



## 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).

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

LBTCBV accepts responsibility for all the information contained in this Base Prospectus to the extent that such information relates to LBTCBV and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus which relates to LBTCBV is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

LBB accepts responsibility for all the information contained in this Base Prospectus to the extent that such information relates to LBB and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus which relates to LBB is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The information relating to ISDAFIX (as set out herein) has been extracted from information displayed by Reuters and published by ISDAFIX on ISDAFIX page ISDAFIXINFO01. The information relating to IFR Derivatives (as set out herein) has been extracted from information displayed by Telerate and published by IFR Derivatives on Telerate page 42275. Each of LBHI, LBTCBV and LBB confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information displayed by Reuters and Telerate and published by ISDAFIX on ISDAFIX page ISDAFIXINFO01 or published by Telerate on Telerate page 42275, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus must be read in conjunction with all information deemed to be incorporated by reference (see “Information Incorporated by Reference” on page 27) and shall be read and construed on the basis that such Information is so incorporated and forms part of this Base Prospectus.

This Base Prospectus (together with supplements to this Base Prospectus from time to time (each a “*Supplement*” and together the “*Supplements*”)) comprises three base prospectuses in respect of each of LBHI, LBTCBV, and LBB and in respect of LBHI as Guarantor for the purposes of Article 5.4 of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the “*Irish Prospectus Regulations*”).

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 Base Prospectus 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 Base Prospectus, 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 Base Prospectus, 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 Base Prospectus, 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 Base Prospectus 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.

Any investment in Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by IFSRA. The Issuers are not and will not be regulated by IFSRA as a result of issuing the Notes.

Where an Issuer wishes to issue Notes with a maturity of less than one year, it shall do so in full compliance with the notice issued by IFSRA of exemptions granted under section 8(2) of the Central Bank Act, 1971, as amended.

Copies of this Debt Issuance Program Prospectus have been filed with and approved by IFSRA as required by the Irish Prospectus Regulations.

The distribution of this Base Prospectus 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 Base Prospectus 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. Accordingly, the Notes may not be offered or sold, directly or indirectly, and none of this Base Prospectus, 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 Base Prospectus comes must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, The Netherlands, Singapore, Italy 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. Subject to certain exceptions, Notes in bearer form may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons. 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 or Section 4(2) of the Securities Act in the case of offers and sales by an affiliate of the relevant Issuer 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 applicable 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 LICENSE 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 Base Prospectus, 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 “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 or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms may, outside Australia and on a market operated outside Australia, over-allot Notes 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. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Such stabilization shall be conducted in accordance with all applicable laws, rules and regulations.

## TABLE OF CONTENTS

Summary Of This Base Prospectus . . . . .	6
Risk Factors . . . . .	14
Available Information . . . . .	26
Information Incorporated By Reference . . . . .	27
General Description Of The Program . . . . .	29
Form Of The Notes . . . . .	30
Pro Forma Final Terms . . . . .	38
Terms And Conditions Of The Notes . . . . .	54
Additional Descriptions In Relation To Specific Notes . . . . .	96
Use Of Proceeds . . . . .	100
Lehman Brothers Holdings Inc. . . . .	101
Summary Financial Information Of Lehman Brothers Holdings Inc. . . . .	103
Lehman Brothers Treasury Co. B.V . . . . .	105
Summary Financial Information Of Lehman Brothers . . . . .	106
Lehman Brothers Bankhaus AG . . . . .	108
Summary Financial Information Of Lehman Brothers Bankhaus AG . . . . .	109
United States Taxation . . . . .	112
Netherlands Taxation . . . . .	124
German Taxation . . . . .	125
Australian Taxation . . . . .	127
United Kingdom Taxation . . . . .	127
EU Savings Directive . . . . .	130
United States Employee Benefit Plan Considerations . . . . .	132
Subscription And Sale . . . . .	133
General Information . . . . .	142

## SUMMARY OF THIS BASE PROSPECTUS

*This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole. No civil liability will attach to the persons responsible for this summary in any Member State of the European Economic Area which has implemented the Prospectus Directive solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

Issuers:

### **Lehman Brothers Holdings Inc. (“LBHI”)**

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

Its global headquarters in New York and regional headquarters in London and Tokyo are complemented by offices in additional locations in North America, Europe, the Middle East, Latin America and the Asia Pacific region. Lehman Brothers, through predecessor entities, was founded in 1850.

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

Summary financial information in respect of LBHI is set out in this Base Prospectus.

### **Lehman Brothers Treasury Co. B.V. (“LBTCBV”)**

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

Summary financial information in respect of LBTCBV is set out in this Base Prospectus.

### **Lehman Brothers Bankhaus AG (“LBB”)**

LBB was incorporated under German law as a private Stock Corporation (“*Aktiengesellschaft*”). The principal activity of LBB is to act as a commercial bank supporting the working capital and lending requirements of various institutional clients worldwide and European subsidiaries of LBHI. In addition LBB provides financial advisory services to investment banking clients in Germany and Austria.

LBB also acts through its London Branch which is registered at Companies House with Branch Number BR003960.

Summary financial information in respect of LBB is set out in this Base Prospectus.

Guarantor:	In the case of Notes issued by LBTCBV and LBB, LBHI in each case, pursuant to a guarantee agreement dated August 9, 2006 between the relevant Issuer and the Guarantor (as amended, restated or supplemented from time to time, each a “ <i>Guarantee</i> ” and together the “ <i>Guarantees</i> ”).
	Under the Guarantees, LBHI will unconditionally and irrevocably guarantee all amounts of principal and premium and interest (if any) on Notes issued by each of LBB and LBTCBV so that should either of LBB or LBTCBV fail to perform or procure the performance of any obligation under the Terms and Conditions of the Notes, upon written demand by the Holders, the Guarantor shall be liable to pay such amounts.
Arranger:	Lehman Brothers International (Europe).
Dealers:	Lehman Brothers International (Europe) and Lehman Brothers Inc. pursuant to an amended and restated distribution agreement dated August 9, 2006 between themselves, the Issuers and the Guarantor (as further amended, restated or supplemented from time to time, the “ <i>Distribution Agreement</i> ”) (together with any other dealers appointed from time to time pursuant to the Distribution Agreement, the “ <i>Dealers</i> ”).
Fiscal Agent, Principal Paying Agent and Registrar:	JPMorgan Chase Bank, N.A. pursuant to an amended and restated fiscal agency agreement dated August 9, 2006 between, inter alia, the Fiscal Agent, the Issuers and the Guarantor (as further amended, restated or supplemented from time to time, the “ <i>Fiscal Agency Agreement</i> ”) or such other agent as is specified in the relevant Final Terms.
Irish Listing Agent:	The Bank of New York.
Irish Paying Agent:	AIB/BNY Fund Management (Ireland) Limited.
New York Paying Agent:	JPMorgan Chase Bank, N.A.
Program Amount:	Up to U.S.\$60,000,000,000 (but only up to U.S.\$2,000,000,000 of such amount in respect of Notes issued by LBB) aggregate principal amount of Notes outstanding.
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).
Australian Domestic Notes:	LBTCBV and LBHI may issue Notes denominated in Australian dollars in the Australian domestic capital markets.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, subject to a minimum maturity of one month or more.
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 Final Terms 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 Final Terms and upon redemption or maturity and will be calculated on such basis as may be specified in the applicable Final Terms.
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 Final Terms, in each case as adjusted by addition or subtraction of any applicable spread or by multiplication by any applicable spread multiplier.
Index-Linked Notes:	Notes issued pursuant to the Program may include 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 Final Terms. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Final Terms relating to such Notes.
Hybrid Rate Notes:	Notes issued pursuant to the Program may include Notes in which interest 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 Final Terms.
Equity-Linked and Credit-Linked Notes:	Notes issued pursuant to the Program may include Notes which provide for payments of principal, premium or interest which are linked to a single share or a basket of several shares (“ <i>Equity-Linked Notes</i> ”), or Notes which provide for payment upon redemption and/or return based on the credit performance of any one or more reference entities (“ <i>Credit-Linked Notes</i> ”), in each case as specified in the applicable Final Terms. Specified provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Final Terms. In either case the Notes may provide for physical settlement with respect to certain specified obligations in accordance with the provisions of the applicable Final Terms. For the avoidance of any doubt, the Issuer will not issue equity securities (such as shares) or asset-backed securities under this Program.



Other Provisions Relating to Floating Rate Notes and Index-Linked 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 Final Terms and will be calculated on the basis of the relevant Day Count Fraction unless otherwise specified in the applicable Final Terms.
Zero Coupon Notes:	Zero Coupon Notes will, unless otherwise specified in the relevant Final Terms, be offered and sold at a discount to their principal amount and will not bear interest.
Dual Currency Notes:	Notes issued pursuant to the Program may include 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 Final Terms.
Inflation-Linked Notes:	Notes issued pursuant to the Program may include Notes in respect of which the rate of interest applicable for one or more Interest Periods and /or the redemption amount is calculated by reference to one or more indices relating to the consumer price index or any other formula linked to a measure of inflation in one or more jurisdictions, as specified in the applicable Final Terms.
Quanto Notes:	Notes issued pursuant to the Program may include Notes issued in a currency (the " <i>Quanto Currency</i> ") in respect of which, the rate of interest for one or more Interest Periods is calculated by reference to, among other variables, a currency exchange rate or currency exchange rates or interest rate or interest rates in respect of a currency or currencies, or an asset or assets or index or indices denominated in a currency or currencies, that is different to that of the Quanto Currency (each a " <i>Reference Currency</i> ") as specified in the applicable Final Terms. All interest amounts payable under the Notes and any amounts payable on the redemption of the Notes are paid in the Quanto Currency.
Variable Cap Notes:	Notes issued pursuant to the Program may include Variable Cap Notes, in respect of which the rate of interest applicable for some or all of the term of the Notes is subject to a variable maximum interest rate (or cap) as specified in the applicable Final Terms. The variable maximum rate of interest (the " <i>Variable Cap</i> ") may be determined by reference to any rate, currency, index or formula (each a " <i>Variable Cap Factor</i> "), or any combination of such Variable Cap Factors.
Rates of Interest Determined by Reference to Swap Rates:	Notes issued pursuant to the Program may include Notes in respect of which the redemption amount, rate of interest, maximum rate of interest and/or minimum rate of interest is determined by reference to one or more swap rates specified in the applicable Final Terms.

Steepener Notes:	Notes issued pursuant to the Program may include Steepener Notes, in respect of which the rate of interest applicable for one or more Interest Periods is determined by reference to the difference between two swap rates specified in the applicable Final Terms, which difference may (if so specified in the applicable Final Terms) then be multiplied by a factor, subject to any minimum and/or maximum interest rates specified.
Path-Dependent Notes:	Notes issued pursuant to the Program may include Notes in respect of which, the rate of interest for one or more Interest Periods is calculated by reference to the rate of interest for one or more previous Interest Periods. The rate of interest for any Interest Period may be calculated by reference to the immediately preceding Interest Period (the “ <i>Previous Rate</i> ”) and one or more variables. Such variable may include a rate, a currency, an index, a formula and/or a constant. Alternatively, the rate of interest could be subject to a maximum or minimum rate of interest based upon the Previous Rate.
Range Accrual Notes:	Notes issued pursuant to the Program may include Notes in respect of which, for one or more Interest Periods, the rate of interest is calculated by multiplying a rate, currency exchange rate, index, formula or other factor or combination thereof (each a “ <i>Reference Rate</i> ”) by a fraction (the “ <i>Index Ratio</i> ”) whose denominator is the total number of days (each an “ <i>Observation Day</i> ”) within a period (an “ <i>Observation Period</i> ”) and whose numerator is the actual number of days during that Observation Period on which a predetermined event (the “ <i>Fixing Event</i> ”) occurs. The Fixing Event may be an event upon which one or more indices, formulae, currency exchange rates, rates or a combination thereof, is greater than and/or equal to and/or lower than and/or equal to a predetermined level or levels of another rate, currency exchange rate, index, formula or constant, as specified in the applicable Final Terms.
Switchable Notes:	Notes issued pursuant to the Program may include Notes in respect of which, for one or more Interest Periods, the rate of interest or a component of the rate of interest specified in the applicable Final Terms may, on certain dates (each an “ <i>Exercise Date</i> ”), change to a different rate of interest or component of the rate of interest (as the case may be) at the option (each a “ <i>Switch Option</i> ”) of either the Issuer and/or the Noteholder and/or a third party (the “ <i>Switch Option Holder</i> ”). The number of Switch Options available to the Switch Option Holder may be limited or unlimited as specified in the applicable Final Terms. The occurrence of such an event is known as a “ <i>Switch Event</i> ”.
Target Redemption Notes:	Notes issued pursuant to the Program may include Notes that will be redeemed if the aggregate amount of interest to be paid under the Notes (the “ <i>Aggregate Interest Amount</i> ”) is equal to or exceeds a target amount of interest as specified in

the applicable Final Terms. Such redemption will be at an amount and on a date specified in the applicable Final Terms.

Trigger Notes:

Notes issued pursuant to the Program may include Notes in respect of which, for one or more Interest Periods, the rate of interest specified in the applicable Final Terms may convert into a different rate of interest depending upon certain events (“*Trigger Events*”) occurring on certain dates (each a “*Trigger Date*”) or within a specified period (“*Trigger Period*”) each as specified in the applicable Final Terms. Such Trigger Events may be, but are not limited to, events upon which one or more indices, formulae, currency exchange rates, constants, other factors or a combination thereof (“*Trigger Indices*”) are greater than and/or equal to and/or lower than and/or equal to one or more other indices, formulae, currency exchange rates, constants, other factors or a combination thereof.

Form of Notes:

Notes of a Series may be issued in either bearer or registered form. Bearer Notes in global form may be issued either in Classic Global Note Form or in New Global Note Form as specified in the applicable Final Terms.

Denomination of Notes:

Subject to compliance with the Prospectus Directive and all applicable legal and/or regulatory and/or central bank requirements, Notes may be issued in any denomination (subject to (a) in the case of Notes to be admitted to trading on a regulated market and/or publicly offered in an EEA Member State, the minimum denomination of the Notes will be at least EUR1,000 (or nearly equivalent in any other currency on the issue date) or the Notes will give the right to acquire transferable securities or to receive a cash amount, as a consequence of their being converted or the rights conferred by them being exercised, provided that the issuer of the underlying securities is not the relevant Issuer or another entity belonging to the Lehman Brothers group; (b) Notes issued by LBHI and having a maturity of 183 days or less having a minimum denomination of U.S.\$500,000 or its equivalent; and (c) Notes denominated in Singapore dollars having a minimum denomination of S\$250,000).

Redemption:

Redemption for taxation reasons or as may be specified in the relevant Final Terms.

Taxation:

Payments of principal, and premium, if any, and interest, if any, on the Notes will be made without deduction for or on account of United States, the United Kingdom, The Netherlands or the Federal Republic of Germany withholding taxes, save as required by law. In that event, the Issuer will, subject to certain exceptions, pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such deduction been required.

Status of the Senior Notes and Senior Guarantees; Negative Pledge:

The Senior Notes and the Senior Guarantees will constitute direct, unconditional and 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.

The Senior Notes and the Senior Guarantees will have the benefit of a negative pledge.

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.

Passporting, Listing and Trading:

Applications have been made for (1) a certificate of approval under Article 18 of the Prospectus Directive as implemented in Ireland to be issued by the IFSRA to the competent authority in each of Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, The Netherlands, Portugal, Spain and the United Kingdom and (2) Notes to be admitted during the period of twelve months after the date hereof to the Official List of the Irish Stock Exchange and to trading on its regulated market and/or to listing on the Singapore Stock Exchange. The Program also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the relevant Issuer and the relevant Dealer(s) and specified in the relevant Final Terms. Australian Domestic Notes may be listed on the Australian Stock Exchange.

Final Terms or Drawdown Prospectus:

Notes issued under the Program may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus (each, a "Drawdown Prospectus") prepared in connection with a particular Tranche of Notes.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus and any subsequently published supplement to this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown

Prospectus will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to the relevant or applicable Final Terms shall be read and construed as a reference to the relevant or applicable Drawdown Prospectus.

**Selling Restrictions:**

Each Dealer and each purchaser of Notes must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Notes or distribute this Base Prospectus or any offering material in relation to Notes.

The Base Prospectus contains a summary of certain selling restrictions in the United States, the European Economic Area, the United Kingdom, Japan, The Netherlands, Australia and Singapore. These are set out in more detail on pages 133 to 141 of this Base Prospectus.

**Governing Law:**

The Notes (save for Australian Domestic Notes) will be governed by English law. The Guarantees will be governed by the laws of the State of New York.

**Risk Factors:**

There are certain risks related to any issue of Notes under the Program which investors should ensure they fully understand. Additionally, Lehman Brothers' financial condition and results of operations may be affected by uncertain or unfavourable economic, market, legal and other conditions. These conditions include but are not limited to market and competitive risk, changes in investor sentiment, liquidity risk, changes to credit ratings, credit exposure and operational risk and legal regulatory risk. These risks are set out in more detail on pages 14 to 25 of this Base Prospectus.

## RISK FACTORS

*Prospective investors should read the entire Base Prospectus. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Notes involves certain risks. Prospective investors should conduct their own thorough analysis (including their own accounting, legal and tax analysis) prior to deciding whether to invest in the Notes. In addition, prospective investors should consider, among other things, the following:*

The Issuers believe that the factors described below present the principal risks inherent in investing in the Notes issued under the Program, but the inability of the relevant Issuer to pay interest or principal on or in connection with any Notes may occur for other reasons and none of the Issuers represents that the statements below regarding the risks of holding any Notes is exhaustive.

### **Risks Relating to the Notes**

#### ***There is no active trading market for the Notes***

Notes issued under the Program will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon, amongst other factors, currency exchange rates, prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the relevant Issuer. Although application has been made for the Notes issued under the Program to be admitted to listing on the Official List of the Irish Stock Exchange and to trading on its regulated market (within the scope of Directive 2004/39/EC on Markets in Financial Instruments), there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

#### ***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the relevant Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States, The Netherlands, the Federal Republic of Germany, the United Kingdom or any other country in which such payments are regarded as being sourced, as the case may be, or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the relevant Issuer’s option in certain other circumstances the relevant Issuer may choose to redeem the Notes for instance at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer***

Notes issued under the Program may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes,

investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the relevant Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

***Some Notes are subordinated to most of the relevant Issuer's liabilities***

If in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are subordinated obligations of the relevant Issuer and that Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, such Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Notes.

***Loss of Investment***

If, in the case of any particular Tranche of Notes, the relevant Final Terms do not specify that the Notes are wholly principal protected, there is a risk that any investor may lose the value of their entire investment or part of it and that the Notes may trade significantly below their issue price at any time prior to redemption.

***Some Notes are subject to risks associated with foreign exchange rates, particularly where an emerging market currency is involved***

The performance of an investment in certain Notes may be affected either because the Notes are denominated in a currency other than the investor's 'home-currency', or because the amount payable will be affected by a foreign exchange rate. This may affect interest as well as principal payments (as applicable) under the terms of some Notes. Any variation in the exchange rates is based on a number of interrelated factors, including economic, financial and political events that Lehman Brothers cannot control. The exchange rates, which depend on the supply and demand for the relevant currencies, may be affected by political, economic, legal, accounting and tax matters specific to the countries in which such currencies are circulated as legal tender. These matters include, among other things, the possibility that exchange controls with respect to the currencies could be imposed or modified. Such value also varies with market expectations as to future exchange rates and other current and anticipated conditions. The effects of any of these factors may be particularly pronounced when one of the currencies is an emerging market currency or other currency (each an "EM Currency"). EM Currencies are often less liquid than, for instance, G-10 Currencies. In addition, the exchange rates may be affected by the operation of, and the fact that persons and entities (including Lehman Brothers) will be trading currencies on, interbank and interdealer foreign exchange markets in the United States, Europe and elsewhere. For the purposes of this risk factor, "G-10 Currencies" means the U.S. Dollar, the Euro, the Japanese Yen, the Swiss Franc, the British Pound, the Australian Dollar, the New Zealand Dollar, the Canadian Dollar, the Norwegian Krone and the Swedish Krona.

### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features and the risks associated with them:

#### *Fixed Rate Notes*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

#### *Index Linked Notes and Dual Currency Notes*

The Issuers may issue Notes with principal or interest determined by reference to interest or swap rates or an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “*Relevant Factor*”). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated.

Potential investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Partly-paid Notes*

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Notes with a multiplier, other leverage factor, caps, floors or other options*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the



reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Inflation-Linked Notes*

A relevant consumer price index or other formula linked to a measure of inflation to which the Notes are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the Index may result in a reduction in the interest payable on the Notes or, in the case of Notes with a redemption amount linked to inflation, in a reduction in the amount payable on redemption which in some cases could result in Noteholders receiving back less than the amount originally invested.

The seasonal nature of an Index may result in higher or lower inflation rates being observed for any sub-period than the rate in relation to any particular Interest Period.

An Index to which interest payments and/or the redemption amount of Inflation-Linked Notes are linked is only one measure of inflation for the relevant jurisdiction, and such Index may not correlate perfectly with the rate of inflation experienced by residents in such jurisdiction.

Interest Payments and/or the redemption amount of Inflation-Linked Notes may be based on a calculation made by reference to the inflation rate for a period which has no relation to the date of payment on the Notes and therefore could be substantially different from the level of inflation at the time of the payment of interest or, as the case may be, principal on the Notes.

#### *Quanto Notes*

The market value of the Notes will be affected by, among other things, the rate of interest payable in each Interest Period and/or the amount payable on redemption. The principal risk associated with Quanto Notes is that the rate of interest that is payable on the Notes is lower than the rate of interest usually payable in relation to the Quanto Currency.

By way of an example, the interest amount on a Quanto Note may be paid in Euro but be calculated by adding 0.25 per cent. of the nominal amount of such Note to USD-LIBOR with a designated maturity of 3 months. In this example, the Quanto Currency is Euro and the Reference Currency is United States Dollars and any increase in interest rates in respect of the Quanto Currency will not result in a corresponding increase in the rate of interest payable for an Interest Period in respect of the Notes.

The above analysis sets out just one example of how Quanto Notes may operate and the risks associated with such circumstances. It is not intended to be an exhaustive list of risks associated with Quanto Notes and additional risk factors may be associated with different coupon structures of Quanto Notes.

#### *Variable Cap Notes*

The market value of Variable Cap Notes will be affected by, among other things, the amount of interest payable in each Interest Period in comparison to the prevailing rates of interest available on other investments in the market at the time in question. The rate of interest payable on Variable Cap Notes is subject to a variable maximum rate of interest (a “*Variable Cap*”) as specified in the Final Terms. The Variable Cap may be determined by reference to any rate, currency, security, index, formula or other factor (each a “*Variable Cap Factor*”), or any combination of such Variable Cap Factors. In the event that the Variable Cap for an Interest Period is close to or equal to zero, the rate of interest applicable in respect of the relevant Interest Period will be close to or equal to zero (unless any minimum rate of interest has been specified in the applicable Final Terms and applies, in which event the rate of interest applicable in respect of the relevant Interest Period will equal that minimum rate of interest) and the value of the Variable Cap Notes will be effected commensurately.

In addition, the Variable Cap may fluctuate independently of any fluctuation in the interest rate which would have been payable on the Notes if there had not been a Variable Cap and this may have a detrimental or positive effect on the market value of the Variable Cap Notes.

If a Variable Cap contains a leverage factor, the effects of changes in the Variable Cap on interest payable (and therefore the impact on the value of the Variable Cap Notes) is likely to be magnified.

#### *Steepener Notes*

The market value of Steepener Notes will be affected by, among other things, the amount of interest payable in each Interest Period. The rate of interest on Steepener Notes is obtained by taking the amount (if any) by which a designated swap rate (the “*First Swap Rate*”) exceeds another designated swap rate (the “*Second Swap Rate*”) and multiplying that amount by the factor (the “*Leverage Factor*”) (all as specified in the applicable Final Terms), subject to any maximum and minimum rate of interest. Subject to any minimum and maximum rate of interest, as the difference between the First Swap Rate and the Second Swap Rate decreases the rate of interest payable will fall by the amount of that decrease multiplied by the relevant Leverage Factor. In the event that the First Swap Rate does not exceed the Second Swap Rate on a date which is relevant to the calculation of interest for an Interest Period, the rate of interest on the Notes for that period will equal zero or, if any minimum rate of interest has been specified in the applicable Final Terms and applies, will equal that minimum rate of interest.

#### *Path-Dependent Notes*

The market value of any Notes is affected by, among other things, the rate of interest payable on such Notes. The rate of interest payable on the Path-Dependent Notes in respect of an Interest Period will affect the rate of interest payable in respect of one or more subsequent Interest Periods. If the rate of interest payable on the Notes in respect of any Interest Period has a negative impact on the rate of interest payable in respect of subsequent Interest Periods, this will have a negative effect on the market value of the Path-Dependent Notes. Hence the market value of such Notes will be considerably more volatile than comparable Notes where the rate of interest for any Interest Period is determined independently from those other Interest Periods.

By way of an example, the rate of interest on Path-Dependent Notes may be calculated by using a formula as shall be specified in the applicable Final Terms. Such formula may be similar to any of the formulae in A, B or C below or as otherwise specified in the applicable Final Terms:

(A) Previous Rate + Y \* (X – 6m EURIBOR); or

(B) Previous Rate + Y \* (6m EURIBOR – X); or

(C) 6m EURIBOR + X subject to a maximum rate of interest of the Previous Rate + Y

Where:

“X” and “Y” are constants; and

“6m EURIBOR” means, in respect of any Interest Period, the rate for deposits in Euro for a period of six months which appears on Telerate Page 248 (or any successor or replacement page) as of 11.00 a.m. Brussels time on the date specified in the applicable Final Terms.

The analysis below sets out just some of the risks associated with Path-Dependent Notes with a rate of interest calculated in respect of an Interest Period in accordance with the formulae specified in A, B or C above. It is not intended to be an exhaustive list and other risk factors may be associated with these and different coupon structures for which reference should be made to other relevant risk disclosures contained herein.

In example (A) above, the rate of interest payable on the Path-Dependent Notes is inversely correlated to the direction of 6m EURIBOR. If, in relation to any Interest Period, 6m EURIBOR increases, the rate of interest in respect of such Interest Period will decrease. Since the rate of interest for such Interest Period then forms the basis for determining the rate of interest for the subsequent Interest Period, this decrease will also have a detrimental effect on the rate of interest in respect of the subsequent Interest Periods. This, in turn, will have a negative impact on the market value of the Notes which will be leveraged compared to Notes with a comparable rate of interest but which is determined without taking into account the rate of interest applicable to the previous Interest Periods.

In example (B) above, the rate of interest payable on the Path-Dependent Notes is positively correlated to the direction of 6m EURIBOR. If, in relation to an Interest Period, 6m EURIBOR decreases, the rate of interest in respect of such Interest Period will also decrease. As in the case of example (A), since the rate of interest for such Interest Period then forms the basis for determining the rate of interest for the subsequent Interest Period, this decrease will also have a detrimental effect on the rate of interest in respect of the subsequent Interest Periods. This, in turn, will have a negative impact on the market value of the Path-Dependent Notes which are leveraged compared to Notes which pay a rate of interest which is determined without taking into account the rate of interest applicable to the previous Interest Periods.

In example (C) above, the rate of interest payable on the Path-Dependent Notes is subject to a variable maximum rate of interest (or cap) which is calculated by reference to the interest rate payable in respect of the preceding Interest Period. In such circumstances if 6m EURIBOR increases following any Interest Period, the rate of interest payable in respect of that Interest Period may cap the rate of interest in respect of the subsequent Interest Periods at a rate lower than that which would have been applicable to those subsequent Interest Periods had the rate of interest not been capped, which will have a negative effect on the maximum rate of interest payable in respect of each subsequent Interest Period. This means that a lower rate of interest for one Interest Period will have a detrimental effect on the market value of the Notes where 6m EURIBOR subsequently increases. Such effect will be leveraged compared to Notes which pay a rate of interest which is determined without taking into account the rate of interest applicable to the previous Interest Periods.

#### *Range Accrual Notes*

The indices, formulae, currency exchange rates, rates and other factors or combination thereof used to determine the Fixing Event and, consequently, the Index Ratio for Range Accrual Notes may be different from the Reference Rate for such Notes and may therefore fluctuate independently of such rate. This may result in the market value of the Notes falling even when the Reference Rate in respect of an Interest Period is rising. If, during the relevant Observation Period, the Fixing Event occurs only on a small number of days or does not occur at all, the Index Ratio may be very low or, as the case may be, zero and, as a result, the rate of interest payable on the Notes in respect of such Interest Period may be very low, or, as the case may be, zero (save for any minimum rate of interest specified in the applicable Final Terms). This will have a detrimental effect on the market value of the Notes.

Where the Observation Days fall in a different chronological period from the Interest Period, the indices, formulae, currency exchange rates, rates or combination thereof which were used to determine the Index Ratio may be different from those which prevail at the time at which the interest amount is being paid. This may have a detrimental effect on the market value of the Notes.

For example, the rate of interest for each Interest Period for a Range Accrual Note may be calculated by multiplying the Reference Rate by the Index Ratio for one specified Observation Period. If the Index Ratio determined by the Calculation Agent is contingent upon the number of days in the Observation Period on which USD LIBOR with a designated maturity of 6 months (“6m USD LIBOR”) falls within a range of values set out in the relevant Final Terms and during that Observation Period the number of days in which 6m USD LIBOR is within such range is low (for example, 5 days in an Observation Period of 30 days, giving an Index Ratio equal to 5/30), then the rate of interest payable for each Interest Period in relation to such Note will be calculated by reference to such Index Ratio and any change in 6m USD LIBOR will not affect the Index Ratio in subsequent Interest Periods. In such circumstances, the rate of interest payable in respect of all Interest Periods and the market value of the Notes will be detrimentally affected in a material and significant way.

#### *Switchable Notes*

The rate of interest payable in respect of Switchable Notes may change adversely when a Switch Event occurs. Where the number of Switch Options available to the Switch Option Holder is limited, once the Switch Option Holder exercises the final Switch Option the rate of interest payable may convert into a rate that is below the rate that would have been payable had the Switch Option not been exercised and the initial rate of interest remained. Such rate may, in some instances, be as low as zero until the stated Maturity Date. This may result in the market value of the Switchable Notes falling even where the rate of interest payable prior to the relevant Switch Event is rising. Therefore, the performance of Switchable Notes is highly dependant on the actions of the Switch Option Holder which, in the case of the Issuer and/or a third party, may be a person or entity that has no obligation to act in the best interest of the Noteholders.

By way of example, the Switch Option Holder may exercise its Switch Option on the Exercise Date which results in the rate of interest payable for an Interest Period converting from a rate of interest equal to 6.00 per cent. annum of the nominal amount of the Notes to a rate of interest equal to EURIBOR with a designated maturity of 12 months (“12m EURIBOR”) plus 0.50% of the nominal amount of the Notes. In this instance if 12m EURIBOR is at a low rate (for example, 2.00 per cent.) then the coupon payable in respect of the relevant Interest Period would switch from 6.00 per cent. to 12m EURIBOR + 0.50%, or 2.50%. If 12m EURIBOR remained at this rate for the remainder of the term of the Notes and the Switch Option Holder was not permitted under the terms of the Notes to switch the rate of interest payable back to the fixed rate previously payable or another rate of interest, all future interest payments would be significantly less than would have been payable had the Switch Option not been exercised. This lower rate of interest for the remainder of the term of the Notes will have a detrimental affect on the market value of the Notes. The above analysis is one example of the operation of Switchable Notes. For other Switchable Notes the rate of interest payable may switch between fixed and/or floating and/or Index-Linked and/or any combination thereof. This example is not intended to be exhaustive.

Where the Switch Option may be exercised at the option of the Issuer and/or a third party only, it may be more likely that a Switch Event occurs during a period in which the rate of interest payable to the Noteholder is increasing and where the resulting rate of interest payable following a Switch Event is lower than that which would have been payable had the Switch Event not occurred.

#### *Target Redemption Notes*

The automatic redemption feature of Target Redemption Notes may limit the market value of the Notes. Hence, even in a favourable market/interest environment their market value may not rise substantially above the price at which they are redeemed.

The automatic redemption may take place when the investor would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Target Redemption Notes

being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

For example, consider Notes issued under a Final Terms that specify that the Target Interest Amount is 20 per cent. of the nominal value of the Notes, that any interest calculated in excess of the Target Interest Amount will be reduced so that the Aggregate Interest Amount equals the Target Interest Amount, and that upon maturity any interest calculated for the final Interest Period may be increased so that the Aggregate Interest Amount equals the Target Interest Amount.

If on an Interest Determination Date:

- (a) the Aggregate Interest Amount as at the end of the previous Interest Period is equal to 18 per cent. of the nominal amount and the amount of interest determined to be payable in respect of the current Interest Period (save for the application of the target redemption feature) is 8 per cent. of the nominal amount, then due to the target redemption feature, the amount of interest payable would be reduced to 2 per cent. (being the Target Interest Amount less the Aggregate Interest Amount);
- (b) the Aggregate Interest Amount is equal to 10 per cent. of the nominal amount and the amount of interest determined to be payable in respect of the final Interest Period is 8 per cent. of the nominal amount, then due to the target redemption feature, the amount of interest payable would be increased to 10 per cent. (being the Target Interest Amount less the Aggregate Interest Amount).

In both of the above examples the Notes will redeem at an amount specified in the applicable Final Terms. The above analysis sets out just two examples of how the early redemption mechanism may operate for Target Redemption Notes and the risks associated with such circumstances. It is not intended to be an exhaustive list of the risks associated with Target Redemption Notes and additional risk factors may be associated with these and different redemption structures.

### *Trigger Notes*

The rate of interest payable in respect of Trigger Notes may change adversely when a Trigger Event occurs. Furthermore, the occurrence of a Trigger Event on a Trigger Date or during a Trigger Period may cause the rate of interest payable to convert into a rate that is below the rate which would have been payable had the initial rate of interest remained and may, in some instances, be as low as zero until the stated Maturity Date. This may result in the market value of the Trigger Notes falling even when the original rate of interest which is stated to be payable in respect of an Interest Period is rising.

Trigger Events may cause the rate of interest payable in respect of Trigger Notes to fall substantially even if such Trigger Events were caused by temporary market occurrences. The performance of Trigger Notes is highly dependant on the movements of the Trigger Indices over the periods around the Trigger Dates or during the Trigger Period, regardless of whether these movements represent long-term trends or not.

Trigger Notes may be structured so that a Trigger Event will occur during a period in which the rate of interest payable to the Noteholder is increasing and where the resulting rate of interest payable following a Trigger Event will be lower than that which would have been payable had the Trigger Event not occurred.

### *Transparency Directive*

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on an EEA Regulated Market and amending Directive 2001/34/EC (the “*Transparency Directive*”) entered into force on 20 January 2005. It requires member states to take measures necessary to comply with the Transparency Directive by 20 January 2007. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, LBHI could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting

principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, LBHI may seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Irish Stock Exchange or by such other competent authority, stock exchange and/or quotation system inside or outside the European Union as it may (with the approval of the Dealers) decide.

### **Risks relating to LBHI as Issuer and Guarantor**

LBHI is the ultimate parent company of the Lehman Brothers group. The Notes issued by LBHI and the Guarantees will be solely LBHI's obligations, and no other entity will have any obligation, contingent or otherwise, to make any payments in respect thereof. Because LBHI is a holding company whose primary assets consist of shares of stock or other equity interests in or amounts due from subsidiaries, almost all of its income is derived from those subsidiaries. LBHI's subsidiaries will have no obligation to pay any amount in respect of the Notes issued by LBHI or the Guarantees or to make any funds available therefor. Accordingly, LBHI will be dependent on dividends and other distributions or loans from its subsidiaries to generate the funds necessary to meet obligations with respect to the Notes issued by it and the Guarantees, including the payment of principal and interest. Due to covenants contained in certain of LBHI's debt agreements and regulations relating to capital requirements affecting certain of its more significant subsidiaries, the ability of certain subsidiaries to pay dividends and other distributions and make loans to LBHI is restricted. The notes to LBHI's financial statements included in its most recent annual report on Form 10-K set forth the amount of net assets of its subsidiaries that are restricted as to the payment of dividends to LBHI. Additionally, as an equity holder, LBHI's ability to participate in any distribution of assets of any subsidiary is subordinate to the claims of creditors of the subsidiary, except to the extent that any claims LBHI may have as a creditor of the subsidiary are judicially recognized. If these sources are not adequate, LBHI may be unable to make payments of principal or interest in respect of the Notes issued by it and the Guarantees, and a Noteholder could lose all or a part of its investment.

### **Certain of Lehman Brothers' activities may adversely affect the value of the Notes**

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

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

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

## **An affiliate of the Issuers may act as calculation agent on the Notes, creating a potential conflict of interest between the Issuers or their affiliates and Noteholders**

Affiliates of the Issuers may act as calculation agent for particular Notes, and may have discretion in computing indexes or other measures to which payments on particular Notes may be linked, including whether any interest is payable on any Range Accrual Notes for any period. The exercise of discretion by a calculation agent that is affiliated with an Issuer could adversely affect the value of particular Notes and may present the calculation agent with a conflict of interest to the extent that the determinations made by the calculation agent in respect of the particular Notes affect the payments due from the Issuer under the Notes, due to or from the Issuer or any of its affiliates under any related hedge transaction or the value of the investments held by the Issuer or any of its affiliates' proprietary or managed accounts.

## **Certain Factors Affecting Lehman Brothers' Results of Operations**

Lehman Brothers' financial condition and results of operations may be affected by uncertain or unfavourable economic, market, legal and other conditions. These conditions include but are not limited to:

### ***Market Risk***

Changes in interest and foreign exchange rates, financial instruments and real estate valuations and increases in volatility can increase credit and market risks and may also affect customer-flow-related revenues and proprietary trading revenues as well as affect the volume of debt and equity underwritings and merger and acquisition transactions.

### ***Competitive Environment***

All aspects of Lehman Brothers' business are highly competitive. Lehman Brothers' competitive ability depends on many factors, including its reputation, the quality of its services and advice, intellectual capital, product innovation, execution ability, pricing, sales efforts and the talent of its employees.

### ***Business Environment***

Concerns about geopolitical developments, oil prices and natural disasters, among other things, can affect the global financial markets. Accounting and corporate governance scandals in recent years have had a significant effect on investor confidence.

### ***Liquidity***

Liquidity and liquidity management are of critical importance in Lehman Brothers' industry. Liquidity could be affected by the inability to access the long-term or short-term debt, repurchase or securities-lending markets or to draw under credit facilities, whether due to factors specific to Lehman Brothers or to general market conditions. In addition, the amount and timing of contingent events, such as unfunded commitments and guarantees, could adversely affect cash requirements and liquidity. To mitigate Lehman Brothers' risks, our liquidity and funding policies have been conservatively designed to maintain sufficient liquid financial resources to continually fund Lehman Brothers' balance sheet and to meet all expected cash outflows, for one year in a stressed liquidity environment.

### ***Credit Ratings***

Lehman Brothers' access to the unsecured funding markets is dependent on its credit ratings. A reduction in its credit ratings could adversely affect Lehman Brothers' access to liquidity alternatives and its competitive position, and could increase the cost of funding or trigger additional collateral requirements.

### ***Credit Exposure***

Credit exposure represents the possibility that a counterparty will be unable to honour its contractual obligations. Although Lehman Brothers actively manage credit exposure daily as part of its risk management framework, counterparty default risk may arise from unforeseen events or circumstances.

### ***Operational Risk***

Operational risk is the risk of loss resulting from inadequate or failed internal or outsourced processes, people, infrastructure and technology, or from external events. Lehman Brothers seek to minimise these risks through an effective internal control environment.

### ***Legal, Regulatory and Reputational Risk***

The securities and financial services industries are subject to extensive regulation under both federal and state laws in the U.S. and under the laws of the many other jurisdictions in which Lehman Brothers do business. Lehman Brothers also are regulated by a number of self-regulatory organizations such as the National Association of Securities Dealers, the Municipal Securities Rulemaking Board and the National Futures Association, and by national securities and commodities exchanges, including the New York Stock Exchange. As of December 1, 2005, LBHI became regulated by the SEC as a consolidated supervised entity (“CSE”), and as such, LBHI are subject to group-wide supervision and examination by the SEC, and accordingly, LBHI are subject to minimum capital requirements on a consolidated basis. Violation of applicable regulations could result in legal and/or administrative proceedings, which may impose censures, fines, cease-and-desist orders or suspension of a firm, its officers or employees. The scrutiny of the financial services industry has increased over the past several years, which has led to increased regulatory investigations and litigation against financial services firms.

Legislation and rules adopted both in the U.S. and around the world have imposed substantial new or more stringent regulations, internal practices, capital requirements, procedures and controls and disclosure requirements in such areas as financial reporting, corporate governance, auditor independence, equity compensation plans, restrictions on the interaction between equity research analysts and investment banking employees and money laundering. The trend and scope of increased compliance requirements may require Lehman Brothers to invest in additional resources to ensure compliance.

The trend and scope of increased compliance requirements has increased costs necessary to ensure compliance. Our reputation is critical in maintaining our relationships with clients, investors, regulators and the general public, and is a key focus in our risk management efforts.

Lehman Brothers are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business, including actions brought against Lehman Brothers and others with respect to transactions in which Lehman Brothers acted as an underwriter or financial advisor, actions arising out of its activities as a broker or dealer in securities and actions brought on behalf of various classes of claimants against many securities firms and lending institutions, including Lehman Brothers.

See Part I, Item 1A, Risk Factors, in the annual report pursuant to Section 13 or 15(d) of the Exchange Act for the fiscal year ended November 30, 2004 of LBHI filed with the SEC on Form 10-K for additional information about these and other risks inherent in our business.

### **Risks relating to LBB**

The risk factors set out above are not considered to affect the ability of LBB to fulfil its obligations to investors under Notes issued by it because such obligations are irrevocably and unconditionally guaranteed by LBHI pursuant to the relevant Guarantee.



**Risks relating to LBTCVB**

The risk factors set out above are not considered to affect the ability of LBTCBV to fulfil its respective obligations to investors under Notes issued by it because such obligations are irrevocably and unconditionally guaranteed by LBHI pursuant to the relevant Guarantee.

## AVAILABLE INFORMATION

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

LBHI’s public internet site is <http://www.lehman.com>. LBHI makes available free of charge through its internet site, via a link to the SEC’s internet site at <http://www.sec.gov>, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. LBHI also makes available through its internet site, via a link to the SEC’s internet site, statements of beneficial ownership of LBHI’s equity securities filed by its directors, officers, 10 per cent. or greater shareholders and others under Section 16 of the Exchange Act.

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

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

So long as any of the Notes are outstanding and if 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 Rule 144A(d)(4) under the Securities Act.

## INFORMATION INCORPORATED BY REFERENCE

The following information (the “*Information Incorporated by Reference*”) has been filed with the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg and/or the Luxembourg Stock Exchange in connection with the Program listed on the EU Regulated Market in Luxembourg, and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (a) the annual report pursuant to Section 13 or 15(d) of the Exchange Act for the fiscal year ended November 30, 2004 of LBHI filed with the SEC on Form 10-K including the consolidated and unconsolidated financial statements (including the auditors’ report thereon and notes thereto) of LBHI in respect of the years ended November 30, 2004 and November 30, 2003 (set out on pages 63 to 109 and F-1 to F-15, respectively).
- (b) the annual report pursuant to Section 13 or 15(d) of the Exchange Act for the fiscal year ended November 30, 2005 of LBHI filed with the SEC on Form 10-K including the audited consolidated and unconsolidated financial statements (including the auditors’ report thereon and notes thereto) of LBHI in respect of the years ended November 30, 2005 and November 30, 2004;
- (c) the quarterly report pursuant to Section 13 or 15(d) of the Exchange Act for the quarterly period ended February 28, 2006 of LBHI filed with the SEC on Form 10-Q including the consolidated interim quarterly financial statements of LBHI in respect of the three months ended February 28, 2006 (set out on pages 3 to 39);
- (d) the quarterly report pursuant to Section 13 or 15(d) of the Exchange Act for the quarterly period ended May 31, 2006 of LBHI filed with the SEC on Form 10-Q including the consolidated interim quarterly financial statements of LBHI in respect of the three months ended May 31, 2006 (set out on pages 3 to 40);

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

- (e) the LBHI notice of 2006 Annual Meeting of Stockholders and proxy statement dated February 27, 2006 (including the details relating to LBHI’s board of directors, director independence, audit committee and shareholders set out on pages 1 to 39 thereof);
- (f) the audited unconsolidated financial statements (including the auditors’ report thereon and notes thereto) of LBTCBV in respect of the years ended November 30, 2005 and November 30, 2004 (set out on pages 3 to 11 and 3 to 10, respectively, of the 2005 and 2004 annual reports of LBTCBV);
- (g) the audited unconsolidated balance sheet and income statement (including the auditors’ report thereon and notes thereto) of LBB in respect of the years ended November 30, 2005 and November 30, 2004 (set out on pages 3 to 12 and 1 to 13, respectively, of the 2005 and 2004 annual reports of LBB);
- (h) the auditors’ limited scope review report on the cashflow statement of LBTCBV (such cash flow statement being set out on page 107 hereof);
- (i) the auditors’ limited scope review report on the cashflow statement of LBB (such cash flow statement being set out on page 110 hereof); and
- (j) the terms and conditions set out on pages 37 to 72 of the Debt Issuance Program Prospectus dated August 26, 2005 relating to the Program under the heading “Terms and Conditions of the Notes” (the “*2005 Conditions*”).

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

	<b>Page reference</b>
<b>LBHI 2004 Financial Statements (on Form 10-K)</b>	
1. Cash Flow Statement.....	72
2. Notes to Financial Statements.....	73-109
3. Auditors' Report .....	66
<b>LBHI 2005 Financial Statements (on Form 10-K) .....</b>	
1. Cash Flow Statement.....	74
2. Notes to Financial Statements.....	75-110
3. Auditors' Report .....	66
<b>LBHI February 28, 2006 Quarterly Financial Statements (on Form 10-Q)</b>	
1. Notes to Financial Statements.....	7-38
2. Auditors' Review Report.....	39
<b>LBHI May 31, 2006 Quarterly Financial Statements (on Form 10-Q)</b>	
1. Notes to Financial Statements.....	7-39
2. Auditors' Review Report.....	40
<b>LBTCBV 2005 Financial Statements</b>	
1. Notes to Financial Statements.....	6-9
2. Auditors' Report .....	11
<b>LBTCBV 2004 Financial Statements</b>	
1. Notes to Financial Statements.....	5-8
2. Auditors' Report .....	10
<b>LBB 2005 Financial Statements</b>	
1. Notes to Financial Statements.....	6-12
2. Auditors' Report .....	3
<b>LBB 2004 Financial Statements</b>	
1. Notes to Financial Statements.....	6-13
2. Auditors' Report .....	2

Any information which appears in the documents described above but which is not expressed to be incorporated by reference into this Base Prospectus is either not relevant for the investor or covered elsewhere in this Base Prospectus.

The Issuers will provide, without charge, to each person to whom a copy of this Base Prospectus 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 and copies of the relevant Final Terms will be available without charge from the registered offices of the Issuers and the Irish Paying Agent in Dublin during usual business hours on any weekday (Saturdays and public holidays excepted).

Documents in relation to listed Notes other than Notes admitted to listing on the Official List of the Irish Stock Exchange and to trading on its regulated market or listed on the Singapore Stock Exchange will be available in an alternative manner as specified in the relevant Final Terms.

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

## GENERAL DESCRIPTION OF THE PROGRAM

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 Final Terms attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” below.

Notes issued under the Program may be issued pursuant to this Base Prospectus and associated Final Terms (“*Final Terms*”) or pursuant to a drawdown prospectus (“*Drawdown Prospectus*”) prepared in connection with a particular Tranche of Notes. Accordingly references to terms and conditions and other items being as set out in this Base Prospectus and relevant Final Terms should, as the context requires, be construed as being as set out in the relevant Drawdown Prospectus and references to Final Terms should be construed as referring to the Drawdown Prospectus as applicable.

This Base Prospectus and any supplement will only be valid for the issuing Notes 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.\$60,000,000,000 (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.

## 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 9, 2006 (as amended, restated or supplemented from time to time, the “*Fiscal Agency Agreement*”) between, amongst others, LBHI, LBTCBV, LBB, JPMorgan Chase Bank, N.A. as Fiscal Agent (together with its successors, the “*Fiscal Agent*”), Principal Paying Agent and Registrar, AIB/BNY Fund Management (Ireland) Limited as Irish paying agent, JPMorgan Chase Bank, N.A. as New York paying agent 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 Polls. The terms of any particular Tranche (as defined under “Terms and Conditions of the Notes” below) of Notes will be set forth in a Final Terms relating to such Tranche, as described under “Final Terms” below. The statements in this section include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement, any calculation agency agreement entered into by the Issuer of the relevant Tranche of Notes, the Notes and any applicable Final Terms. Copies of the Fiscal Agency Agreement and each calculation agency agreement are available for inspection and copies of each Final Terms are obtainable at the specified office of the Fiscal Agent in London, being at the date hereof at Trinity Tower, 9 Thomas More Street, London E1W 1YT, and at the specified offices of such other Paying Agents as may be appointed from time to time. The Final Terms relating to a Note which is not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system 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 other than Australian Domestic 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 Final Terms, 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 (a) in the case of Notes to be admitted to trading on a regulated market within the scope of the Directive 2004/39/EC on Markets in Financial Instruments and/or publicly offered in an EEA Member State, the minimum denomination of the Notes will be at least EUR1,000 (or nearly equivalent in any other currency on the issue date) or the Notes will give the right to acquire transferable securities or to receive a cash amount, as a consequence of their being converted or the rights conferred by them being exercised, provided that the issuer of the underlying securities is not the relevant Issuer or another entity belonging to the Lehman Brothers group; (b) 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) unless the offer or invitation giving rise to the subscription otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia. Australian Domestic Notes issued by LBTCBV or LBHI are to be issued in registered (or inscribed) form, to be constituted by the relevant Deed Poll (as defined below) and will take the form of entries on a register maintained by the Australian Registrar as described in the relevant Final Terms.

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. Each global Note which is not intended to be issued in NGN form, as specified in the applicable Final Terms, will be deposited on or around the issue date thereof with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each global Note which is intended to be issued in NGN form, as specified in the applicable Final Terms, will be deposited on or around the issue date thereof with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On June 13, 2006 the European Central Bank (the “*ECB*”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “*Eurosystem*”), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of June 30, 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after December 31, 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Notes in NGN form may only be issued through Euroclear and Clearstream, Luxembourg. Subject to this, 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 Final Terms.

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 Final Terms, 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 Final Terms) and (whether specified or not in the applicable Final Terms) 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 Final Terms, 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:

- (a) a global Note has not been delivered or the principal amount thereof increased in accordance with the terms of a temporary global Note by 5.00 p.m. (London time) on the seventh day after the bearer has requested exchange of an interest in the temporary global Note in accordance with such terms for an interest in a global Note; or
- (b) definitive Notes in registered form have not been delivered in accordance with the terms of a temporary global Note by 5.00 p.m. (London time) on the seventh day after the bearer has requested exchange of an interest in the temporary global Note in accordance with such terms for definitive Notes in registered form; or

- (c) definitive Notes in bearer form have not been delivered in accordance with the terms of a temporary global Note by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of an interest in the temporary global Note in accordance with such terms for definitive Notes in bearer form; or
- (d) a temporary global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of a temporary global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the temporary global Note on the due date for payment,

then the temporary global Note (including the obligation to deliver a global Note or definitive Notes (as the case may be)) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above or (b) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (c) above) or at 5.00 p.m. (London time) on such due date (in the case of (d) above) and the bearer of the temporary global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the temporary global Note or others may have under a deed of covenant (as amended, supplemented or replaced from time to time, the “*Deed of Covenant*”) dated August 9, 2006 executed by the Issuers. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in a temporary global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the temporary global Note became void, they had been the holders of definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg.

If so specified in the applicable Final Terms, 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 to or to the order of the Fiscal Agent<sup>6</sup> 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 Final Terms) and (whether specified or not in the applicable Final Terms) 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. In the case of Notes issued by LBTCBV or LBB, if the applicable Final Terms specifies that interests in a permanent global Note in bearer form will be exchangeable for definitive Notes in bearer form “in the limited circumstances described in the permanent global Note”, then interests in the permanent global Note will be exchangeable in whole, but not in part, for definitive Notes in bearer form if (a) 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 or (b) an Event of Default has occurred and is continuing with respect to the Notes represented by such permanent global Note.

If:

- (a) definitive Notes in registered form have not been delivered in accordance with the terms of a permanent global Note by 5.00 p.m. (London time) on the seventh day after the bearer has



requested exchange of the permanent global Note in accordance with such terms for definitive Notes in registered form; or

- (b) definitive Notes in bearer form have not been delivered in accordance with the terms of a permanent global Note by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the permanent global Note in accordance with such terms for definitive Notes in bearer form; or
- (c) a permanent global Note was originally issued in exchange for part only of a temporary global Note representing a Tranche of Notes and such temporary global Note becomes void in accordance with its terms; or
- (d) a permanent global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of a permanent global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the permanent global Note on the due date for payment,

then the permanent global Note (including the obligation to deliver definitive Notes) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on the date on which such temporary global Note becomes void (in the case of (c) above) or at 5.00 p.m. (London time) on such due date (in the case of (d) above) and the bearer of the permanent global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the permanent global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in a permanent global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the permanent global Note became void, they had been the holders of definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg.

If so specified in the applicable Final Terms, 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 depository for Euroclear and Clearstream, Luxembourg and registered in the name of such common depository 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 Final Terms, definitive Notes in registered form will be exchangeable 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 exchangeable 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.

The following procedures shall apply with respect to Rule 144A Notes in book-entry form through DTC:

- DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered global Note will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.
- DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC's direct participants ("*Direct Participants*") include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).
- Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

- To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
- Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
- Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
- Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuers as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).
- Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuers or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuers, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuers or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
- DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Issuers or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, definitive Note certificates are required to be printed and delivered.
- The Issuers may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, definitive Note certificates will be printed and delivered to DTC.
- The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuers believe to be reliable, but the Issuers take no responsibility for the accuracy thereof.

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.”.

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 and LBHI 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 LBTCBV or LBHI, as the case may be, and governed by the laws of New South Wales, Australia (each a “*Deed Poll*” and together, the “*Deed Polls*”) and take the form of entries on a register to be maintained by an Australian registrar to be appointed by LBTCBV or LBHI, as the case may be, and specified in the applicable Final Terms (the “*Australian Registrar*”);
- will provide for payments of principal and interest to be made in Sydney, Australia;
- will provide for LBTCBV or LBHI, as the case may be, to submit to the jurisdiction of the courts of New South Wales, Australia and appoint such person as is specified in the applicable Final Terms 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 LBB will issue Australian Domestic Notes.

LBTCBV or LBHI, as the case may be, 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.

Neither LBTCBV nor LBHI, as the case may be, will 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 FINAL TERMS

Set out below is a pro forma final terms 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 Final Terms but denotes guidance for completing the Final Terms.

Final Terms dated [ ]

**[LEHMAN BROTHERS HOLDINGS INC. [acting through its London Branch]  
LEHMAN BROTHERS TREASURY CO. B.V./ LEHMAN BROTHERS BANKHAUS AG  
[acting through its London Branch]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[Guaranteed by Lehman Brothers Holdings Inc.]  
under the U.S.\$60,000,000,000  
Euro Medium-Term Note Program**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated August 9, 2006 [and the supplemental Prospectus dated [•] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “*Prospectus Directive*”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and either (1) the Notes which are the subject of the Final Terms are not being (a) offered to the public in a member state (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a member state or (2) the Conditions (as defined in the next paragraph) do not contain, by comparison with the Base Prospectus, any “significant new factor” within the meaning of Article 16.1 of the Prospectus Directive. If neither (1) nor (2) applies the Issuer will need to consider effecting the issue by means of a supplement to the Base Prospectus or a stand alone prospectus rather than by Final Terms.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “*Conditions*”) set forth in the Base Prospectus, dated [original date] [and the supplemental Prospectus dated [•]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “*Prospectus Directive*”) and must be read in conjunction with the Base Prospectus dated August 9, 2006 [and the Supplemental Prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the conditions which are extracted from the Base Prospectus dated [•] [and the supplemental Prospectus dated [•]] and are attached hereto.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in the Debt Issuance Program Prospectus.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the “*Conditions*”) incorporated by reference in the Base Prospectus dated August 9, 2006. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “*Prospectus Directive*”) and must be read in conjunction with the Base Prospectus [and the Supplemental Prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are set forth in the Base Prospectus dated [•] [and the supplemental Prospectus dated [•]] and incorporated by reference in the Debt Issuance Program Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Prospectus] [is/are] available for viewing at [address] and copies may be obtained from [address].

[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 Final Terms 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 guidance for completing the Final Terms.]*

*[When adding any other final terms or information including final terms at items 9, 10, 15, 16, 17, 29 or 31 of Part A or information in relation to the interest of natural and legal persons involved in the issue/offer in Part B, consideration should be given as to whether such terms or information constitute “significant new factors” and will consequently be issued pursuant to a Drawdown Prospectus.]*

1. [(i)] Issuer: [ ]<sup>9</sup>  
 [(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: [ ] [(being the equivalent of [•] Units)]<sup>10</sup>
4. Aggregate Nominal Amount: [ ]  
 [(i)] Series: [ ]  
 [(ii)] Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]  
 [/[amount in specified currency] per Unit]<sup>10</sup>
6. Specified Denomination(s) and Units  
 (i) Specified Denomination(s): [ ] *[(i) 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 of the 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) and (ii) in the case of Notes to be admitted to trading on a regulated market within the scope of the Directive 2004/39/EC on Markets in Financial Instruments and/or publicly offered in an EEA Member State, the minimum denomination of the Notes will be at least EUR1,000 (or nearly equivalent*

9. In the case of LBHI or LBB, specify if acting through its London Branch.

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

*in any other currency on the issue date) or the Notes will give the right to acquire transferable securities or to receive a cash amount, as a consequence of their being converted or the rights conferred by them being exercised, provided that the issuer of the underlying securities is not the relevant Issuer or another entity belonging to the Lehman Brothers group.]*

- (ii) Trading in Units: [Applicable/Not Applicable]
- If Trading in Units is specified as being Applicable then the Notes will be tradeable by reference to the number of Notes being traded (each having the Specified Denomination) as opposed to the aggregate principal amount of Notes being traded.
- [Trading in Units may only be specified as being Applicable if the Notes have a single Specified Denomination.]*
7. [(i)] Issue Date: [ ]
- [(ii)] Interest Commencement Date: [ ]
8. Maturity Date: *[Fixed Rate – specify date/Floating Rate – specify Interest Payment Date falling in 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: [Senior Notes/Subordinated Notes]  
 [(ii)] Status of the Guarantee: [Senior Guarantee/Subordinated Guarantee]  
 14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **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 15(vi) and (vii)] (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
- (iv) Fixed Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]  
*[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)]
16. **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:
- Reference Rate: *[For example, LIBOR, EURO LIBOR BBA, EURIBOR or HIBOR]*
  - Interest Determination Date(s): *[(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR or if HK Dollars, HIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)]*
  - Relevant Screen Page: *[For example, 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]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [ ] per cent. per annum
  - (ii) Reference Price: [ ]

- (iii) Day Count Fraction (for the purposes of Condition 5): [ ]
- (iv) Any other formula/basis of determining amount payable: [ ]
18. **Index-Linked Interest Note/Other Variable-Linked Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [(give or annex details)]
- (ii) Calculation Agent responsible for calculating the interest due: [ ]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]
- (v) Interest Period(s)/Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (vii) Additional Business Centre(s) (Condition 3(b)(B)): [*If Euro is the Specified Currency and Business Days are defined only by reference to TARGET or London, specify "Not Applicable". If any other currency is the Specified Currency and Business Days are defined only by reference to London and the principal financial centre of that currency, specify "Not Applicable". Otherwise give details]*]
- (viii) Minimum Interest Rate for interest accrual only (Condition 3(b)(B)): [ ] per cent. per annum
- (ix) Maximum Interest Rate: [ ] per cent. per annum
- (x) Interest Determination Date(s): [ ]
- (xi) Day Count Fraction: [ ]
- (xii) Name and address of Calculation Agent, if any, responsible for calculating the principal and/or interest due: [ ]
19. **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) Name and address 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

### 20. 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 16(ii) and 16(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): *(N.B. If setting notice periods which are different to those provided in the Conditions, the relevant Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between such Issuer and the Agent.)*

### 21. 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 16(ii) and 16(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): *(N.B. If setting notice periods which are different to those provided in the Conditions, the relevant Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between such Issuer and the Agent.)*
22. **Final Redemption Amount of each Note:** [[ ] per Note of [ ] Specified Denomination/ other/see Appendix]
- [In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for determining the Final Redemption Amount: [ ]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]
- (v) Payment Date: [ ]
- (vi) Minimum Final Redemption Amount: [ ]
- (vii) Maximum Final Redemption Amount: [ ]]

23. **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**

24. Form of Notes:

*[In the case of Notes issued by LBHI]* [Bearer [and registered] form. Interests in a temporary global Note will be exchangeable for, at the request and expense of each Holder (with respect to its own Notes in bearer form), definitive Notes in bearer form. [In addition, interests in a temporary global Note will be exchangeable for (i) interests in a permanent global Note in bearer form, (ii) interests in a global Note in registered form, and/or (iii) definitive Notes in registered form.]<sup>1</sup> [Interests in a permanent global Note will be exchangeable for, at the request and expense of each Holder (with respect to its own Notes in bearer form), definitive Notes in bearer form.] [In addition, interests in a permanent global Note will be exchangeable for (i) interests in a global Note in registered form, and/or (ii) definitive Notes in registered form.]<sup>2</sup> [Definitive Notes in bearer form will be exchangeable for definitive Notes in registered form.]

*[In the case of Notes issued by LBTBVB or LBB]* [Bearer [and registered] form. [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.]<sup>3</sup> [Interests in a permanent global Note will be exchangeable for definitive Notes in bearer form in the limited circumstances described in the permanent global Note.]<sup>4</sup> / [Interests in a permanent global Note 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.]<sup>5</sup> [Definitive Notes in bearer form will be exchangeable for definitive Notes in registered form.]

[Registered form. [Interests in a global Note in registered form will be exchangeable for definitive Notes in registered form in the limited circumstances

1 Delete or complete as appropriate.

2 Delete or complete as appropriate.

3 Delete or complete as appropriate.

4 Select this option if definitive Notes are only to be made available if (a) Euroclear and Clearstream, Luxembourg are closed or (b) an Event of Default occurs. Otherwise select following option.

5 Delete or complete as appropriate.

described in the global Note.] [Definitive Notes in registered form will be exchangeable for interests in a global Note in registered form.]

- New Global Note Form: [Applicable /Not Applicable]<sup>10</sup>
25. 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*]
26. 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*]
27. Details relating to Instalment Notes: Instalment Amounts and Instalment Dates: [Not Applicable/*give details*]
28. Details relating to Extendible Notes: [Not Applicable/*give details (see Condition 4(a) (Extendible Notes))*]
29. Details relating to Renewable Notes: [Not Applicable/(*see Condition 4(b) (Renewable Notes)*)]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 19 (Redenomination, Renominatisation and Reconventioning) [annexed to these Final Terms] apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition 18 (Further Issues of Notes)] [annexed to these Final Terms] apply]
32. Other final terms: [Not Applicable/*give details*]  
(*When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

## DISTRIBUTION

33. (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/*give names, addresses and underwriting commitments*]  
(*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.*)
- (ii) Date of Subscription Agreement: [ ]

10. If “Not Applicable” is specified here ensure that “Not Applicable” is specified for Eurosystem eligibility in the relevant paragraph of section 10 of Part B of the Final Terms and if “Applicable” is specified here ensure that the appropriate specification is made in respect of Eurosystem eligibility in the relevant paragraph of section 10 of Part B of the Final Terms.

- |                                                      |                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (iii) Stabilizing Manager (if any):                  | [Not Applicable/ <i>give name, addresses and underwriting commitments</i> ]                                                                                                                                                                                                                                                                                |
| 34. If non-syndicated, name and address of Dealer:   | [Not Applicable/ <i>give name and address</i> ]                                                                                                                                                                                                                                                                                                            |
| 35. Total commission and concession:                 | [ ] per cent. of the Aggregate Nominal Amount                                                                                                                                                                                                                                                                                                              |
| 36. Selling restrictions:                            |                                                                                                                                                                                                                                                                                                                                                            |
| (i) Netherlands Selling Restrictions <sup>11</sup> : | [High denomination Notes: selling restriction 1(i) applies] [High denomination Units: selling restriction 1(ii) applies] [Professional Investors only: selling restriction 1(iii) applies] [Notes offered outside Netherlands: selling restriction 1(iv) applies] <sup>12</sup> [Notes offered to less than 100 persons: selling restriction 1(v) applies] |
| (ii) Additional Selling Restrictions:                | [Not Applicable/ <i>give details</i> ]                                                                                                                                                                                                                                                                                                                     |

#### **[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.\$ 60,000,000,000 Euro Medium-Term Note Program of Lehman Brothers Holdings Inc., Lehman Brothers Treasury Co. B.V. and Lehman Brothers Bankhaus AG.]

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11. Select for each issue of Notes which have a maturity of less than twelve months and are money market instruments as referred to in Article 1(a)(d) of the Decree on the Netherlands Securities Market Supervision Act 1995.

12. Only applicable to Notes issued by LBTCBV.



**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [• has been extracted from •. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by •, no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
Duly authorised<sup>11</sup>

**PART B – OTHER INFORMATION**

**1. LISTING**

(i) Listing: [The Irish Stock Exchange/The Singapore Exchange Securities Trading Limited/The Australian Stock Exchange Limited/ other (*specify*)/ None]

(ii) Admission to Trading: [Application has been made for the Notes to be admitted to listing and/or trading on [the Official List of the regulated Irish Stock Exchange and to trading on its regulated market]/[the alternative securities market of the Irish Stock Exchange]/ [ the Australian Stock Exchange Limited]/[other (*specify*)]/ with effect from [·]/ Not Applicable]

No assurance can be given as to whether or not or when such application for listing/admission to trading will be granted.

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

[(iii) Cost of admission to trading

**2. [RATINGS**

Ratings: The Program has been rated:  
[Standard & Poor’s  
Senior Debt (Long term) A+  
Subordinated debt A  
Senior Debt (Short term) A-1

An obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong. Negative means that a rating may be lowered. The addition of a plus (+) sign shows relative standing within the major rating categories.

A short-term obligation rated ‘A-1’ is rated in the highest category by Standard & Poor’s. The obligor’s capacity to meet its financial commitment on the obligation is strong.

<sup>11</sup> Please confirm whether you wish to require signature by the Guarantor.

**Moody's**

Senior Debt (Long term)	A1
Subordinated debt	A2
Debt ratings (Short term)	Prime-1

Obligations rated A are considered upper-medium grade and are subject to low credit risk. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category and the modifier 2 indicates a mid-range ranking.

Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

**Fitch**

Senior Debt (Long term)	A+
Subordinated debt	A
Senior Debt (Short term)	F1+

**Fitch****A+**

High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. The modifier "+" denotes relative status within this rating category.

**A**

High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

**F1+**

Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; the added "+" denotes any exceptionally strong credit feature.]

**3. [NOTIFICATION]**

The Irish Financial Services Regulatory Authority, or IFSRA, [has been requested to provide/has provided] [include names of competent authorities in host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

**4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

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

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15. Specify "Not Applicable" if the Notes being issued are Classic Global Notes/CGNs.

“Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

**5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES\***

[(i) Reasons for the offer:

*(See “Use of Proceeds” wording in the Base Prospectus – if reasons for offer differ from making profit and or hedging certain risks will need to include those reasons here)]*

[(ii) Estimated net proceeds: [ ]

[(iii) Estimated total expenses: [ ] *[Include breakdown of expenses]*

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

**6. YIELD (Fixed Rate Notes only)**

Indication of yield: [ ]

Calculated as *[include method of calculation in summary form]* on the Issue Date.\*

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

**7. HISTORIC INTEREST RATES (Floating Rate Notes only)**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].]\*

**8. PERFORMANCE OF INDEX/ FORMULA/ OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index-linked or other variable Linked Notes only)**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is a security need to include the name of the issuer of the security and the ISIN code. Where the underlying is an interest rate need to include a description of the interest rate. Where the underlying is a basket of underlyings need to include the relevant weightings of each underlying in the basket. Where the underlying is not any of the above need to include equivalent information.\*]*

*[Where Annex XII of the Prospectus Directive applies, include a description of: how any return on the derivative securities takes place, the payment or delivery date and the way such return is calculated, the type of underlying and details of where relevant information can be obtained, any market disruption or settlement disruption event and any adjustment rules with relation to events concerning the underlying.]*

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\* Not required for Notes with a denomination per unit of at least €50,000.

9. **PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)**

*[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.\*]*

10. **OPERATIONAL INFORMATION**

ISIN Code: [ ]

Common Code: [ ]

New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable<sup>12</sup>/Yes/No]

Note that the designation “Yes” simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon an appropriate application being made and upon satisfaction of the Eurosystem eligibility criteria.] To check whether an application has been successfully made see the following page on the website of the European Central Bank [insert URL] [Include this text if “Yes” selected in which case the Notes must be issued in NGN form]

Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

The Aggregate Nominal Amount of Notes issued has been translated into U.S. Dollars at the rate of (€=\$[ ]) producing a sum of (for Notes no denominated in U.S. Dollars): \$[ ]

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

[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).

\* Not required for Notes with a denomination per unit of at least €50,000.

12 Specify “Not Applicable” if the Notes being issued are Classic Global Notes/CGNs.

- (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 lodgement 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.]

## 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 Final Terms 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 Final Terms 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 Final Terms 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 9, 2006 (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"), JPMorgan Chase Bank, N.A. 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 The Bank of New York (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 relevant Deed Poll (as defined below) as described in Condition 1(j) (Australian Domestic Notes). Unless otherwise specified in the applicable Final Terms, JPMorgan Chase Bank shall act as calculation agent (JPMorgan Chase Bank, 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 9, 2006, executed by the Issuers.

The Notes are to be issued by LBHI (such Notes, including when acting through its London Branch "LBHI Notes") or LBTCBV ("LBTCBV Notes") or LBB (including when acting through its London Branch "LBB Notes"). The applicable Final Terms 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 9, 2006 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 Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, 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 Final Terms 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 Final Terms*” are to the Final Terms 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 Final Terms) 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 Final Terms and each Calculation Agency Agreement are available for inspection and copies of each Final Terms are obtainable at the specified offices of the Fiscal Agent and each of the other Paying Agents, save that a Final Terms 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 “*Talontholders*”)) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Fiscal Agency Agreement, the relevant Deed Poll (if applicable), the relevant Calculation Agency Agreement, if any, and the applicable Final Terms, 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 Final Terms (which term as used herein means, in relation to this Note, the Final Terms 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 Final Terms. 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), depending upon the Interest Basis shown in the applicable Final Terms. If so indicated in the applicable Final Terms, this Note may combine any of the foregoing at any one time or may be one or more of the foregoing types of Note for one part of its term and one or more other of the foregoing types for another part of its term. If so indicated in the applicable Final Terms, 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 depository 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 or LBHI in the Australian domestic capital markets as specified in the applicable Final Terms (“*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 or LBHI, as the case may be, owing under separate deed polls to be executed by LBTCBV and LBHI (each as amended, supplemented or replaced from time to time, a “*Deed Poll*” and together, the “*Deed Polls*”) 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 or LBHI, as the case may be, as specified in the applicable Final Terms (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. The obligations of LBTCBV and LBHI, as the case may be, in respect of each Australian Domestic Note constitute separate and independent obligations which the Holder to whom those obligations are owed is entitled to enforce without having to join any other Holder or any predecessor in title of a Holder. No certificate or other evidence of title will be issued by or on behalf of LBTCBV or LBHI, as the case may be, to evidence title to an Australian Domestic Note unless LBTCBV or LBHI, as the case may be, 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 or LBHI, as the case may be, and the Australian Registrar as absolute owner of that Australian Domestic Note and none of LBTCBV, LBHI, 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. For the avoidance of doubt, where an Australian Domestic Note is entered into the Austraclear System, the expression Holder includes Austraclear as operator of the Austraclear System.

Upon a person acquiring title to any Australian Domestic Note by virtue of becoming registered as the owner of that Australian Domestic Note, all rights and entitlements arising by virtue of the relevant Deed Poll in respect of that Australian Domestic Note vest absolutely in the registered owner of the Australian Domestic Note, such that no person who has previously been registered as the owner of the Australian Domestic Note has or is entitled to assert against the LBTCBV or LBHI, as the case may be, or the Australian Registrar or the registered owner of the Australian Domestic Note for the time being and from time to time any rights, benefits or entitlements in respect of the 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 or LBHI, as the case may be, 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.

The transferor of an Australian Domestic Note is deemed to remain the Holder of that Australian Domestic Note until the name of the transferee is entered in the Australian Register in respect of that Australian Domestic Note. Transfers will not be registered later than eight days prior to the Maturity Date of the Australian Domestic Note.

Australian Domestic Notes may only be transferred in, 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 Corporations Act 2001 of the Commonwealth of Australia, and (b) the transfer is in compliance with all other applicable laws, regulations or directives and does not require any document to be lodged or registered with the Australian Securities and Investments Commission. 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.

Transfers will be registered without charge provided taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

A person becoming entitled to an Australian Domestic Note as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Australian Registrar considers sufficient, transfer the Australian Domestic Note or, if so entitled, become registered as the Holder of the Australian Domestic Note.

Where the transferor executes a transfer of less than all Australian Domestic Notes registered in its name, and the specific Australian Domestic Notes to be transferred are not identified, the Australian Registrar may register the transfer in respect of such of the Australian Domestic Notes registered in the name of the transferor as the Australian Registrar thinks fit, provided the aggregate principal amount of the Australian Domestic Notes registered as having been transferred equals the aggregate principal amount of the Australian Domestic Notes expressed to be transferred in the transfer.

If Austraclear Services Limited (ABN 28 003 284 419) is the Australian Registrar and the Australian Domestic Notes are lodged in the Austraclear System, despite any other provision of these Terms and Conditions, the Australian Domestic Notes are not transferable on the Australian Register, and LBTCBV or LBHI, as the case may be, may not, and must procure that the Australian Registrar does not, register any transfer of the Australian Domestic Notes issued by it and no member of the Austraclear System has the right to request any registration of any transfer of such Australian Domestic Notes, except:

- (a) in the case of any repurchase, redemption or cancellation (whether on or before the Maturity Date of the Australian Domestic Notes) of such Australian Domestic Notes, a transfer of the relevant Australian Domestic Notes from Austraclear to LBTCBV or LBHI, as the case may be, may be entered in the Australian Register; and
- (b) if Austraclear exercises any power it may have under the Austraclear Regulations or these Terms and Conditions to require the relevant Australian Domestic Notes to be transferred on the Australian Register to a member of the Austraclear System, the relevant Australian

Domestic Notes may be transferred on the Australian Register from Austraclear to the member of the Austraclear System.

In any of these cases, the relevant Australian Domestic Notes will cease to be held in the Austraclear System.

Where Austraclear is recorded in the Australian Register as the holder of an Australian Domestic Note, each person in whose Security Record (as defined in the Austraclear Regulations) an Australian Domestic Note is recorded is deemed to acknowledge in favour of the Australian Registrar and Austraclear that:

- (a) the Australian Registrar's decision to act as the Australian Registrar of that Australian Domestic Note does not constitute a recommendation or endorsement by the Australian Registrar or Austraclear in relation to that Australian Domestic Note, but only indicates that the holding of such Australian Domestic Note is considered by the Australian Registrar to be compatible with the performance by it of its obligations as Australian Registrar under the Agency and Registry Services Agreement (as defined in Condition 4); and
- (b) the holder of the Australian Domestic Note does not rely on any fact, matter or circumstance contrary to paragraph (a).

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

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

*Austraclear Regulations* means the rules and regulations established by Austraclear 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 Final Terms, 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 Final Terms, 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 (ICMA)*” is specified in the applicable Final Terms:
  - (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 Final Terms, 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 Final Terms (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 Final Terms, each date (each an “*Interest Payment Date*”) which falls the number of months or other period specified as the Interest Period in the applicable Final Terms 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 Final Terms 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 Final Terms 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 for all Conditions except for Condition 7(i) (Payments in respect of Australian Domestic Notes):

- (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 Final Terms, including where the Rate of Interest is to be determined by reference to an index and/or formula or otherwise.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms 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 Final Terms) 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 Final Terms 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 Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; 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 Final Terms.

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 Final Terms) 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 Final Terms, 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 Final Terms) 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.

If “*BBSW*” is specified in the applicable Final Terms it shall mean the average mid rate for Bills (having the meaning that term has in the Bills of Exchange Act 1909 of Australia) having a tenor closest to the Interest Period as displayed on the “*BBSW*” page of the Reuters Monitor System on the first day of that Interest Period.

(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 Final Terms and:

- (A) if “*Actual/365*” or “*Actual/Actual (ISDA)*” is specified in the applicable Final Terms, 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 Final Terms, the actual number of days in the Calculation Period divided by 365;
- (C) if “*Actual/360*” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
- (D) if “*Actual/Actual (ICMA)*” is specified in the applicable Final Terms:
  - (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 (1) 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 Final Terms, 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));
- (F) if “*30E/360*” or “*Eurobond Basis*” is specified in the applicable Final Terms, 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); and

(G) if “*RBA Bond Basis*” is specified as the applicable day count fraction in the applicable Final Terms, it shall mean one divided by the number of Interest Payment Dates in a year.

(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 competent 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 Final Terms 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 Final Terms 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 Final Terms 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 Final Terms.

#### **4. Extendible and Renewable Notes**

(a) *Extendible Notes*

The applicable Final Terms 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 Final Terms 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 Final Terms 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 Final Terms unless the Holder of such Note elects to terminate the automatic extension of such Note. The applicable Final Terms 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 and Inflation-Linked Notes**

(a) The applicable Final Terms will indicate whether this Note is a Zero Coupon Note.

*Early redemption of Zero Coupon Notes*

Unless otherwise specified in the applicable Final Terms, 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 Final Terms for the purposes of this Condition 5 (Zero Coupon Notes) or, if none is so specified, a Day Count Fraction of 30E/360.

*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).

- (b) Notes issued pursuant to the Program may include Notes in respect of which the rate of interest applicable for one or more Interest Periods and/or the redemption amount is calculated by reference to one or more indices relating to the consumer price index or any other formula linked to a measure of inflation in one or more jurisdictions, as specified in the applicable Final Terms. Such Notes are referred to as “*Inflation-Linked Notes*”.

Section 1.12 of the 2006 ISDA Inflation Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. (the “*ISDA Inflation Definitions*”) shall be deemed incorporated by reference into this condition (provided that such terms may be amended in the applicable Final Terms).

The Final Terms for the Inflation-Linked Notes shall specify the relevant Index (or Indices) and Index Sponsor (or Index Sponsors).

For the purposes of this Base Prospectus and any Inflation-Linked Note (unless otherwise specified in the applicable Final Terms):

“*Index*” means each index specified as such in the Final Terms, or any Successor Index determined in accordance with the provisions below.

“*Index Sponsor*” means the entity that publishes or announces (directly or through an agent) the level of the relevant Index.

The applicable Final Terms of Inflation-Linked Notes shall include the following Index and Disruption Event provisions, subject to modification in respect of any particular Tranche of Inflation-Linked Notes.

#### *Delay of Publication*

- (i) If any level of an Index for a month which is relevant to the calculation of a payment under the Notes (a “*Relevant Level*”) has not been published or announced by the day that is five Business Days prior to the next Interest Payment Date in respect of which it is required, or as the case may be, five Business Days prior to the date scheduled for redemption of the Notes, the Calculation Agent shall determine a Substitute Index Level by using the following methodology:
- (I) if applicable, the Calculation Agent will take the same action to determine the Substitute Index Level for the Interest Payment Date as that taken by the calculation agent pursuant to the terms and conditions of the Related Bond; or
- (II) if (I) above does not result in a Substitute Index Level for the Interest Payment Date, then the Calculation Agent shall determine the Substitute Index Level as follows:

Substitute Index Level = Base Level x (Latest Level/Reference Level)

Where:

“*Base Level*” means the level of the Index (excluding “flash estimates”) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

“*Latest Level*” means the latest level of the Index (excluding “flash estimates”) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Level is being calculated.

“*Reference Level*” means the level of the Index (excluding “flash estimates”) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in “Latest Level” above.

- (ii) If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date in respect of which it is required or, as the case

may be, five Business Days prior to the date scheduled for redemption of the Notes, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to paragraph (i) above will be the definitive level for that month.

#### *Cessation of Publication*

If a level for the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a Successor Index (in lieu of any previously applicable Index) for the purposes of the Notes by using the following methodology:

- (i) if at any time (other than after an Early Redemption Event has been designated by the Calculation Agent pursuant to (v) below) a successor index has been designated by the calculation agent pursuant to the terms and conditions of the Related Bond, such successor index shall be designated a “Successor Index” for the purposes of all subsequent payment dates in relation to the Notes, notwithstanding that any other Successor Index may previously have been determined under the other sub-paragraphs of this section; or
- (ii) if, a Successor Index has not been determined under sub-paragraph (i) above and there has been no designation of an Early Redemption Event by the Calculation Agent pursuant to (v) below and a notice has been given or an announcement has been made by an Index Sponsor, specifying that an Index will be superseded by a replacement Index specified by the Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index for purposes of the Notes from the date that such replacement Index comes into effect; or
- (iii) if a Successor Index has not been designated by the Calculation Agent under sub-paragraph (i) or (ii) above and there has been no designation of an Early Redemption Event by the Calculation Agent pursuant to (v) below, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the “Successor Index”. If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the “Successor Index”, otherwise, no “Successor Index” will be determined under this sub-paragraph (iii). If fewer than three responses are received, no “Successor Index” will be determined under this sub-paragraph and the Calculation Agent will proceed to sub-paragraph (iv) hereof; or
- (iv) if no Successor Index has been deemed under sub-paragraph (i), (ii) or (iii) by the fifth Business Day prior to an Interest Payment Date or, as the case may be, by the fifth Business Day prior to the date scheduled for redemption of the Notes the Calculation Agent will determine an appropriate alternative index for such date, and such index will be deemed a “Successor Index”; or
- (v) if the Calculation Agent determines that there is no appropriate alternative index (an “Early Redemption Event”), the Notes will be redeemed at an amount calculated by the Calculation Agent as the Final Redemption Amount of the Notes plus any interest accrued but unpaid less any Unwind Costs. For the purposes of this sub-section, “Unwind Costs” means the value (determined in the currency in which the Notes are denominated) of any transfer or stamp tax cost, any early redemption or termination cost, if any, borne by the Issuer or Calculation Agent, as determined by the Calculation Agent, in its sole and absolute discretion, in relation to any swap agreement, financing arrangement or other hedging transaction entered into by, or on behalf of, the Calculation Agent or the Issuer in relation to the issuance of the Notes.

### *Rebasing of the Index*

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the “*Rebased Index*”) will be used for purposes of determining the level of an Index from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if any, to the past levels of the Rebased Index so that the Rebased Index levels prior to the date of rebasing reflect the same rate of inflation as the Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the past levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

### *Material Modification Prior to Interest Payment Date*

If, on or prior to the day that is five Business Days before the next Interest Payment Date in respect of which it is required or, as the case may be, five Business Days prior to the date scheduled for redemption of the Notes, the Index Sponsor announces that it will make a material change to an Index then the Calculation Agent shall make any such adjustments to the Index consistent with the adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Index to continue as the Index.

### *Manifest Error in Publication*

If, within 30 days of publication, the Calculation Agent determines that the Index Sponsor has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will notify the Fiscal Agent and the Noteholders in accordance with the Terms and Conditions of the Notes of (i) that correction and (ii) the amount that is payable as a result of that correction and the Calculation Agent will take such other action as it may deem necessary to give effect to such correction.

### *Related Bond*

The Related Bond shall be a bond specified in the Final Terms or if no bond is specified as the Related Bond therein, the Related Bond shall be the Fallback Bond. If the bond specified to be the Related Bond redeems or matures during the term of the Notes, the Related Bond shall be the Fallback Bond.

### *Fallback Bond*

The Fallback Bond will be a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Index relates and which pays a coupon or redemption amount which is calculated by reference to the Index, with a maturity date which falls on (a) the same day as the Maturity Date (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by Calculation Agent. If the Index relates to the level of inflation in the European Monetary Union, the Calculation Agent will select an inflation-linked bond that constitutes a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date of the Notes. If there is more than one bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

### *Determinations by the Calculation Agent*

All determinations, calculations or valuations made by the Calculation Agent under or pursuant to the terms of the Notes shall be made in its sole and absolute discretion and the Calculation Agent shall be solely responsible for the determination and calculation of any and all determinations, calculations or valuations in accordance with the terms of the Notes. All such determinations, calculations or valuations made by the Calculation Agent shall be conclusive and binding. The Calculation Agent shall not be liable for any loss, liability, cost, claim, action, demand or expense (including without limitation, any costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of this functions, except such as may result from its own wilful default, negligence or bad faith or that of its officers or agents.

Nothing contained herein shall prevent the Calculation Agent from dealing in these Notes or from entering into any related transactions, including without limitation any swap or hedging transactions, with the Issuer or any holder of Notes.

## **6. Payment Currency**

### *(a) Payment in Specified Currency*

Except as provided below or in the applicable Final Terms, 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 Condition 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 Final Terms 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 Final Terms, 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 Conditions 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 and the relevant payment is permitted by applicable U.S. law. 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 Final Terms.

(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 Final Terms. If registered Notes (other than Australian Domestic 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 generally 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 Irish Stock Exchange and/or are admitted to trading and/or quotation by any other competent authority, stock exchange and/or quotation system, a Paying Agent with a specified office in Ireland and/or in such other place as may be required by the rules of such other competent authority, stock exchange and/or quotation system and (iii) a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. A notice of any change of the Fiscal Agent, Principal Paying Agent or Paying Agents will be given to the Holders of the Notes in accordance with Condition 15 (Notices).

(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 or LBHI, as the case may be, the Australian Registrar and (depending on the identity of the Australian Registrar) an administration agent appointed by LBTCBV or LBHI, as the case may be, (“*Australian Administration Agent*”) as described in the applicable Final Terms. If required, the Australian Administration Agent will act as the agent of LBTCBV or LBHI, as the case may be, for certain purposes pursuant to an Issuing and Payment Administration Agreement to be entered into between LBTCBV or LBHI, as the case may be, and the Australian Administration Agent (as amended, supplemented or replaced from time to time, the “*Issuing and Payment Administration Agreement*”).

For the purposes of this Condition 7(i) (Payments in respect of Australian Domestic Notes), “*Business Day*” will have the meaning given to it in the relevant Agency and Registry Services 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 Australian Domestic 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 Noteholders 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.

If any day for payment in respect of any Australian Domestic Note is not a Business Day, such payment shall not be made until the next following day which is a Business Day, and no further interest shall be paid in respect of the delay in such payment.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto. None of LBTCBV or LBHI, as the case may be, or the Australian Registrar shall be liable to any Holder or other person for any commissions, costs, losses or expenses in relation to or resulting from such payments.

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 Final Terms in the relevant Specified Currency (except as otherwise provided in Condition 6 (Payment Currency)). Unless otherwise specified in the applicable Final Terms, 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 Final Terms.

(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 Final Terms, the Issuer may, having (unless otherwise specified in the applicable Final Terms) 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 Final Terms 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 Final Terms) 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 competent 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 Final Terms, 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 Final Terms), 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 Final Terms 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 Final Terms together with accrued interest (if any) to the date fixed for redemption. In order to exercise the option contained in this Condition 8(e) (Redemption at the Option of the Noteholders), the Holder of a Note must, not more than 60 nor less than 30 days' (unless otherwise specified in the applicable Final Terms) before the date fixed for redemption, deposit with any Paying Agent such Note together with all unmatured Coupons and Talons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(e) (Redemption at the Option of the Noteholders), may be withdrawn; provided, however, that if, prior to the date fixed for redemption, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the date fixed for redemption, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its specified office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 8(e) (Redemption at the Option of the Noteholders), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes, *provided, however, that* for so long as any Notes are represented by a temporary or permanent global Note in bearer form, the Notes to be redeemed shall be selected in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

(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 Final Terms):

- (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 Final Terms or, if no such amount or manner is set out in the Final Terms, 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 in which such payments are regarded as being sourced, 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 or in which such payments are regarded as being sourced, 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 is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income;
- (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 Final Terms, 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, 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.

(j) *Written Resolutions*

A resolution in writing signed by or on behalf of all Holders of Notes of a Series who for the time being are entitled to receive notice of a meeting of Holders of Notes of that Series will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders of Notes of that Series.

### **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 Program, 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 admitted to trading on the Irish Stock Exchange and the rules of that exchange so require, a daily newspaper having general circulation in Dublin (which is expected to be the *Irish Times*) 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.

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 Irish 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 Dublin (which is expected to be the *Irish Times*).

In the case of global Notes in registered form of a Series, such notices shall be sent to the common depository 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). Any such notice will be deemed to have been given to the Holders on the date of publication.

**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 competent 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 competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent 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. This Condition 16 is not applicable to Australian Domestic Notes.

**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. This Condition 17 is not applicable to Australian Domestic Notes.

**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. Governing Law; Consent to Jurisdiction**

(a) *Governing Law*

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 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 relevant Deed Poll, the relevant Agency and Registry Services Agreement and (if required) the relevant Issuing and Payment Administration Agreement in respect of such Australian Domestic Notes are, or will be, governed by, and construed in accordance with, 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 25 Bank Street, London, E14 5LE, 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 relevant Deed Poll, the relevant Agency and Registry Services Agreement and (if required) the relevant Issuing and Payment Administration Agreement, LBTCBV and LBHI will agree to submit to the jurisdiction of the courts of New South Wales, Australia and courts of appeal from them. LBCTCBV and LBHI will irrevocably waive any objection which it may have to the laying of the venue of any suit, action or proceedings arising out of or in connection with the Australian Domestic Notes, the relevant Deed Poll, the relevant Agency and Registry Services Agreement or any relevant Issuing and Paying Administration Agreement (“*Australian Proceedings*”) in any such court and any claim that any such Australian Proceedings have been brought in an inconvenient forum and will further irrevocably agree that a judgment in any such Australian Proceedings brought in the courts of New South Wales, Australia and courts of appeal from them shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. 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 Final Terms.

## **20. 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.

## **21. Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## **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.

## ADDITIONAL DESCRIPTIONS IN RELATION TO SPECIFIC NOTES

*The following is a description of certain specific types of Notes and provides examples of types of Notes. It is not intended to be an exhaustive list of structures or types of Notes. Any Series of Notes may incorporate different components of each of the specific Notes described below and of other types of Notes described in this Base Prospectus. The descriptions in this section should be read in conjunction with the section “Terms and Conditions of the Notes”.*

### **Quanto Notes**

Notes issued pursuant to the Program may include Notes issued in a currency (the “*Quanto Currency*”) in respect of which, the amount payable on redemption and/or the rate of interest for one or more Interest Periods is calculated by reference to, among other variables, a currency exchange rate or currency exchange rates, interest rate or interest rates in respect of a currency or currencies, or an asset or assets or index or indices denominated in a currency or currencies, that is different to that of the Quanto Currency (each a “*Reference Currency*”) as specified in the applicable Final Terms. All interest amounts payable under the Notes and any amounts payable on the redemption of the Notes are paid in the Quanto Currency. Such Notes are referred to as “*Quanto Notes*”. Such Notes shall also be Index-Linked or Index-Linked Interest Notes.

### **Variable Cap Notes and Notes in respect of which Rates of Interest are determined by Swap Rates**

Notes issued pursuant to the Program may include Notes in respect of which the amount payable on redemption and/or the rate of interest applicable for one or more Interest Periods is subject to a variable maximum interest rate (or cap) as specified in the Final Terms. The variable maximum redemption amount and/or rate of interest may be determined by reference to any rate, currency, index, formula or any other factor (each a “*Variable Cap Factor*”), or any combination of such Variable Cap Factors. Such Notes are referred to as “*Variable Cap Notes*”. Such Notes shall also be Index-Linked or Index-Linked Interest Notes.

In addition, Notes issued pursuant to the Program may include Notes in respect of which the redemption amount, rate of interest, the maximum rate of interest and/or the minimum rate of interest applicable for one or more Interest Periods is determined by reference to one or a combination of swap rates specified in the applicable Final Terms. Such Notes shall also be Index-Linked or Index-Linked Interest Notes.

### *Information relating to Swap Rates*

Swap rates are fixed rates on interest rate swaps. Commonly used benchmarks for such swap rates include (i) the service known as ISDAFIX; (ii) the service known as IFR Derivatives; and (iii) rates determined by the Calculation Agent. Notes may make reference to swap rates quoted according to market standard conventions which are swap rates for swap transactions denominated in currencies including Euro, United States Dollars, Swiss Francs, Pounds Sterling, Japanese Yen, Swedish Kroner and Polish Zloty, each of which are quoted for a variety of designated maturities and expressed as a percentage. Unless otherwise specified in the applicable Final Terms, such rates will be determined by the Calculation Agent on the relevant Interest Determination Dates. “*Interest Determination Date*” in this context means the day which is specified in the applicable Final Terms.

Swap rates relevant to a particular Note will be identified in the Final Terms by reference to the screen page (the “*Relevant Screen Page*”) and, where applicable, the heading below which the relevant swap rate appears, the caption above which the relevant swap rate appears and the time (the “*Relevant Time*”) as of which the relevant swap rate appears. By way of example, the annual swap rate for Euro denominated swap rates provided by ISDAFIX with a designated maturity of two years will be specified in the Final Terms as appearing on the Reuters Screen ISDAFIX2 Page (or any successor to that page) under the heading “EURIBOR Basis” and above the caption “11.00 AM Frankfurt.” as of 11 a.m., Frankfurt time.



*Fallback rate:* With respect to such Notes unless otherwise specified in the applicable Final Terms, if, on any Interest Determination Date, the Calculation Agent determines in its sole and absolute discretion that a relevant swap rate:

- (1) does not appear on the Relevant Screen Page (or any successor to that page); or
- (2) for any other reason, is unavailable or cannot reasonably be calculated;

in each case as at the Relevant Time, then, in relation to the relevant Interest Determination Date, such swap rate will be the rate determined by the Calculation Agent as the rate specified in the Final Terms as being defined in Section 7.1 of the Annex to the 2000 ISDA Definitions (June 2000 version) with a Designated Maturity equivalent to the designated maturity of the original swap rate, in each case as if such rate had been elected. For the purposes of determining any Fallback rate, the ISDA Definitions shall be construed as set out in the Final Terms.

Details on historical levels of swap rates can be found on the website <http://www.isda.org/fix/historicaldata.html>.

### **Steeper Notes**

Notes issued pursuant to the Program may include Steeper Notes, which are Notes in respect of which the rate of interest applicable for one or more Interest Periods is determined by reference to the difference (or spread) between two swap rates specified in the applicable Final Terms, which difference (or spread) may (if so specified in the applicable Final Terms) then be multiplied by a factor (the “*leverage factor*”) specified in the applicable Final Terms, subject to any minimum and/or maximum interest rates specified in the applicable Final Terms. The paragraph above contains further information relating to Swap Rates.

### **Path-Dependent Notes**

Notes issued pursuant to the Program may include Notes in respect of which, the rate of interest for one or more Interest Periods is calculated by reference to the rate of interest for one or more previous Interest Periods (the “*Previous Rate*”), as specified in the applicable Final Terms. The rate of interest for an Interest Period may be calculated by adding to or subtracting from the Previous Rate, or multiplying or dividing the Previous Rate by one or more variables (or any combination thereof). Such variables may include a rate, a currency, an index, a formula and/or a constant. Alternatively, the rate of interest could be subject to a maximum or minimum rate of interest based upon the Previous Rate. Such Notes are referred to as “*Path-Dependent Notes*”. Such Notes shall also be Index-Linked or Index-Linked Interest Notes.

### **Range Accrual Notes**

Notes issued pursuant to the Program may include Notes in respect of which, (i) for one or more Interest Periods, the rate of interest specified in the applicable Final Terms is calculated by multiplying a rate, currency exchange rate, index, formula or other factor or combination thereof (each a “*Reference Rate*”) by a fraction (the “*Index Ratio*”) whose denominator is the total number of days (each an “*Observation Day*”) within a period (an “*Observation Period*”) and whose numerator is the actual number of days during that Observation Period in respect of which a predetermined event (the “*Fixing Event*”) occurs and/or (ii) the amount payable on redemption is determined by reference to the resulting rate described under (i) above. Such Notes shall also be Index-Linked or Index-Linked Interest Notes.

The Fixing Event could be, but is not limited to, one or more indices, formulae, currency exchange rates, rates or a combination thereof, exceeding and/or equalling and/or becoming lower than and/or equalling a predetermined level or levels of another rate, currency, exchange rate, index, formula, or constant, as specified in the applicable Final Terms.

By way of example, the interest rate for an Interest Period on a Range Accrual Note may be calculated by multiplying the principal amount of the Notes by: (i) EURIBOR with a designated maturity of 6 months; and (ii) the Index Ratio. The Index Ratio may be determined by: (a) calculating the number of Business Days

during such Interest Period in which USD LIBOR with a designated maturity of 6 months is equal to or exceeds 2% but is less than 4%; and (b) dividing the result by the total number of days in that period.

In this instance the Interest Period and the Observation Period are the same, but in certain Range Accrual Notes, they may relate to different chronological periods and may be of different lengths. For the avoidance of doubt, the days upon which the Fixing Event is observed could be any subset of days within such Interest Period or any other Interest Period or periods, including, but not limited to, a period of one day only.

### **Switchable Notes**

Notes issued pursuant to the Program may include Notes in respect of which, for one or more Interest Periods, the rate of interest or a component of the rate of interest specified in the applicable Final Terms may, on certain dates (each a “*Exercise Date*”), change to a different rate of interest or component of the rate of interest or to zero (as the case may be) at the option (each a “*Switch Option*”) of either the Issuer and/or the Noteholder and/ or a third party (the “*Switch Option Holder*”). The number of Switch Options available to the Switch Option Holder may be limited or unlimited as specified in the applicable Final Terms. The occurrence of such an event is known as a “*Switch Event*”. Such Notes are referred to as “*Switchable Notes*”. Such Notes shall also be Index-Linked or Index-Linked Interest Notes.

By way of example, the Switch Option Holder may exercise its Switch Option on the Exercise Date which results in the rate of interest payable for an Interest Period converting from a rate of interest equal to 6.00 per cent. annum of the nominal amount of the Notes to a rate of interest equal to EURIBOR with a designated maturity of 12 months (“*12m EURIBOR*”) plus 0.50% of the nominal amount of the Notes. In this instance if 12m EURIBOR is at a low rate (for example, 2.00 per cent.) then the coupon payable in respect of the relevant Interest Period would switch from 6.00 per cent. to 12m EURIBOR + 0.50%, or 2.50%.

The above analysis is one example of the operation of Switchable Notes. For other Switchable Notes the rate of interest payable may switch between fixed and/or floating and/or Index-Linked and/or any combination thereof. This list is not intended to be exhaustive.

### **Target Redemption Notes**

Notes issued pursuant to the Program may include Notes that will be redeemed if, with respect to one or more Interest Periods, the aggregate amount of interest to be paid under the Notes, that is, the amount of interest payable for an Interest Period added to all previous amounts of interest paid under the Notes (the “*Aggregate Interest Amount*”) is equal to or exceeds a target amount of interest as specified in the applicable Final Terms (the “*Target Interest Amount*”). Such redemption will be at an amount and on a date specified in the applicable Final Terms. Such Notes shall also be Index-Linked or Index-Linked Interest Notes.

In some instances, on an Interest Determination Date, the Aggregate Interest Amount may exceed the Target Interest Amount. In such circumstances, the Notes will be redeemed at the end of such Interest Period and, depending on the provisions in the Final Terms, the amount of interest payable in respect of that Interest Period will either be: (i) reduced to an amount such that the Aggregate Interest Amount in respect of such Interest Period is equal to the Target Interest Amount; (ii) the full amount of interest calculated for such Interest Period; or (iii) changed to a different amount of interest as specified in the applicable Final Terms.

In other circumstances, the Aggregate Interest Amount upon maturity may be lower than the Target Interest Amount. In these circumstances, the Notes will be redeemed on the scheduled maturity date and, depending on the provisions in the Final Terms, the final payment of interest will either be: (i) increased so that the Aggregate Interest Amount equals the Target Interest Amount specified in the Final Terms; or (ii) the amount of interest paid will be unchanged by the target redemption feature.

The operation of the early redemption mechanism may differ depending on the specific redemption provisions contained in the applicable Final Terms. Notes of this type are referred to as “*Target Redemption Notes*”.

## Trigger Notes

Notes issued pursuant to the Program may include Notes in respect of which, for one or more Interest Periods, the rate of interest specified in the applicable Final Terms may convert into a different rate of interest depending upon certain events (“*Trigger Events*”) occurring on certain dates (each a “*Trigger Date*”) or during a specified period (“*Trigger Period*”) each as specified in the applicable Final Terms. Such Trigger Events may be, but are not limited to, events upon which one or more indices, formulae, currency exchange rates, constants, other factors or a combination thereof (“*Trigger Indices*”) are greater than and/or equal to and/or lower than and/or equal to one or more other indices, formulae, currency exchange rates, constants, other factors or a combination thereof. Such Notes are referred to as “*Trigger Notes*”. Such Notes may also be Index-Linked or Index-Linked Interest Notes.

By way of example, the rate of interest payable for an Interest Period on a Trigger Note may switch from 12m EURIBOR plus 2.00% of the nominal amount of the Notes to 1.00 per cent. of the nominal amount of the Notes if on a Trigger Date, 12m EURIBOR is equal to or higher than 5.00 per cent. In this instance, if the Trigger Event occurs, the coupon payable in respect of an Interest Period would switch from floating to fixed.

The above analysis sets out just one example of how Trigger Notes may operate. It is not intended to be an exhaustive description of the coupon structure for Trigger Notes.

## **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.

### Information about LBHI

Lehman Brothers Holdings Inc., a Delaware corporation, was incorporated on December 29, 1983, for an indefinite term, pursuant to the General Corporation Law of the State of Delaware, U.S.A., with registration number 2024634. LBHI and its subsidiaries are collectively referred to as “Lehman Brothers”. LBHI’s executive offices are located at 745 Seventh Avenue, New York, New York 10019, U.S.A., and its telephone number is + 212 526 7000. The common stock of LBHI is listed on the New York Stock Exchange and on the Pacific Exchange under the symbol “LEH”.

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

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

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

### Business Overview

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

Through its subsidiaries, Lehman Brothers is a global market-maker in all major equity and fixed income products. To facilitate its market-making activities, Lehman Brothers is a member of all principal securities and commodities exchanges in the United States, as well as NASD, Inc., and it holds memberships or associate memberships on several principal international securities and commodities exchanges, including the London, Tokyo, Hong Kong, Frankfurt, Paris, Milan and Australian stock exchanges.

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

Lehman Brothers operates in three business segments: Investment Banking, Capital Markets and Investment Management. Financial information concerning Lehman Brothers for the fiscal years ended November 30, 2005 and 2004, including the amount of net revenues contributed by each segment in such

periods, is set forth in the Consolidated Financial Statements and Notes thereto which are incorporated by reference in this Debt Issuance Program Prospectus.

Lehman Brothers is engaged primarily in providing financial services. Other businesses in which Lehman Brothers is engaged represent less than 10 percent of each of consolidated assets, revenues and pre-tax income.

### **Organizational Structure**

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

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

## SUMMARY FINANCIAL INFORMATION OF LEHMAN BROTHERS HOLDINGS INC.

The following table sets forth selected consolidated financial information on LBHI as of the dates and for the periods indicated. The selected consolidated financial information as of and for the twelve month periods ended November 30, 2005 and 2004 and as of and for the three months periods ended May 31, 2006 and February 28, 2006 is extracted without material adjustment from the audited consolidated financial statements of LBHI included in LBHI's Annual Report on Form 10-K for the twelve month period ended November 30, 2005, filed with the SEC and from the unaudited consolidated financial statements of LBHI included in LBHI's Quarterly Reports on Form 10-Q for the quarters ended May 31, 2006 and February 28, 2006, respectively.

### Consolidated Statement of Income Information

	<i>Three months ended May 31, 2006</i>	<i>Three months ended February 28, 2006</i>	<i>Year ended November 30, 2005</i>	<i>Year ended November 30, 2004</i>
	<i>(in U.S.\$ millions)</i>			
<b>Revenues:</b>				
Principal transactions .....	\$2,506	\$2,473	\$7,811	\$5,699
Investment banking .....	741	835	2,894	2,188
Commissions .....	587	472	1,728	1,537
Interest and dividends .....	7,327	6,192	19,043	11,032
Asset management and other .....	354	335	944	794
Total revenues .....	11,515	10,307	32,420	21,250
Interest expense .....	7,104	5,846	17,790	9,674
Net revenues .....	4,411	4,461	14,630	11,576
<b>Non-Interest Expenses:</b>				
Compensation and benefits .....	2,175	2,199	7,213	5,730
Other expenses .....	738	711	2,588	2,328
<b>Total non-interest expenses</b> .....	<b>2,913</b>	<b>2,910</b>	<b>9,801</b>	<b>8,058</b>
Income before taxes and dividends on trust				
preferred securities .....	1,498	1,551	4,829	3,518
Provision for income taxes .....	496	513	1,569	1,125
Dividends on trust preferred securities .....	-	-	-	24
Income before cumulative effect of accounting change .....	1,002	\$1,038	\$3,260	\$2,369
Net income applicable to common stock .....	986	\$1,069	\$3,191	\$2,297
Earnings per common share (diluted): .....	1.69	\$3.66	\$10.87	\$7.90

## Consolidated Statement of Financial Condition Information

	<i>At</i> <i>May 31,</i> <i>2006</i>	<i>At</i> <i>February 28,</i> <i>2006</i>	<i>At</i> <i>November 30,</i> <i>2005</i>	<i>At</i> <i>November 30,</i> <i>2004</i>
	<i>(in U.S.\$ millions)</i>			
Total assets .....	\$456,202	\$439,796	\$410,063	\$357,168
Commercial paper and short-term debt.....	4,532	4,807	2,941	2,857
<b>Total long-term indebtedness:</b> .....	81,379	66,096	62,309	56,486
Total liabilities.....	438,220	422,303	393,269	342,248
<b>Total stockholders' equity</b> .....	17,892	17,493	16,794	14,920
<b>Preferred stock</b> .....	1,095	1,095	1,095	1,345
Common stock, \$0.10 par value; Shares authorized: 1,200,000,000 in 2006, 2005 and 2004 Shares issued: 608,845,822 and 607,137,946 in May 31 and Feb 28, 2006 respectively; 605,337,946 in 2005 and 595,323,059 in 2004. Shares outstanding: 540,323,059 and 538,302,918 in May 31 and Feb 28 2006 respectively; 542,874,206 in 2005 and 548,318,822 in 2004 ..	61	61	61	61
Additional paid in capital .....	8,727	8,716	6,283	5,834
Accumulated other comprehensive income (net of tax)	(16)	(16)	(16)	(19)
Retained earnings .....	14,108	13,192	12,198	9,240
Other stockholders' equity, net .....	(1,769)	(1,448)	765	741
Common stock in treasury, at cost 68,522,763 and 68,835,028 shares as at May 31 and Feb 28 2006 62,463,740 shares in 2005 and 47,273,572 shares in 2004 .....	(4,224)	(4,107)	(3,592)	(2,282)
Total capital .....	99,361	83,589	79,103	71,406



## LEHMAN BROTHERS TREASURY CO. B.V

### General

LBTCBV was incorporated in The Netherlands on March 8, 1995 (under the Dutch Civil Code (*Burgerlijk Wetboek*)) 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 Strawinskylaan 3105 Atrium, 1077 ZX, Amsterdam, The Netherlands and the telephone number is +31 20 406 4444.

The objects for which LBTCBV was established (which can be found at article 2 of its articles of association) are to finance companies and other enterprises with which it forms a group, to borrow, to lend and to raise funds, to participate in all sorts of financial transactions including the issue of bonds, promissory notes or other securities or debt instruments, to invest in securities in the widest sense of the word, to grant guarantees, to assume liability and to grant security over its assets for the obligations of companies and other enterprises with which it forms a group and of third parties.

### LBTCBV has share capital consisting of:

Ordinary shares, EUR 453.78 par value; 7,500 authorized; 4,406 allotted, called up and fully paid.

### Directors of LBTCBV

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

<u>Name</u>	<u>Function of LBTCBV</u>	<u>Principal Outside Activities</u>
Leonard M. Fuller.....	Director	None
Pascale Vidalie .....	Director	None
Wolbert Kamphuijs .....	Director	Director of Equity Trust NV Amsterdam
Rumoldus de Schutter.....	Director	Director of Equity Trust NV Amsterdam

The business address of Leonard Fuller is Talstrasse 82, 8021 Zurich, Switzerland and the business address of Pascale Vidalie is Rathenauplatz 1, 60313 Frankfurt, Germany.

The business address of Wolbert Kamphuijs and Rumoldus de Schutter is Atrium Strawinskylaan 3105, 1077 ZX Amsterdam, The Netherlands.

There are no known conflicts of interest between any duties of the members of the Board of Management to LBTCBV and their respective private interests or other duties.

## 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, 2005.

### Profit and Loss Account Data

	<i>Notes</i>	<i>Year ended November 30, 2005</i>	<i>Year ended November 30, 2004</i>
Operating Income .....		2,626	–
Operating expense.....		(376)	(1,858)
<b>Net Operating Income and Expense .....</b>		<b>2,250</b>	<b>(1,858)</b>
Interest and similar income.....		304,098	154,531
Interest and similar expense .....		(290,577)	(145,577)
<b>Net financial income and expense .....</b>		<b>13,521</b>	<b>8,954</b>
<b>Result from ordinary operations before tax.....</b>		<b>15,771</b>	<b>7,096</b>
Tax on result from ordinary operations .....	8	(5,036)	(2,511)
<b>Result form ordinary operations after tax.....</b>	<b>9</b>	<b>10,735</b>	<b>4,585</b>

### Balance Sheet Data

	<i>Notes</i>	<i>2005 EUR '000</i>	<i>2004 EUR '000</i>
<b>ASSETS</b>			
<b>FINANCIAL FIXED ASSETS</b>			
Due from group companies – amounts due more than one year .....	3	10,943,236	7,353,933
<b>CURRENT ASSETS</b>			
Due from group companies – amounts due more than one year .....	4	1,709,631	926,525
Cash at bank .....		8,485	1,693
<b>TOTAL ASSETS .....</b>		<b>1,718,116</b>	<b>928,218</b>
		<b>12,661,352</b>	<b>8,282,151</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S EQUITY</b>			
Common shares – EUR 453.78 par value; authorised – 7,500 shares; issued and fully paid – 1,700 shares .....	5	771	771
Retained earnings .....	9	29,575	18,840
<b>TOTAL SHAREHOLDER'S EQUITY .....</b>		<b>30,346</b>	<b>19,611</b>
<b>LONG-TERM LIABILITIES</b>			
Guaranteed notes payable – amounts due after more than one year	6	11,111,276	7,678,168

	<i>Notes</i>	<u>2005</u>	<u>2004</u>
		<i>EUR '000</i>	<i>EUR '000</i>
<b>CURRENT LIABILITIES</b>			
Guaranteed notes payable – amounts due within one year .....	6	1,417,829	517,320
Bank overdrafts .....		1	1,731
Payable to group company .....		9,225	268
Accrued interest payable.....		89,335	64,190
Taxation payable .....		1,535	604
Other accrued liabilities .....		1,805	259
<b>TOTAL CURRENT LIABILITIES .....</b>		<u>1,519,730</u>	<u>584,372</u>
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES .....</b>		<u>12,661,352</u>	<u>8,282,151</u>

Note:

- For the years ended November 30, 2005 and November 30, 2004, 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.

	<u>2005</u>	<u>2004</u>
	<i>EUR '000</i>	<i>EUR '000</i>
<b>Cash flow from operating activities</b>		
Net profit for the year after taxation .....	10,735	4,585
Adjustment to Reconcile net income to net cash used in operating activities		
Loss on early redemption of debt.....	(316)	(14)
Amortisation of Debt Discount .....	7,992	10,226
Increase in amounts due from group companies .....	(3,991,902)	(2,307,436)
Increase in Creditors.....	36,579	9,452
<b>Net cash flow from operating activities .....</b>	<u>(3,936,912)</u>	<u>(2,283,187)</u>
<b>Cash flows from financing activities</b>		
Net Increase in issued debt.....	3,945,434	2,279,835
Net (Decrease)/Increase in Bank overdraft .....	(1,730)	1,731
<b>Net cash flow from financing activities .....</b>	<u>3,943,704</u>	<u>2,281,566</u>
Net cash flow, movement in cash.....	6,792	(1,621)
Net Cash at beginning of year .....	1,693	3,314
Net Cash at end of year .....	<u>8,485</u>	<u>1,693</u>

## LEHMAN BROTHERS BANKHAUS AG

### General

LBB was incorporated under German law in Frankfurt, Germany on June 3, 1987 as a private Stock Corporation (“*Aktiengesellschaft*”) for an unlimited duration and entered into the Commercial Register of the District Court in Frankfurt am Main under the number 28139 on September 14, 1987. The principal activity of LBB is to act as a commercial bank supporting the working capital and lending requirements of various institutional clients worldwide and European subsidiaries of LBHI. In addition LBB provides financial advisory services to investment banking clients in Germany and Austria. LBB does not have any subsidiaries but also acts through its branch office in London, UK which is registered at Companies House with Branch Number BR003960. LBB opened an office in Milan, Italy on August 31, 2005. LBB had an average of 57 employees during the fiscal year.

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

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

LBHI issues consolidated financial statements for the largest group of consolidated companies. The consolidated financial statements of LBHI are available from LBB.

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

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

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

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

### Directors of LBB

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

<u>Name</u>	<u>Function of LBB</u>	<u>Principal Outside Activities</u>
Helmut Olivier .....	Director	Member of the Supervisory Board of D. Logistics AG, Hofheim, Germany.
Karl Dannenbaum .....	Director	

## SUMMARY FINANCIAL INFORMATION OF LEHMAN BROTHERS BANKHAUS AG

### Year-End Financial Information

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

The selected financial information is extracted without material adjustment from the audited financial statements of LBB for the year ended November 30, 2005. Financial statements of LBB are consolidated in the consolidated financial statements of LBHI.

### Balance Sheet

	<i>Year ended November 30, 2005</i>	<i>Year ended November 30, 2004</i>
<i>(in EUR thousands)</i>		
<b>Assets</b>		
Cash reserve .....	17,488	259
Loans and advances to banks .....	63,564	48,638
Loans and advances to customers .....	4,718,200	4,210,031
Shares and other variable-interest securities .....	10,678	23,324
Investments .....	1	1
Trust assets .....	76,706	83,059
Intangible assets .....	115	0
Property, plant and equipment .....	3,138	4,024
Other assets.....	25,857	57,971
Prepaid Expenses .....	2,165	1,092
<b>Total Assets</b> .....	<b>4,917,912</b>	<b>4,428,399</b>
<b>Liabilities</b>		
Liabilities to banks .....	712,814	868,810
Liabilities to customers .....	3,451,816	2,864,353
Securitized liabilities .....	82,650	31,679
Trust liabilities .....	76,706	83,059
Other liabilities .....	22,454	33,226
Deferred income .....	17,096	8,485
Accruals .....	35,286	17,130
Subordinated liabilities.....	161,241	163,808
Equity .....	357,849	357,849
<b>Total Liabilities</b> .....	<b>4,917,912</b>	<b>4,428,399</b>

## Profit and Loss Account Data

	<i>Year ended November 30, 2005</i>	<i>Year ended November 30, 2004</i>
	<i>(in EUR thousands)</i>	
<b>Expenses</b>		
Interest expenses.....	(227,767)	(180,767)
Commission expenses .....	(5,605)	(4,787)
Net expenses from financial transactions.....	0	(1,164)
Administrative expenses.....	(29,702)	(18,978)
Other expenses .....	(7,336)	(2,897)
Profits transferred as a result of a profit transfer or a profit transfer agreement <sup>1</sup> ..	(25,504)	(55,494)
Taxation .....	(12,831)	(15,435)
<b>Total expenses</b> .....	<u>(308,746)</u>	<u>(279,522)</u>
<b>Income</b>		
Interest income .....	279,062	261,581
Commission income.....	27,602	14,748
Net income (loss) from financial transactions .....	428	0
Other operating income .....	1,652	3,193
<b>Total income</b> .....	<u>308,746</u>	<u>279,522</u>
Net Profit for the year .....	<u>0</u>	<u>0</u>

Note:

1. There was a direct control and profit and loss transfer agreement with the sole shareholder Lehman Brothers Verwaltungs- und Beteiligungsgesellschaft mbH, Frankfurt am Main until July 28, 2006. On the basis of this agreement, Lehman Brothers Bankhaus Aktiengesellschaft, Frankfurt am Main, transferred €25.5m (2003/04: €55.5m) to Lehman Brothers Verwaltungs- und Beteiligungsgesellschaft mbH for the fiscal year 2004/2005.

## Cash flow Statement

	<i>2005</i>	<i>2004</i>
	<i>€'000</i>	
Profits for this period ( including pro rata profits of minority shareholders) before extraordinary results		
Items not affecting payments in profits for this period and transfers to cashflow		
From current business .....	25,504	55,494
Depreciation, adjustments and write ups on loans and advances tangible and financial fixed assets .....	1,029	1,545
Increase in provisions.....	33,935	22,218
Reduction in provisions .....	(1,591)	(1,062)
Other income/ expenditure affecting payments .....	(6,681)	14,301
Profits or losses on disposals of financial and tangible fixed assets .....	0	0
Other adjustments (net) .....	0	0
Sub-total .....	<u>52,196</u>	<u>92,496</u>

	2005	2004
	€'000	
<b>Change in assets and liabilities relating to operating activities</b>		
Loans and advances		
To banks .....	(15,018)	6,336
To customers.....	(502,252)	1,316,643
Securities (other than financial investments) .....	0	0
Other assets relating to operating activities .....	37,562	12,536
Liabilities		
To banks .....	(153,218)	(565,830)
To customers.....	617,355	(457,892)
Securitised liabilities .....	51,057	(248,601)
Other liabilities from current business .....	(16,844)	(73,737)
Interest and dividends received .....	0	0
Interest paid .....	0	0
Extraordinary credits .....	0	0
Extraordinary debits .....	0	0
Tax paid on earnings .....	(7,094)	(8,827)
Cashflows from current business .....	63,745	73,124
Cash receipt from disposal of		
Financial fixed assets .....	0	0
Tangible assets .....	0	0
Debits from investments in.....		
Financial fixed assets .....	11,792	(20,607)
Tangible assets .....	(258)	(143)
Credits from sales of consolidated companies and other business units .....	0	0
Debits from sales of consolidated companies and other business units .....	0	0
Changes in funds relating to other investing activities (net) .....	0	0
Cashflows from investments .....	11,534	(20,750)
Credits from additions to equity capital.....	0	0
Dividends to proprietors and minority shareholders .....		
Dividends paid .....	(55,494)	(84,182)
Other payments.....	(2,557)	0
Net changes in funds, capital otherwise.....	0	0
Cash flows from financial activity .....	(58,051)	(84,182)
Change in financial funds affecting payments (total of 19,25,29).....	17,229	(31,808)
Change in financial funds due to exchange rates, scope of consolidation and valuations.....	0	0
Financial funds , opening balance .....	259	32,067
Financial funds , closing balance .....	<u>17,488</u>	<u>259</u>

\* Interest received in cash 2005:EUR 273.180 k (2004: EUR 284.654 k)

\*\* Interest paid in cash 2005: EUR 229.350 k (2004: EUR 189,015 k)

## UNITED STATES TAXATION

The following is a general summary of material U.S. federal income and withholding tax considerations 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 their original issuance and issue price 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, without limitation, 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, Beneficial Owners liable for the alternative minimum tax 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.

The following discussion is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding United States Federal tax penalties, and was written to support the promotion or marketing of Notes issued under the Program. 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 this Base Prospectus 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 individual 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. It is possible that certain Notes such as Index-linked Interest Notes could be characterized as instruments other than debt for U.S. federal income tax purposes. 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.

## **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 interest, 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 classified as income from U.S. sources while interest on Notes issued by LBTCBV or LBB will be classified as 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. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to Notes.

#### **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) 0.015 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 this Base Prospectus, 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 types of Notes (the “*Contingent Notes*”), may 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 Final Terms. 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, may provide for a maximum and/or minimum interest rate. In addition, certain 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 examine the applicable Final Terms or Supplement and consult their own tax advisors regarding the application of U.S. federal income tax law to 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 examine the applicable Final Terms or Supplement and consult their own tax advisors regarding the application of U.S. federal income tax law to such Notes.**

## 12. Other Notes

To the extent that Notes are issued that do not fall within the discussion set forth herein, additional discussion of the applicable U.S. federal income tax rules will be provided in the relevant Final Terms, Drawdown Prospectus or any Supplemental Prospectus. **Prospective investors should examine the applicable Final Terms of such 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

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 will be described in the relevant Final Terms or Supplement. **Prospective investors should examine the applicable Final Terms, or 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 redenomination 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

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 or potential for recognizing investment or other losses, including foreign currency losses, 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.

U.S. federal backup withholding and information reporting requirements may apply to certain payments of interest on, and proceeds from the sale, retirement or other taxable disposition of a Registered Note held by a U.S. Holder. A portion of any such payment may be withheld as a backup withholding against such U.S. Holder’s potential U.S. federal income tax liability if such U.S. Holder fails to establish it is exempt from these rules, furnish its correct taxpayer identification number, or otherwise fails to comply with such information reporting requirements. Corporate U.S. Holders are generally exempt from the backup withholding and information reporting requirements but may be required to comply with certification and identification requirements in order to prove their exemption. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder will be credited against such U.S. Holder’s US federal income tax liability, if any, or refunded if the amount withheld exceeds such tax liability provided the required information is furnished to the IRS.

### **Taxation of Non-U.S. Holders**

This subsection describes the material U.S. federal income and withholding tax consequences to a Non-U.S. Holder of a Note. “*Non-U.S. Holder*” means a beneficial owner of a Note or Coupon that is, for United States federal income tax purposes: a nonresident alien individual; a foreign corporation; or an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note or Coupon.

This summary does not address all of the U.S. federal income and withholding tax consequences that may be relevant to a Non-U.S. Holder in light of the Non-U.S. Holder’s particular circumstances including Non-U.S. Holders who hold the Note in a manner that is effectively connected with the conduct of a trade or business in the United States, are present in the United States for 183 days or more in the taxable year the Non-U.S. Holder disposes of the Note, are banks receiving interest described in Section 881(c)(3)(A) of the Code, are controlled foreign corporations related to LBHI, or are owners actually or constructively of 10% or more of the total combined voting power of all classes of stock of LBHI entitled to vote.

#### **A. Principal and Interest**

Subject to the discussion of 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. Holder will be treated as non-U.S. sourced payments and will not be subject to U.S. federal income or withholding tax. Payments of principal and interest (including original issue discount) by LBHI to Non-U.S. Holders are not subject to U.S. federal income or withholding tax, provided that 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, in the case of Registered Notes, the Holder provides a properly completed IRS Form W-8BEN, or other such applicable form.

#### **B. Sale and Other Taxable Exchange**

Subject to the discussion of backup withholding below, gain realized upon the sale or retirement or other taxable disposition of a Note by a Non-U.S. Holder is not subject to U.S. federal income or withholding tax.

### **Information Reporting and Backup Withholding**

Payments on and proceeds from the sale of the Notes made outside the United States by a payor that is not a “U.S. connected person” generally will be exempt from the U.S. information reporting and backup

withholding rules; however, payments on Registered Notes issued by LBHI will be subject to certain U.S. information reporting rules and may be subject to backup withholding if the Non-U.S. Holder does not provide the form described in the discussion under “Principal and Interest” above (though the same payment will not be subject to both withholding and backup withholding). A U.S. connected person, for these purposes includes but is not limited to (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.

Backup withholding is not an additional tax. Rather amounts withheld from a payment under the backup withholding rules are credited against any U.S. federal tax liability of the Non-U.S. Holder and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

## 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 Base Prospectus 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 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, a resident of 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 a permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or

















































