been approved by, and the applicable Pricing Supplement has been submitted to or approved by, the competent authority as referred to in Article 20 or Article 21 of EC Directive 89/298/ EEC (hereinafter the "Competent Authority") and (c) The Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "*AFM*") has confirmed, where necessary, the availability of recognition in respect of such documents; or

(ii) if they are part of a Series comprising only Notes with a denomination of at least EUR50,000 or the equivalent in another currency (as far as Notes issued by LBTCBV are concerned) or if such Notes have a denomination of at least EUR50,000 or the equivalent another currency (as far as Notes issued by each of LBHI and LBB are concerned) provided that if any such Notes are issued

(a) at a discount, they may only be offered if their issue price is no less than EUR50,000 (or its equivalent in another currency);

(b) on a partly-paid basis, they may only be offered if paid-up by their initial holders to at least such amount;

(c) with a denomination of precisely EUR50,000 (or its equivalent in another currency), they may only be offered on a fully-paid basis and at par or at a premium; or

(iii) to individuals or legal entities situated *anywhere in the world* (in the case of Notes issued by LBTCBV) or in *The Netherlands* (in the case of Notes issued by each of LBHI and LBB) who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities, hereinafter *"Professional Investors"*) *provided that* it must be made clear both upon making the offer and in the applicable Pricing Supplement and in any documents or advertisements in which a forthcoming offering of such Notes is publicly announced (whether electronically or otherwise) that such offer is exclusively made to such Professional Investors; or

(iv) in the case of Notes issued by LBTCBV, to persons or entities who or which are established, domiciled or have their usual residence (collectively, "are resident") outside The Netherlands, provided that (a) in the offer, the applicable Pricing Supplement and in any advertisements or documents in which a forthcoming offer of the Notes is announced (whether electronically or otherwise; collectively "*announcements*") it is stated that the offer is not and will not be made to persons or entities who or which are resident in The Netherlands, (b) the offer, the Information Memorandum, the applicable Pricing Supplement and any announcements comply with the laws and regulations of any State where persons or entities to whom or which the offer is made are resident, and (c) a statement by LBTCBV that those laws and regulations are complied with is submitted to the AFM before the offer or any such announcement is made and is included in the applicable Pricing Supplement and each such announcement: or

(v) in the case of Notes issued by LBTCBV, to persons and entities as referred to in (iv) and to Professional Investors situated in The Netherlands provided that the conditions referred to in (iii) and (iv) are complied with; or

(vi) (for syndicated series of Notes) if the following criteria are met:

(a) the Notes are subscribed for and placed by a syndicate of which at least two members have their statutory seat in different states that are a party to the Treaty on the EEA; and

(b) 60% or more of the relevant issue amount of Notes issued is placed in one or more states other than The Netherlands (in the case of Notes issued by LBTCBV) or the United States of America (in the case of Notes issued by LBHI or Germany (in the case of Notes issued by LBB); and

(c) investors may only acquire the Notes being offered through the intermediary of a credit institution (registered with the Dutch Central Bank) or another financial institution which in the conduct of a business or profession provides one or more of the services described in paragraphs 7 and 8 of the Annex to the Banking Coordination Directive (2000/12/EC); and

(d) no generalized advertising or cold-calling campaign is conducted in respect of the Notes *anywhere in the world* (in the case of Notes issued by LBTCBV) or in *The Netherlands* (in the case of Notes issued by each of LBHI and LBB); or

(vii) if any other exemption from the prohibition contained in article 3 paragraph 1 of the Wte applies or if the AFM has granted an (individual) dispensation from the above prohibition and the conditions attached to such exemption or dispensation are fully complied with.

Provided that in case the selling restriction referred to under (i) above is selected for any issue of Notes, the offer is made within one year after the date of this Information Memorandum, and:

(a) the relevant Issuer, the Guarantor (if any) and the relevant Dealer or Dealers procure that any advertisement or document in which a forthcoming offering of Notes is publicly announced (whether electronically or otherwise) will be submitted to the AFM prior to publication thereof and will mention the respective dates on which the Information Memorandum and the applicable Pricing Supplement will be or have been made generally available; and

(b) each relevant Dealer severally represents and agrees that prior to the submission of this Information Memorandum (together with the written approval thereof by the Competent Authority) and the applicable Pricing Supplement to the AFM and the publication thereof in accordance with (a) above;

(i) it has not offered, transferred or sold any Notes and will not, directly or indirectly, offer, transfer or sell any Notes except to individuals or legal entities as referred to in (iii) above; and

(ii) either it has not distributed and will not distribute any offering or promotional materials in respect of the Notes (whether electronically or otherwise) or it has complied and will comply with the conditions under (iii) above;

and each invitation telex and Pricing Supplement in respect of such Notes will set forth the restrictions under (i) and (ii) above.

(c) if after the date of this Information Memorandum new relevant facts occur or become known, Section 6 of the Decree on the Securities Market Supervision Act 1995 (*Besluit toezicht effectenverkeer 1995*) is complied with.

(2) In addition and without prejudice to the relevant restrictions set out under (1) above, Zero Coupon Notes (as defined below) in definitive form of each of LBTCBV, LBHI or LBB may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member of Euronext Amsterdam N.V. with due observance of the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of May 21, 1985 (as amended) and its implementing regulations. No such mediation is required (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form; (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof; (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession; or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Germany

Each Dealer has confirmed that it will comply with the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the *"Act"*) of the Federal Republic of Germany. In particular, each of the Dealers has represented that it has not engaged and agreed that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of such Act with respect to any Notes otherwise than in accordance with such Act and all other applicable legal and regulatory requirements.

Italy

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Information Memorandum or any other document relating to the Notes be distributed in the Republic of Italy except:

(i) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No.11522 of July 1, 1998 as amended, in compliance with the terms and procedures provided therein; or

(ii) in circumstances which are exempted from the rules of solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "*Italian Financial Services Act*") and Article 33, first paragraph of CONSOB Regulation No. 11971 of May 14, 1999 as amended; or

(iii) to an Italian resident who submits an unsolicited offer to purchase the Notes.

Any offer, sale or delivery of the Notes or distribution of copies of the Information Memorandum or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act and Legislative Decree no.385 of September 1, 1993 as amended (the "*Italian Banking Act*"); and

(b) in compliance with Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, pursuant to which the offer or sale of securities in the Republic of Italy may need to be preceded and followed by any appropriate notice to be filed with the Bank of Italy depending, inter alia, lon the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics.

Switzerland

Each Dealer has agreed that any issue of Notes denominated in Swiss Francs will be in compliance with the guidelines of the Swiss National Bank regarding issues of Swiss Franc denominated debt securities.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia) in relation to the Program or the Notes has been lodged with the Australian Securities and Investments Commission ("*ASIC*") or the Australian Stock Exchange Limited. Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that, unless the relevant Pricing Supplement otherwise provides, it:

(a) has not offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Notes in the Commonwealth of Australia, its territories and possessions ("*Australia*") (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Information Memorandum or any other offering material or advertisement relating to the Notes in Australia,

unless (i) the minimum aggregate consideration payable by each offeree is at least A$500,000 (or the equivalent in another currency and, in either case disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia, and (ii) such action complies with all applicable laws, regulations and directives and does not require any document to be lodged with ASIC.

Singapore

Each Dealer has acknowledged that this Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes; nor has it made and nor will it make, any Notes the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Information

Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "*SFA*"), (b) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Pricing Supplement, no action has been or will be taken in any country or jurisdiction by the Issuers, the Guarantor (if applicable) or the Dealers that would permit a public offering of Notes, 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 has severally agreed with the Issuers that it will observe all applicable laws and regulations in any country or jurisdiction in which it may offer, sell or deliver Notes and that it will not, directly or indirectly, offer, sell or deliver Notes or distribute or publish any prospectus, circular, advertisement or other offering material in relation to the Notes in or from any country or jurisdiction except under circumstances that will to the best of its knowledge and belief result in compliance with any applicable laws and regulations and all offers, sales and deliveries of Notes by it will be made on the foregoing terms.

Each purchaser of Notes must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver the Notes and it may not, directly or indirectly, offer, sell, resell, reoffer or deliver any Notes or distribute this Information Memorandum or any circular, advertisement or other offering material (including, without limitation, any supplement to this Information Memorandum) and the most recently published audited financial statements of each Issuer in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

The restrictions on offerings may be modified by the agreement of the Issuers and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set forth in the relevant Pricing Supplement or in a supplement to this Information Memorandum.

GENERAL INFORMATION

1. Application has been made to list Notes issued under the Program on the Luxembourg Stock Exchange and, in connection therewith, the Luxembourg Stock Exchange has assigned registration number 12209 to the Program. Prior to the listing of any Notes, the constitutional documents of each Issuer and the legal notice relating to the issue will be registered with the Registrar of the District Court in Luxembourg (*Registre de Commerce et des Sociétés à Luxembourg*), where copies of these documents may be obtained upon request.

2. In connection with any future application to list the Notes on the Paris Stock Exchange:

   (a) a legal notice relating to the issue of such Notes will be published in the *Bulletin des Annonces légales obligatoires* prior to such listing;

   (b) the Pricing Supplement applicable to such issue will be submitted to the approval of the COB and the relevant approval will be evidenced by the issue of a *visa* by the COB which will be disclosed in the relevant Pricing Supplement applicable to the relevant Notes and by publication in the *Bulletin Officiel d'Euronext Paris SA*; and

   (c) the Pricing Supplement applicable to such issue will specify the additional places in Paris at which documents required to be made available for inspection may be inspected during normal business hours.

3. The consolidated financial statements for the years ended November 30, 2000, November 30, 2001 and November 30, 2002 of LBHI have been prepared in accordance with generally accepted accounting principles in the United States and have been reported upon without qualification for LBHI by Ernst & Young, certified public accountants, which has its principal place of business at 787 Seventh Avenue, New York, New York 10019, U.S.A. The financial statements for the years ended November 30, 2000, November 30, 2001 and November 30, 2002 of LBTCBV have been prepared in accordance with generally accepted accounting principles in The Netherlands and have been reported upon without qualification by Moret Ernst & Young, certified public accountants, Drentestraat 20, 1083 HK Amsterdam, P.O. Box 7883, 1008 AB Amsterdam, The Netherlands.The financial statements for the years ended November 30, 2001, and November 30, 2002 have been prepared in accordance with generally accepted accounting principles in the Federal Republic of Germany and have been reported upon without qualification for LBB by Ernst & Young AG.

4. Since May 31, 2003, the date to which the latest unaudited consolidated financial statements of LBHI were prepared, there has been no significant change in the consolidated financial or trading position of LBHI (which includes LBTCBV and LBB) and since November 30, 2002, the date to which the latest audited consolidated financial statements of LBHI were prepared, there has been no material adverse change in the financial position or prospects of LBHI and its subsidiaries. Since November 30, 2002, the date to which the latest audited financial statements of LBTCBV were prepared, there has been no significant change in the financial or trading position of LBTCBV, and there has been no material adverse change in the financial position or prospects of LBTCBV.

5. Except as otherwise disclosed in pages 56 to 60 of this Information Memorandum, neither LBHI nor any of its subsidiaries (including LBTCBV and LBB) is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Information Memorandum, a significant effect on the financial position or prospects of the Group, LBTCBV or LBB, nor, so far as LBHI, LBTCBV or LBB are aware, are any such proceedings pending or threatened.

6. The issuance of debt in the Euro markets, including the issuance of the Guarantee, was authorized pursuant to a resolution (the "*Resolution*") adopted by the Executive Committee of the Board of Directors of LBHI as of November 14, 1991. The Treasurer of LBHI, in accordance with the provisions of the Resolutions, authorized the increase in the aggregate principal amount of the Program to U.S.$18,000,000,000 and the Guarantees on the Notes issued thereunder by LBTCBV or LBB, as the case may be, on March 3, 1995, August 24, 2000 and August 19, 2003. The Program was authorized pursuant to resolutions of the Board of Managing Directors of LBTCBV passed on March 31, 1995, August 12, 2002 and August 19, 2003. This Program was authorised pursuant to resolutions of the Board of Directors of LBB passed August 18, 2003.

7. From the date hereof and during the lifetime of the Program copies of the following documents, and English translations thereof where relevant, may be inspected and in the case of (a), (b), (c), (i) and (j) may be obtained during normal business hours on any weekday (excluding Saturdays) at the principal place of business and registered office of LBHI, at the registered office of LBTCBV, at the registered office of LBB at the offices of the Fiscal Agent in London, at the office of the Paying Agent in Luxembourg and at the office of the listing agent in Singapore referred to in this Information Memorandum:

(a) the Restated Certificate of Incorporation and By-Laws of LBHI, the Deed of Incorporation ("*akte van oprichting*") and the amended Articles of Association ("*statuten*") of LBTCBV and the Articles of Association ("*Satzung*") of LBB;

(b) the most recent two years' audited consolidated financial statements of LBHI beginning with each of the years ended November 30, 2001 and November 30, 2002, together with any subsequent publicly available interim financial statements beginning with the interim unaudited consolidated financial statements for the six months ended May 31, 2003[1];

(c) audited financial statements for the years ended November 30, 2001 and November 30, 2002 of LBTCBV together with any subsequent audited financial statements. No publicly available interim financial statements or non-consolidated financial statements are prepared by LBTCBV;

(d) audited financial statements for the years ended November 30, 2001 and November 30, 2002 of LBTCBV together with any subsequent audited financial statements. No publicly available interim financial statements or non-consolidated financial statements are prepared by LBTCBV;

(e) the Amended and Restated Fiscal Agency Agreement dated August 19, 2003 and any amendments or supplements thereto;

(f) the Amended and Restated Distribution Agreement dated August 19, 2003 and any amendments or supplements thereto;

(g) the Deed of Covenant dated August 19, 2003 and any amendments or supplements thereto;

(h) each of the Guarantee Agreements dated August 19, 2003 and any amendments or supplements thereto;

(i) each Calculation Agency Agreement;

(j) each Pricing Supplement (for issues of listed Notes);

(k) the Information Memorandum and all amendments and supplements thereto; and

(l) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

If Australian Domestic Notes are issued by LBTCBV, the Deed Poll, the Agency and Registry Services Agreement and (if required) the Issuing and Payment Administration Agreement in relation to the Australian Domestic Notes may be inspected during normal business hours on any weekday (excluding Saturdays) at the principal place of business and registered office of LBTCBV and at the office of the Australian Registrar in Sydney, as specified in the applicable Pricing Supplement.

8. Regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism.

9. Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and the ISIN for each Series of Notes will be set out in the relevant Pricing Supplement.

1. LBHI issues financial statements on a quarterly basis. All financial statements are issued on a consolidated basis and, with the exception of the year-end statements, are unaudited.

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