SECURITIES NOTE dated 29 May 2008

LEHMAN BROTHERS TREASURY CO. B.V.

(*incorporated with limited liability in The Netherlands and having its statutory domicile in Amsterdam*)

Issue of up to EUR 50,000,000 (being the equivalent of 50,000 Units) Autocall Notes due June 2013 linked to the Lehman Brothers Agriculture Excess Return Index

unconditionally and irrevocably guaranteed by

LEHMAN BROTHERS HOLDINGS INC.
(incorporated in the State of Delaware)
under the U.S.$ 100,000,000,000
Euro Medium-Term Note Program

This document constitutes a securities note (the "**Securities Note**") drawn up for the purpose of providing information concerning the above-mentioned notes (the "**Notes**") described herein for the purposes of Article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**"). Together the Securities Note, the summary note dated 29 May 2008 (the "**Summary Note**") and the registration document dated 24 July 2007 (the "**Registration Document**") constitute a prospectus (the "**Prospectus**") for the purposes of Article 5.3 of the Prospectus Directive in respect of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth on pages 62 to 108 of the Base Prospectus dated 24 July 2007 (the "**Base Prospectus**"), as supplemented on 20 September 2007, 15 October 2007, 17 December 2007, 5 February 2008, 11 February 2008, 27 February 2008, 20 March 2008 and 14 April 2008 issued in connection with the U.S.$ 100,000,000,000 Euro Medium Term Note Programme (the "**Programme**") of Lehman Brothers Holdings Inc. ("**LBHI**"), Lehman Brothers Treasury Co. B.V. ("**LBTCBV**") and Lehman Brothers Bankhaus AG ("**LBB**"), which are incorporated into, and form part of, this Securities Note, save that references in the Conditions to Final Terms shall, where the context so permits, be deemed to be references to this Securities Note.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Registration Document (including all information incorporated by reference therein), this Securities Note (including all information incorporated by reference herein) and the Summary Note. The Registration Document, this Securities Note and the Summary Note will be available without charge (i) from the specified office of any Paying Agent; and (ii) at the registered office of the Issuer at Atrium Strawinskylaan 3105, 1077 ZX Amsterdam, The Netherlands.

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market. No assurances can be given that such application for listing and admission to trading will be granted (or, if granted, will be granted by the Issue Date).

Application has been made to the *Irish Financial Services Regulatory Authority* (the "**IFSRA**"), which is the Irish competent authority for the purpose of the Prospectus Directive and relevant implementing legislation in Ireland, for approval of this Securities Note and the Summary Note; this Securities Note, the Registration Document and the Summary Note together constitute the Prospectus (the "**Prospectus**") issued in compliance with the Prospectus Directive and relevant implementing legislation in Ireland for the purpose of giving information with regard to the issue of the Notes. In addition, the IFSRA, in its capacity as competent authority in Ireland for the purposes of the Prospectus Directive, has been requested to provide the *Commissione Nazionale per le Società e la Borsa* (CONSOB), which is the competent authority in Italy, for the purposes of permitting an offer of Notes to the public in Italy, in accordance with the Prospectus Directive, with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.

The Notes are eligible for an offer to the public in Ireland and Italy in accordance with the Prospectus Directive, subject to compliance with any other applicable requirements. However, none of the Issuer, the Guarantor or the Dealer has or will take any action in any country or jurisdiction (other than Ireland or Italy) that would permit a public offering of the Notes or possession or distribution of any offering material in relation to a public offering in any country or jurisdiction where action for that purpose is required. Each investor must comply with the restrictions set out in the "Subscription and Sale" section of the Base Prospectus in relation to each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Notes or has in the investor's possession or distributes the Prospectus.

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Risk Factors

Prospective investors of Notes should carefully consider the following information in conjunction with other information contained in this Securities Note and in the Registration Document before purchasing the Notes. Prospective investors should consider the section of the Base Prospectus headed "Risk Factors" incorporated by reference herein.

This Securities Note however cannot disclose all of the risks and other significant aspects of the Notes and investment decisions should not be made solely on the basis of these risk factors since the information contained herein cannot serve as a substitute for independent individual advice which is tailored to the requirements, investment objectives, experience, knowledge and circumstances of a prospective investor.

Each prospective investor of Notes should consider carefully whether the Notes are suitable for it in the light of its circumstances and financial position and in view of the complexity and risks inherent in the Notes. Prospective investors of Notes should be experienced with respect to derivatives, particularly options and option transactions. Furthermore, prospective investors of Notes should understand the risks of transactions involving the Notes and should reach an investment decision only after careful consideration of the suitability of the Notes in light of their particular financial circumstances and after consultation with their own legal, tax, accountancy and other professional advisers. No person should deal in the Notes unless that person understands fully the nature of the relevant transaction.

These Notes pay amounts which are determined by reference to the Lehman Brothers Agricultural Excess Return Index (defined as the "**Index**" below). The Index provides exposure to a variable basket of agricultural commodities.

As further described in the Terms and Conditions of the Notes (which will prevail in the event of any inconsistency with the description set out herein):

(a) if the Notes redeem on the Mandatory Early Redemption Date (scheduled to fall on the 30 June 2011 but subject to adjustment in accordance with the applicable business day convention), they will redeem at 120 per cent of the amount initially invested;

(b) if the Notes redeem on the Final Redemption Date (scheduled to fall on the 1 July 2013 but subject to adjustment in accordance with the applicable business day convention) they will redeem at:

   (i) 100 per cent. of the amount initially invested if the Index has fallen since the Initial Valuation Date; or

   (ii) more than 100 per cent. of the amount initially invested if the Index has risen since the Initial Valuation Date.

Investors are referred to the Risk Factors section of this document for information on the principal risks to the value of their investment.

Terms not defined herein have the same meaning as set out in the section of this Securities Note entitled the "Terms and Conditions of the Notes".

Factors affecting the Index and the redemption amount under the Notes

Prospective investors of Notes should be familiar with investments in the global capital market and with derivatives and the commodities underlying the Lehman Brothers Agriculture Excess Return Index (*Bloomberg Code: LBAGER Index <GO>*) (defined as the "**Index**" below) (an "**Index Contract**") and the Index generally. The level of the Index is based on the value of the assets comprised in the Index at any time and will not include the reinvestment of the yield on the assets comprised in the Index. The value of the Notes can be volatile. Changes in the level of the Index may result in sudden and large fluctuations in the value of the Notes. The level of the Index may vary over time and may increase or decrease by reference to a variety of factors, which may include, but are not limited to, corporate actions and global economic, financial and political factors.

The Index may be replaced by a Successor Index (as defined herein) in certain circumstances as set out in the Annex to this Securities Note (including where the Index is not available) and the performance of that Successor Index over time may be different from the performance of the Index.

Capital protection

If an Early Redemption Event has not occurred, the Notes will be redeemed on the Mandatory Early Redemption Date or the Maturity Date (as the case may be) at an amount that is at least 100 per cent. of their Specified Denomination. Investors should however be aware that capital protection applies only if the holder of the Note (the "**Noteholder**") holds the Note until the Mandatory Early Redemption Date or the Maturity Date (as the case may be) and that repayment at maturity depends on the creditworthiness of the Issuer and the Guarantor.

Investing in the Notes is not the same as investing in an Index Contract

Prospective investors should be aware that the market value of the Notes may not have a direct relationship with the prevailing level of the Index or price of the Index Contracts, in that changes in the prevailing level of the Index or price of the Index Contracts will not necessarily result in a comparable change in the market value of the Notes.

Historical levels of the Index should not be taken as an indication of the future performance of the Index during the term of the Notes

This Securities Note contains historical levels of the Index for information purposes. The actual performance of the Index over the term of the Notes may bear little relation to the historical levels of the Index. Fluctuations in the performance of the Index make the amount of interest payable difficult to predict.

Prices of the agricultural commodities underlying the Index Contracts change unpredictably, which may affect the Index level and the value of the Notes in unforeseeable ways

Because the Index is the agriculture-only element of the Lehman Brothers Commodity Index ("**LBCI**") Total Return, the level of the Index will be primarily determined by current and expected future prices of the Index Contracts representing specified physical agricultural commodities, which are primarily influenced by the global supply of, and demand for, these agricultural commodities. For 2008, the commodities underlying the Index Contracts include corn, soybean, soybean meal, soybean oil, wheat, coffee cotton and sugar. Trading in the Index Contracts and the commodities underlying the Index Contracts is speculative and can be extremely volatile. Market prices of the Index Contracts and the commodities underlying the Index Contracts may fluctuate rapidly based on numerous factors, including:

- changes in supply and demand relationships;

- weather;
- agriculture;
- trade;
- fiscal, monetary and exchange control programs;
- domestic and foreign political and economic events and policies;
- disease;
- technological developments;
- changes in interest rates and growth rates in the global economy; and
- trading activities in agricultural and other commodities and related contracts, including the Index Contracts.

These factors may affect the level of the Index and the value of the Notes in varying ways, and different factors may cause the value of different Index Contracts and the commodities underlying the Index Contracts, and the volatilities of their prices, to move in inconsistent directions at inconsistent rates.

An investment in the Notes is subject to risks associated with lack of diversification

The Notes are linked to the Index, which reflects the excess returns on a group of eight futures contracts on specified agricultural commodities. Accordingly, the Notes are exposed to the risks associated with an undiversified investment in the agricultural sector. An investment linked only to the Index is likely to be more volatile than an investment linked to a broader range of products, to a diversified commodity Index, such as the LBCI, or to a broader basket of commodities and/or commodities futures contracts.

Higher future prices of the Index Contracts commodity futures contracts constituting the Index relative to their current prices may decrease the level of the Index, and therefore the amount payable on the Notes

The Index is composed of the Index Contracts, which are futures contracts on physical commodities, and reflects the total combined returns associated with the changes in price of the underlying Index Contracts and the "roll yields" for those Index Contracts (the price changes and roll yield taken together constitute the "excess return"), together with the interest return on a hypothetical fully collateralized position in these futures contracts (the excess return together with this collateral return constitute the "total return"). Unlike equities, which typically entitle the holder to a continuing stake in a corporation, and unlike owning the commodity directly, a commodity futures contract normally specifies a certain date for delivery of the underlying physical commodity. A fundamental characteristic of the Index, like other commodity indices, is that as a result of being comprised of futures contracts, the Index must be managed to ensure it does not take delivery of the commodities in question. This is achieved through a process referred to as "rolling", under which a given Index Contract during a month in which it approaches its settlement date is rolled forward to a new contract date (i.e., the Index Contract is effectively "sold" to "buy" a longer-dated Index Contract).

Roll yield is generated during the roll process from the difference in price between the near-term and longer-dated futures contracts. When longer-dated contracts are priced lower than the nearer contract and spot prices, the market is in backwardation, and positive roll yield is generated when higher-priced near-term futures contracts are "sold" to "buy" lower priced longer-dated contracts. When the opposite is true and longer-dated contracts are priced higher, the market is in contango, and negative roll yields result from the "sale" of lower priced near-term futures contracts to "buy" higher priced longer-dated contracts. While many of the commodities underlying the Index Contracts have historically exhibited consistent periods of backwardation, backwardation will most likely not exist at all times. Moreover, certain commodities, such as gold, have historically traded in "contango" markets. Soybeans, which make up 36.34 per cent. of the Index based on its daily weighting as at 29 June 2007, for example, has been in contango for approximately two years. Accordingly, because the level of the Index includes the excess returns in the underlying Index Contracts, negative "roll yields" resulting from contango markets could adversely affect the level of the Index.

Many economic and market factors will impact the value of the Notes; these factors interrelate in complex ways and the effect of any one factor may offset or magnify the effect of another factor

In addition to the level of the Index on any day, the value of the Notes will be affected by a number of economic and market factors that may either offset or magnify each other, including:

- the market price of the Index Contracts or the commodities underlying the Index Contracts and expected future prices of the Index Contracts or the commodities underlying the Index Contracts (as reflected in the monthly "roll yield" in the Index Contracts);
- the volatility or expected volatility of the Index, the Index Contracts or the commodities underlying the Index Contracts;
- the time to maturity of the Notes (and any associated "time premium");
- interest rates in the market generally;
- a variety of economic, financial, political, regulatory, geographical, agricultural, meteorological or judicial events; and
- the credit ratings of Lehman Brothers Treasury Co. B.V.

Risks associated with the composition of the Index may adversely affect the value of the Notes

The annual composition of the Index will be calculated in reliance upon historical commodity futures liquidity that is subject to potential errors in data sources or errors that may affect the weighting of components of the Index. Any discrepancies that require revision are not applied retroactively but will be reflected in the weighting calculations of the Index for the following year. However, Lehman Brothers Inc. as Index Sponsor, may not discover every discrepancy. Furthermore, the annual weightings for the Index are determined each year in January by Lehman Brothers Inc. as Index Sponsor, which has a significant degree of discretion in exercising its supervisory duties with respect to the Index and has no obligation to take the needs of any parties to transactions involving the Index into consideration when reweighting or making any other changes to the Index. In addition, there are no caps or floors on a particular commodity weighting based on liquidity, as described in "*The Lehman Brothers Commodity Index—Commodity Weightings*". An investment in the Notes may therefore carry risks similar to a concentrated securities investment in a limited number of industries or sectors.

The return on the Notes may not reflect developments in the Index Contracts on dates other than the First Valuation Date or the Final Valuation Date

Because the Mandatory Early Redemption Amount and the Final Redemption Amount will be based on the Closing Level of the Index on the First Valuation Date and the Final Valuation Date respectively, which is a single Index Business Day near the end of the term of the Notes, the level of the Index or at other times during the term of the Notes or at the Maturity Date could be higher than the level at the First Valuation Date or the Final Valuation Date. This difference could be particularly large if there is a significant decrease in the level of the Index during the latter portion of the term of the Notes or if there is significant volatility in the Closing Level of the Index during the term of the Notes, especially on dates near the First Valuation Date or Final Valuation Date.

The Notes are not directly linked to the Index Contracts or any other exchange-traded futures contracts

The Notes are not linked directly to the Index Contracts or any other exchange-traded futures contracts. The Notes are linked to the Index, which, as described above, includes the excess returns that are potentially available through an investment in the Index Contracts (in addition to the interest return on a hypothetical fully collateralized position in these futures contracts). Accordingly, the return on the Notes will reflect the excess returns associated with the Index Contracts, including any positive or negative "roll yield", and therefore will not reflect the return an investor would realise if the Notes were linked directly to the Index Contracts or if an investor actually owned the Index Contracts or other exchange-traded futures contracts for a similar period.

As sponsor of the LBCI, Lehman Brothers Inc., an affiliate of Lehman Brothers Holdings Inc., will have the authority to make determinations that could create conflicts of interest or materially affect the Notes in various ways

As further described under "The Lehman Brothers Commodity Index", the LBCI was developed, and is owned, by Lehman Brothers Inc., an affiliate of Lehman Brothers Holdings Inc. Lehman Brothers Inc. is responsible for, and has determinative influence over, the composition, calculation and maintenance of the LBCI. The judgments that Lehman Brothers Inc., as the sponsor of the LBCI, makes in connection with the composition, calculation and maintenance of the LBCI, may affect the value of the Notes, the Mandatory Early Redemption Amount and the Final Redemption Amount payable on the Notes. See "*The Lehman Brothers Commodity Index*" for additional details on the role of Lehman Brothers Inc. as Index Sponsor.

The role played by Lehman Brothers Inc., as Index Sponsor, and the exercise by it of the kinds of discretion described above could present it with a conflict of interest. Lehman Brothers Inc., in its capacity as LBCI sponsor, has no obligation to take the interests of an investor into consideration for any reason. Lehman Brothers Inc. may decide to discontinue calculating and publishing the LBCI, which would mean that, if Lehman Brothers International (Europe), an affiliate of Lehman Brothers Holdings Inc., as Calculation Agent, determines that no successor index exists on the date when the Mandatory Early Redemption Amount or the Final Redemption Amount is required to be determined, then Lehman Brothers International (Europe), in its capacity as Calculation Agent,, would have the discretion to make determinations with respect to the level of the LBCI, which may adversely affect the value of the Notes, the Mandatory Early Redemption Amount or the Final Redemption Amount payable on the Notes.

Suspension or disruptions of market trading in the commodity and related futures markets may require an adjustment to the calculation of the Index and may adversely affect the value of the Notes

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. In addition, U.S. futures exchanges and some foreign exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as "daily price fluctuation limits" and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a "limit price." Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices. These circumstances could adversely affect the level of the Index and, therefore, the value of the Notes.

Certain of the events set forth above also constitute Index Valuation Date Disruption Events under the terms of the Notes. To the extent any Index Valuation Date Disruption Event occurs with respect to one or more Index Contracts (an "**Affected Index Contract**") and remains in effect on the Scheduled First Valuation Date or the Scheduled Final Valuation Date for the Notes, Such Scheduled First Valuation Date or Scheduled Final Valuation Date for the affected Index Contracts will be postponed until the Index Valuation Disruption Event ceases to be in effect or, if the Index Valuation Date Disruption Event remains in effect for a stipulated number of Index Business Days after the Scheduled First Valuation Date or Scheduled Final Valuation Date, as the case may be, the Mandatory Early Redemption Amount or the Final Redemption Amount, as the case may be, will be determined by the Calculation Agent based on its good faith estimate of the value of such Affected Index Contract on such day taking into consideration the latest available quotation for the Affected Index Contract and any other information in good faith it deems relevant. In the event the First Valuation Date or the Final Valuation Date is postponed, the Closing Level of the Index on such First Valuation Date or Final Valuation Date, as the case may be, may be lower than may be anticipated based on the last available Closing Level of the Index, and possibly less than the Initial Index Level, which may adversely affect the Mandatory Early Redemption Amount or the Final Redemption Amount or the value of the Notes.

Trading and other transactions by affiliates of Lehman Brothers Holdings Inc. and others in the Index Contracts and the commodities underlying the Index Contracts may affect the level of the Index

Lehman Brothers Commodity Services Inc. and certain other affiliates of Lehman Brothers Holdings Inc. actively trade the Index Contracts and options on futures contracts on the commodities underlying the Index Contracts. Lehman Brothers Commodity Services Inc. and certain other affiliates of Lehman Brothers Holdings Inc., also actively enter into or trade and market securities, swaps, options, derivatives, and related instruments that are linked to the performance of the Index, the Index Contracts or the commodities underlying the Index Contracts. Certain affiliates of Lehman Brothers Holdings Inc., may underwrite or issue other securities or financial instruments indexed to the Index and related indices. Lehman Brothers Inc. and certain of its affiliates may license the Index for publication or for use by unaffiliated third parties. The markets in certain of the Index Contracts may not be traded in significant volumes and may be significantly affected by trading activities, including speculators.

Trading and underwriting activities by Lehman Brothers Holdings Inc. and its respective affiliates could adversely affect the value of the Index Contracts, the commodities underlying the Index Contracts and the level of the Index, and therefore could in turn affect the return on and the value of the Notes. For instance, a market maker in a financial instrument linked to the performance of the Index may expect to hedge some or all of its position in that financial instrument. Purchase (or selling) activity in the Index Contracts or the commodities underlying the Index Contracts in order to hedge the market maker's position in the financial instrument may affect the market price of the Index Contracts, which in turn may affect the value of the Index. With respect to any of the activities described above, none of Lehman Brothers Holdings Inc. or its respective affiliates has any obligation to take the needs of any buyers, sellers or holders of the Notes into consideration at any time.

Lehman Brothers Inc. may be required to replace an Index Contract if that contract is terminated or replaced

Each Index Contract is a "Designated Contract" that has been selected as the reference contract for each commodity represented in the Index, as described under the heading "The Lehman Brothers Commodity Index—Commodity Selection and Weights" below. Data concerning these Designated Contracts will be used to calculate the Index. If an Index Contract were to be terminated or replaced by an exchange, a comparable futures contract, if available, would be selected by Lehman Brothers Inc. as a Designated Contract to replace that Index Contract. The termination or replacement of any Index Contract may have an adverse impact on the level of the Index.

An investor must rely on its own evaluation of the merits of an investment linked to the Index and the commodities underlying the Index Contracts that comprise the Index

In the ordinary course of their businesses, affiliates of Lehman Brothers Holdings Inc. may from time to time express views on expected movements in the level of the Index, the individual Index Contracts or the commodities underlying the Index Contracts. These views are sometimes communicated to clients who participate in markets in the Index Contracts or the commodities underlying the Index Contracts. However, these views, depending upon world-wide economic, political and other developments, may vary over differing time horizons and are subject to change. Moreover, other professionals who deal in markets for the Index Contracts or the commodities underlying the Index Contracts may at any time have significantly different views from those of Lehman Brothers Holdings Inc. or its affiliates. In connection with the purchase of the Notes, an investor should investigate the Index, the Index Contracts and the commodities underlying the Index Contracts and not rely on views which may be expressed by Lehman Brothers Holdings Inc. or its affiliates in the ordinary course of their businesses with respect to the Index or any such Index Contract or underlying commodity.

An investor should make such investigation as it deems appropriate as to the merits of an investment linked to the Index. Neither the offering of the Notes nor any views which may from time to time be expressed by Lehman Brothers Holdings Inc. or its affiliates in the ordinary course of their businesses with respect to the Index, individual Index Contracts or the commodities underlying the Index Contracts constitutes a recommendation as to the merits of an investment in the Notes.

The Index may in the future include Index Contracts that are not traded on regulated futures exchanges

The Index is based on the Index Contracts, which are all futures contracts traded on regulated futures exchanges (referred to in the United States as "designated contract markets"). However, it is possible that the Index could in the future include over-the-counter contracts (such as swaps and forward contracts) traded on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. As a result, trading in such contracts, and the manner in which prices and volumes are reported by the relevant trading facilities, may not be subject to the provisions of, and the protections afforded by, the U.S. Commodity Exchange Act of 1936, or other applicable statutes and related regulations, that govern trading on regulated futures exchanges. In addition, many electronic trading facilities have only recently initiated trading and do not have significant trading histories. As a result, the trading of contracts on such facilities, and the inclusion of such contracts in the Index, could present certain risks not associated with most exchange traded futures contracts, including risks related to the liquidity and price histories of the relevant contracts.

Risk linked to the possible rolling mechanism of the commodities indices underlying contracts

The Notes having commodities indices as financial underlyings generally provide for rolling mechanisms with respect to the underlying contracts, under which the contracts expiring before the Notes Maturity Date are substituted with other contracts having subsequent expiry. Such mechanisms may have a positive or an adverse effect on the Notes' yield.

Proprietary Index

Where an underlying asset is a "Proprietary Index", the rules of the index may be amended by the Index creator. An amendment may result from, without limitation, a change to the construction or calculation rules for that index or from the Index creator determining that a change is required or desirable in order to update them or to address an error, omission or ambiguity. No assurance can be given that any such amendment would not be prejudicial to Noteholders.

Issue Price

The Issue Price in respect of the Notes may not be an accurate reflection of the market value of such Notes as at the Issue Date. The price at which the Notes may be sold in secondary market transactions may be lower than the Issue Price. In particular, the Issue Price in respect of the Notes takes into account, among other things, the fees payable to any appointed third party in connection with the offer and sale of the Notes.

Secondary market and liquidity for the Notes

There can be no assurance as to how the Notes will trade in the secondary market, whether there will be a secondary market or, if a secondary market exists, whether such market will be sustainable or liquid or illiquid. If the Notes are not listed or traded on any stock exchange, pricing information for such Notes may be more difficult to obtain, and the liquidity and market prices of such Notes may be adversely affected.

The liquidity of the Notes may also be affected by restrictions, if any, on offers and sales of the Notes in some jurisdictions. In any case, due to the relative complexity and lower liquidity of the Notes when compared to more conventional financial instruments such as shares, comparatively larger spreads between bid and ask quotes should be expected.

The Notes may be redeemed prior to maturity

In the event that the Issuer or the Guarantor 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 Netherlands or the USA, as the case may be, or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer or the Guarantor may redeem all outstanding Notes in accordance with the Terms and Conditions.

In the event of early redemption or a Mandatory Early Redemption Event, a holder of Notes (a "**Noteholder**") may not be able to reinvest the redemption proceeds in a comparable security and receive a return on investment which is as high as that of the Notes. Neither the Issuer nor the Guarantor will be liable for any disadvantage a Noteholder may incur in respect of the new investment or non-investment of its capital.

Early Redemption Amount

In the event of an early redemption for taxation reasons or in an event of default (as described in Item 23 of Part A of the Terms and Conditions of the Notes), the Issuer may cancel the Notes and, if permitted by applicable law, pay the holder of each Note the Early Redemption Amount. The amount payable will be calculated by reference to the fair market value of the Notes as determined by the Calculation Agent in its sole and absolute discretion and will be reduced by an amount referable to the cost to the Issuer of unwinding any related hedging arrangements as determined by the Calculation

Agent. Noteholders should understand that such Early Redemption Amount may be less than the Issue Price of the Notes or the amount the Noteholder has paid for the Notes, and may even be zero.

Potential conflicts of interest

The Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may, from time to time, engage in purchase, sale or other transactions involving the Index Contracts of the Index or related derivatives for their proprietary accounts and/or for accounts under their management and/or for clients. Such transactions may have a positive or negative effect on the Index and consequently on the value of the Notes. In addition, the Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may, from time to time, act in other capacities with regard to the Notes (such as in an agency capacity and/or as the calculation agent) and may issue or participate in the issue of other competing financial instruments in respect of the Index Contracts of the Index or similar securities or assets in similar sectors or markets and the introduction of such competing financial instruments may affect the value of the Notes. Such activities could present certain conflicts of interest with the interest of Noteholders and may affect the value of the Notes. The Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries owe no duty or responsibility to any Noteholder (or any other party) to avoid such conflicts.

In connection with the offering of the Notes, the Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may enter into one or more hedging transactions with respect to any of the Index Contracts of the Index or related derivatives. In connection with such hedging or with respect to proprietary or other trading activities by the Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries, the Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries may enter into transactions in any of the Index Contracts of the Index or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the relevant Noteholders.

Such transactions could present certain conflicts of interest with the interest of Noteholders and may affect the value of the Notes. The Issuer, the Guarantor, the Dealer, the Calculation Agent and/or their respective subsidiaries owe no duty or responsibility to any Noteholder (or any other party) to avoid such conflicts.

Risk-excluding or risk-limiting transactions

Prospective investors may not rely upon being able to enter into transactions, which may exclude or limit loss exposure to the Notes during the term of the Notes. The possibility of entering into risk-excluding or risk-limiting transactions depends in particular on market conditions and the relevant underlying circumstances. Noteholders may be able to enter into such transactions only at an unfavourable market price resulting in an additional loss for such Noteholders.

Prospective investors intending to purchase Notes to hedge the market risk associated with investing in the Index should be aware of the difficulties associated therewith. For example, the value of the Notes may not exactly correlate with the value of the Index.

Determinations by the Calculation Agent

The Calculation Agent has certain discretions to determine whether certain events as further set out in the Annex have occurred. Prospective investors should be aware that any determination made by the Calculation Agent may have an adverse effect on the value of the Notes. For example, the Calculation Agent may determine that a Market Disruption Event has occurred or exists at a relevant time which may affect the determination of the level of the Index on a relevant Index Business Day and/or may delay settlement in respect of the Notes. The Calculation Agent shall also have sole and absolute discretion to determine the Unwind Costs in the event of an Index Early Redemption Event. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding.

Adjustments

The Calculation Agent may adjust the terms of the Notes in the case of a disruption event and/or such other similar adjustment or extraordinary event pursuant to terms as set out in the Annex. Such adjustment may have an adverse impact on the value of the Notes. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding.

Creditworthiness of the Issuer and Guarantor

Any person who purchases the Notes is relying upon the creditworthiness of the Issuer and the Guarantor and has no rights against any other person. The Notes constitute general, unsecured, unsubordinated, contractual obligations of the Issuer and of no other person. The Notes rank pari passu among themselves.

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 Issuer.

The Notes will be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary 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 Issuer will discharge its payment obligations under the Notes by making payments to the common depositary 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 Notes. The 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 Issuer in the event of a default under the Notes but will have to rely upon their rights under the deed of covenant dated 24 July 2007 (as amended, supplemented or replaced from time to time), executed by Lehman Brothers Holdings Inc. ("**LBHI**"), Lehman Brothers Treasury Co. B.V. ("**LBTCBV**") and Lehman Brothers Bankhaus AG ("**LBB**").

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 such other listing authority, stock exchange and/or quotation system inside or outside the European Union as it may (with the approval of the Lehman Brothers International (Europe) (the "**Dealer**")) decide.

Important Notices

In this Securities Note, references to the "**Group**" are to LBHI and its direct and indirect subsidiaries (which include LBTCBV and LBB).

The Dealer has not independently verified the information contained in this Securities Note. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Dealer as to the accuracy or completeness at any time of this Securities Note or any supplement hereto.

No person is authorised to give any information or to make any representations other than those contained in this Securities Note 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 authorised by the Issuer, the Guarantor or the Dealer. None of this Securities Note, the 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 the Issuer, the Guarantor or the Dealer that any recipient of this Securities Note, the 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 Issuer, the Guarantor and the Group. None of this Securities Note, the 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 the Issuer, the Guarantor or the Dealer to any person to subscribe for, or to purchase, any of the Notes.

The delivery of the Securities Note does not at any time imply that the information contained herein or in the Registration Document concerning the Issuer, the Guarantor 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 Dealer expressly does not undertake to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the Notes. Investors should review, *inter alia*, the most recent consolidated financial statements of the Guarantor and the unconsolidated financial statements of the Issuer when deciding whether or not to purchase the Notes.

The distribution of this Securities Note and/or the Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Securities Note and/or the comes are required by the Issuer, the Guarantor and the Dealer to inform themselves about and to observe those restrictions. See "Subscription and Sale" of the Base Prospectus (as defined below) issued in connection with the U.S.$ 100,000,000,000 Euro Medium-Term Note Program (the "**Program**") of LBHI, LBTCBV and LBB, incorporated by reference in this Securities Note.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED).

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, THE GUARANTOR AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE NOTES HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The Notes are one of a series to be issued pursuant to the Amended and Restated Fiscal Agency Agreement dated 24 July 2007 (as amended, supplemented or replaced from time to time) between, amongst others, LBHI, LBTCBV, LBB and the Bank of New York, acting through its London Branch as fiscal agent, as registrar and as principal paying agent. The Notes have the benefit of a deed of covenant dated 24 July 2007 (as amended, supplemented or replaced from time to time), executed by LBHI, LBTCBV and LBB and a guarantee agreement dated 24 July 2007 (as amended, supplemented or replaced from time to time) of the Guarantor as to, *inter alia*, the payment of principal and interest, if any, in respect thereof.

The Issuer does not assume responsibility for any deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed other than in respect of taxes in The Netherlands to the extent, and subject to the exclusions, set out in Condition 9 (*Payment of Additional Amounts; Tax Redemption*) of the Terms and Conditions of the Notes.

The Guarantor does not assume responsibility for any deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed other than in respect of taxes in the United States to the extent, and subject to the exclusions, set out in Condition 9 (*Payment of Additional Amounts; Tax Redemption*) of the Terms and Conditions of the Notes.

Information incorporated by reference

Terms used herein but not otherwise defined shall have the meanings given to them in the Base Prospectus dated 24 July 2007 published in connection with the Program (the "**Base Prospectus**").

The following information contained in the Base Prospectus shall be deemed to be incorporated into and form part of this Securities Note. Page references are to pages in the Base Prospectus.

	Page Reference
The section entitled "Risk Factors"	19 to 33
The section entitled "Terms and Conditions of the Notes"	62 to 108
The section entitled "United States Taxation"	179 to 191
The section entitled "Netherlands Taxation"	191 to 192
The section entitled "Irish Taxation"	198 to 201
The section entitled "Subscription and Sale"	203 to 211
The section entitled "General Information"	212 to 215

The following documents have been filed with the Irish Stock Exchange and shall be deemed to be incorporated by reference herein in its entirety.

(a) the current report of LBHI dated 18 September 2007 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 filed with the Securities and Exchange Commission on Form 8-K exhibiting LBHI's press release with respect to its earnings for its most recently completed fiscal quarter and related attachments;

(b) the quarterly report of LBHI pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended 31 August 2007 of LBHI, filed with the United States Securities and Exchange Commission on Form 10-Q including the consolidated interim quarterly financial statements of LBHI in respect of the three and nine months ended 31 August 2007;

(c) the current report of LBHI dated 13 December 2007 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 filed with the Securities and Exchange Commission on Form 8-K exhibiting LBHI's press release with respect to its earnings for its most recently completed fiscal quarter and related attachments;

(d) the annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended November 30, 2007 of LBHI filed with the Securities and Exchange Commission 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, 2007 and November 30, 2006;

(e) the current report of LBHI dated 18 March 2008 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 filed with the Securities and Exchange Commission on Form

8-K exhibiting LBHI's press release with respect to its earnings for its most recently completed fiscal quarter and related attachments; and

(f) the quarterly report of LBHI dated 8 April 2008 for the quarter ended 29 February 2008 pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, filed with the Securities and Exchange Commission on Form 10-Q including the consolidated interim quarterly financial statements of LBHI in respect of the three and nine months ended 29 February 2008.

The documents which are incorporated herein by reference will be available without charge (i) from the specified office of any Paying Agent; and (ii) at the registered office of the Issuer at Atrium Strawinskylaan 3105, 1077 ZX Amsterdam, The Netherlands.

Any information not listed in the cross-reference table above but included in the documents incorporated by reference is either not relevant for the investor or covered elsewhere in the Prospectus.

Italian Taxation

The following is a general summary of certain tax consequences in Italy of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon tax laws and/or practice in force as at the date of this document, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Tax Treatment of the Notes

Italian Resident Noteholders–Applicability of Substitute tax (Imposta Sostitutiva)

Pursuant to Decree No. 239, as amended and restated, payments of interest and other proceeds (including the original issue discount) in respect of Notes qualifying as "*obbligazioni o titoli similari alle obbligazion*i" and having an original maturity of not less than eighteen months, to Italian resident beneficial owners (either when interest and other proceeds are paid or when payment thereof is obtained by a beneficial owner on a transfer of the Notes) will be subject to substitute tax at a 12.5 per cent. rate in Italy if made to Italian resident beneficial owners that are: (i) individuals (unless they have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the *Risparmio Gestito* regime provided for by Article 7 of Legislative Decree No. 461 of 21 November 1997–the "Asset Management Option"); (ii) partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), de facto partnerships not carrying out commercial activities and professional associations; (iii) public and private entities, other than companies, not carrying out commercial activities as their exclusive or principal activity; or (iv) entities exempt from corporate income tax.

In case the Notes are held by an individual or by an entity indicated above under (iii), in either case in connection with an entrepreneurial activity, interest and other proceeds relating to the Notes will be subject to the substitute tax and will be included in the relevant beneficial owner's income tax return. As a consequence, the interest and other proceeds will be subject to the ordinary income tax and the substitute tax may be recovered as a deduction from the income tax due.

The 12.5 per cent. substitute tax will be applied by the Italian resident qualified financial intermediaries (or permanent establishments in Italy of foreign intermediaries) that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes.

If interest and other proceeds on the Notes are not collected through an Italian resident qualified intermediary (or permanent establishment in Italy of a foreign intermediary) and as such no substitute tax is levied, the Italian resident beneficial owners listed above under (i) to (iv) will be required to include interest and other proceeds in their yearly income tax return and subject them to final substitute tax at a rate of 12.5 per cent. without the possibility of recovering foreign taxes, unless an option is allowed and made for a different regime. Alternatively, Italian resident individuals indicated above under (i) may elect to pay ordinary personal income taxes at progressive rates in respect of interest and other proceeds on the Notes: if so, the beneficial owners should generally benefit from a tax credit for foreign withholding taxes, if any.

Italian Resident Noteholders–Imposta Sostitutiva Not Applicable

Pursuant to Decree No. 239, as amended and restated, payments of interest and other proceeds (including the original issue discount) in respect of Notes that qualify as "*obbligazioni o titoli similari alle obbligazioni*" and have an original maturity of not less than eighteen months to Italian resident beneficial owners will not be subject to the substitute tax at the rate of 12.5 per cent. if made to beneficial owners that are: (i) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option; (ii) Italian resident collective investment funds and SICAVs and pension funds referred to in Legislative Decree No. 124 of 21 April 1993; (iii) Italian resident real estate investment funds; (iv) Italian resident corporations or permanent establishments in the Republic of Italy of non-resident corporations to which the Notes are effectively connected; (v) Italian resident partnerships qualified as *societá in nome collettivo* or *societá in accomandita semplice* and other similar partnerships, even de facto, carrying out a commercial activity; or (vi) public and private entities, other than companies, carrying out commercial activities and holding Notes in connection with the same commercial activities.

To ensure payment of interest, premium and other proceeds in respect of the Notes without application of the substitute tax, where allowed, investors indicated here above under (i) to (vi) must be the beneficial owners of payments of interest and other proceeds on the Notes and timely deposit the Notes, directly or indirectly, with an Italian authorized financial intermediary (or permanent establishment in Italy of foreign intermediary).

Early Redemption

Without prejudice to the above provisions, in the event that Notes are redeemed, in full or in part, prior to eighteen months from their date of issue, Italian resident beneficial owners will be required to pay an additional amount equal to 20 per cent. of the interest, premium and other proceeds accrued up to the time of the early redemption. In accordance with one interpretation of Italian fiscal law, the above 20 per cent. additional amount may be due also in the event of purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the date of issue.

Payments Made by a Guarantor to Italian Resident Noteholders

There is no official clarifications directly regarding the Italian tax regime of payments on securities made by a guarantor. Accordingly, there can be no assurance as to the tax treatment of such payments that may be asserted by the Italian tax authorities or that the Italian courts may support.

In particular, pursuant to one interpretation of Italian tax law, payments made by the Guarantor under the Guarantee should not be considered as income deriving from the investment of capital and should not be subject to Italian withholding tax.

However, under a different interpretation of Italian tax law, payments made by the Guarantor under the Guarantee may be subject in certain circumstances to a 12.5 per cent. withholding tax.

Finally, according to a third line of interpretation, any payments made by the Guarantor under the Guarantee should be treated in certain circumstances as payments made by the Issuer under the Notes.

Capital Gains Tax

Capital Gains Realised by Italian Resident Noteholders

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant tax provisions, if realised by Noteholders that are:

- Italian resident corporations;
- Italian resident partnerships qualified as *societá in nome collettivo* or *societá in accomandita semplice* and other similar partnerships, even de facto, carrying on a commercial activity;
- permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out; or
- Italian resident public or private entities, other than companies, carrying out commercial activities, holding Notes in connection with the same commercial activities.

Pursuant to Decree No. 461, any capital gain realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to an substitute tax at the current rate of 12.5 per cent. Under the tax return regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity, substitute tax on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital loss, realised by Italian resident individual holders of Notes holding Notes not in connection with an entrepreneurial activity pursuant to all disposals of Notes carried out during any given fiscal year. Italian resident individuals holding Notes not in connection with entrepreneurial activity must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return to be filed for such year and pay substitute tax on such gains together with any income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realised in any of the four succeeding tax years.

As an alternative to the tax return regime, Italian resident individual Noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay a 12.5 per cent. substitute tax separately on capital gains realised on each sale or redemption of the Notes (the "*Risparmio Amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Holder. Under the "*Risparmio Amministrato*" regime, the financial intermediary is responsible for accounting for substitute tax in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any relevant incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer. Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains of the same kind subsequently realised within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Holder of the Notes is not required to declare capital gains in its annual tax declaration and remains anonymous.

Any capital gains accrued on Notes held not in connection with entrepreneurial activity by Italian resident individuals who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years.

Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

Inheritance and Gift Taxes

Pursuant to Decree No. 262 of 3 October 2006, as converted with amendments by Law No. 286 of 24 November 2006, inheritance and gift taxes have been re-introduced in Italy, with effect as of 3 October 2006.

Consequently, any transfer of Notes by reason of death or donation made on or after 3 October 2006 is liable to inheritance or gift tax, if the holder is an Italian resident individual.

Inheritance and gift taxes apply according to the following rates and exclusions:

(a) if assets (including money) pass to a spouse or civil partner, as well as to any linear descendent, tax is levied at a rate of 4 per cent. The tax applies to the value of the assets (net of liabilities) left to each heir/beneficiary which exceed Euro 1,000,000;

(b) if assets (including money) pass to a relative within the fourth degree or to a linear relative-in-law, as well as to a collateral relative within the third degree, tax is levied at a rate of 6 per cent. The tax applies to the value of the assets (net of liabilities) exceeding Euro 100,000, if assets are left to a brother or sister;

(c) if assets (including money) pass to any other person, tax is levied at a rate of 8 per cent. of the value of the assets (net of liabilities).

Terms and Conditions of the Notes

The terms and conditions of the Notes (the "**Terms and Conditions**") are the "Terms and Conditions of the Notes" as set out on pages 62 to 108 of the Base Prospectus, which are hereby incorporated by reference into, and form part of, this Securities Note, as supplemented, amended, varied and/or replaced as specified below. Terms used herein shall be deemed to be defined as such for the purposes of the "Terms and Conditions" set forth on pages 62 to 108 of the Base Prospectus provided, however, that relevant references to "Final Terms" in the Terms and Conditions shall be deemed to be references to this Securities Note and construed accordingly.

PART A – CONTRACTUAL TERMS

1.	(i)	Issuer:	Lehman Brothers Treasury Co. B.V.
	(ii)	Guarantor:	Lehman Brothers Holdings Inc.
2.	(i)	Series Number:	10653
	(ii)	Tranche Number:	One
3.		Specified Currency or Currencies:	Euro ("**EUR**")
4.		Aggregate Nominal Amount:	
	(i)	Series:	Up to a maximum of EUR 50,000,000 (being the equivalent of up to 50,000 Units) as set out in "Offer Period and Issue Size" below
	(ii)	Tranche:	Up to a maximum of EUR 50,000,000 (being the equivalent of up to 50,000 Units) as set out in "Offer Period and Issue Size" below
5.		Issue Price:	100.00 per cent. of the Aggregate Nominal Amount The above Issue Price may be more or less than the market value of each Note as at the Issue Date
6.		Specified Denomination(s) and Units:	
	(i)	Specified Denomination(s):	EUR 1,000
	(ii)	Calculation Amount:	EUR 1,000
	(iii)	Trading in Units:	Applicable
7.		Issue Date:	30 June 2008
8.		Maturity Date:	1 July 2013
9.		Interest Basis:	Non-interest bearing. No amount shall be payable in respect of interest under the Notes

10.	Redemption/Payment Basis:	Index Linked Redemption Amount as described in the Annex hereto
11.	Change of Interest or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	(i) Status of the Notes:	Senior Notes
	(ii) Status of the Guarantee	Senior Guarantee
14.	Method of distribution:	Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**	Not Applicable
16.	**Floating Rate Note Provisions**	Not Applicable
17.	**Zero Coupon Note Provisions**	Not Applicable
18.	**Index-Linked Interest Note/Other Variable-Linked Interest Note Provisions.**	Not Applicable
19.	**Dual Currency Note Provisions**	Not Applicable

PROVISIONS RELATING TO REDEMPTION

20.	**Call Option**	Not Applicable
21.	**Put Option**	Not Applicable
22.	**Final Redemption Amount of each Note:**	As specified in the Annex
23.	**Early Redemption Amount of each Note:**	
	Early Redemption Amounts(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	In respect of each Note, an amount in the Specified Currency equal to the fair market value of such Note (disregarding credit risk of the Issuer) (which value shall be less the proportion attributable to that Note of the reasonable costs to the Issuer of unwinding any relating hedging arrangements) on such day as is selected by the Calculation Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Note)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	Bearer form. Interests in a temporary global Note will be exchangeable for interests in a permanent global Note in bearer form 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
	New Global Note Form:	Not Applicable
25.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Not Applicable
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
27.	Details relating to Instalment Notes: Instalment Amounts and Instalment Dates:	Not Applicable
28.	Details relating to Extendible Notes:	Not Applicable
29.	Consolidation provisions:	The provisions in Condition 18 (*Further Issues of Notes*) apply
30.	Other final terms:	As specified in the Annex hereto

DISTRIBUTION

31.	(i) If syndicated, names and addresses of Managers and underwriting commitments:	Not Applicable
	(ii) Date of Syndicated Trade Agreement:	Not Applicable
	(iii) Stabilizing Manager(s) (if any):	Not Applicable
32.	If non-syndicated, name and address of Dealer:	Lehman Brothers International (Europe) 25 Bank Street London E14 5LE
33.	Total commission and concession:	Not Applicable
34.	Selling restrictions:	
	(i) Additional Selling Restrictions:	**<u>Ireland</u>**

Each Dealer has agreed that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, without limitation, Sections 9 and 23 thereof and any codes of conduct rules made under Section 37 thereof and the provisions of the Investor Compensation Act 1998;

(b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942, 1999 (as amended) and any codes of conduct rules made under Section 117(1) thereof;

(c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the IFSRA; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by IFSRA pursuant thereto.

Italy

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations. The information contained in this Base Prospectus is intended only for the use of its recipient. No person located in Italy other than the original recipients of this Base Prospectus may rely on it or its content.

Moreover, and subject to the foregoing, each Dealer has acknowledged that any offer, sale or delivery of the Notes or distribution of copies of this document or any other document relating to the Notes in the Republic of Italy

("**Italy**") must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 58 of 24 February 1998, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB regulation No. 16190 of 20 October 2007, all as amended;

(ii) in compliance with any subsequent reporting obligation to the Bank of Italy pursuant to Article 129 of the Banking Act; and

(iii) in compliance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB.

35. Non-exempt Offer: An offer of the Notes may be made by the Dealer and the Distributor other than pursuant to Article 3(2) of the Prospectus Directive in Ireland and Italy during the period from 9.00 am CET on 30 May 2008 until 5.00 pm CET on 26 June 2008. See further Paragraph 11 of Part B below.

LISTING, PUBLIC OFFER AND APPROVAL

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List. No assurance can be given as to whether or not or when such application for listing will be granted. Application has been made to the Irish Stock Exchange for the Notes to be admitted to trading on its regulated market. No assurance can be given as to whether or not or when such application for admission to trading will be granted.

Application has been made to the IFSRA, which is the Irish competent authority for the purpose of the Prospectus Directive and relevant implementing legislation in Ireland, for approval of this Securities Note and the Summary Note; this Securities Note, the Registration Document and the Summary Note together constitute the Prospectus (the "**Prospectus**") issued in compliance with the Prospectus Directive and relevant implementing legislation in Ireland for the purpose of giving information with regard to the issue of the Notes. In addition, the IFSRA, in its capacity as competent authority in Ireland for the purposes of the Prospectus Directive, has been requested to provide the *Commissione Nazionale per le Società e la Borsa* (CONSOB), which is the competent authority in Italy, for the purposes of permitting an offer of Notes to the public in Italy in accordance with the Prospectus Directive, with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.

The Notes are eligible for an offer to the public in Ireland and Italy in accordance with the Prospectus Directive, subject to compliance with any other applicable requirements. However, none of the Issuer, the Guarantor or the Dealer has or will take any action in any country or jurisdiction (other than Ireland or Italy) that would permit a public offering of the Notes or possession or distribution of any offering material in relation to a public offering in any country or jurisdiction where action for that purpose is required. Each investor must comply with the restrictions set out in the "Subscription and Sale" section of the Base Prospectus in relation to each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Notes or has in the investor's possession or distributes the Prospectus.

RESPONSIBILITY

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

The information relating to the Lehman Brothers Agriculture Excess Return Index contained in this Securities Note has been extracted from information publicly available and published by the Index Sponsor, at www.lehman.com, at Bloomberg® page LBAGER Index <GO>. 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, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By: ………………………………………….

Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List. No assurance can be given as to whether or not or when such application for listing will be granted.
(ii)	Admission to trading:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to trading on its regulated market. No assurance can be given as to whether or not or when such application for admission to trading will be granted.

2. **RATINGS**

The Notes to be issued have not been rated.

3. **NOTIFICATION**

The IFSRA has been requested to provide the *Commissione Nazionale per le Società e la Borsa* (CONSOB), which is the competent authority in Italy 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**

Save as discussed in the "Subscription and Sale" section in the Base Prospectus and Item 11 below, 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:	Not Applicable
(ii)	Estimated net proceeds:	Not Applicable
(iii)	Estimated total expenses:	Not Applicable

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

Not Applicable

7. **HISTORIC INTEREST RATES**

Not Applicable

8. **PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Details on the past and future performance as well as the volatility of the Lehman Brothers Agriculture Excess Return Index can be obtained from www.lehman.com, Bloomberg® page LBAGER Index <GO>.

The Notes will redeem early on the Mandatory Early Redemption Date if, on the First Valuation Date, the Closing Level of the Index is greater than its Initial Index Level. The

Mandatory Early Redemption Amount in respect of each Note (of the Specified Denomination) will then be an amount calculated by the Calculation Agent to be equal to 120 per cent. of the Specified Denomination.

If a Mandatory Early Redemption Event does not occur, then, on the Final Valuation Date, if the Final Index Level of the Index is equal to or less than its Initial Index Level, the Final Redemption Amount of in respect of each Note (of the Specified Denomination) will be an amount equal to 100 per cent. of the Specified Denomination. If, on the Final Valuation Date, the Final Index Level of the Index is greater than its Initial Index Level, the Final Redemption Amount in respect of each Note (of the Specified Denomination) will be an amount calculated by the Calculation Agent to be equal to the sum of the Specified Denomination and the Additional Amount.

The Final Redemption Amount and the value of the Notes will depend on the performance of the Index on the Final Valuation Date.

Details of the Mandatory Early Redemption Amount and the Final Redemption Amount are set out in paragraphs 1 and 2 of the Annex. Noteholders must refer to the Annex for further information.

The Issuer does not intend to provide post issuance information regarding the Index or the Notes, unless it is required to do so by applicable laws and regulations.

9. **PERFORMANCE OF RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

Not Applicable

10. **OPERATIONAL INFORMATION**

ISIN Code:	XS0366066495
Common Code:	036606649
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	Not Applicable
Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	Not Applicable
Delivery:	Delivery against payment
The Aggregate Nominal Amount of Notes issued has been translated into U.S. Dollars at the rate of EUR 0.63431 = U.S.$ 1.00 producing a sum of (for Notes not denominated in U.S. Dollars):	Up to a maximum of U.S.$ 78,825,810.23
Names and addresses of Additional Paying Agent(s) (if any):	Not Applicable

11. **TERMS AND CONDITIONS OF THE OFFER**

Offer Price:	Issue Price
Conditions to which the offer is subject:	Not Applicable
Description of the application process:	The offer of the Notes will commence at 9.00 am CET in Ireland and Italy on 30 May 2008 and end at

	5.00 pm CET on 26 June 2008 or at such time on such earlier other date as the Dealer may decide in its absolute discretion if it receives commitments to purchase EUR 50,000,000 of Notes or in light of prevailing market conditions (the "**Offer Period**"). Subscription of the Notes may be made in Italy also by means of financial promoters (*promotori finanziari*) and by distance techniques. In such cases, subscription requests can be revoked by potential investors through a specific request made at the offices to the relevant Italian Distributor or to the financial promoter which has received the subscription forms within respectively seven days (for financial promoters) and 14 days (for distance techniques) from the subscription date. In connection with the offer and sale of the Notes, the Dealer (as defined in Item 32 of Part A above) has appointed Banca Popolare Friuladria S.p.A., FinecoBank S.p.A. and UniCredit Xelion Banca S.p.A. each a third party in connection with the distribution of the Notes in Italy (together, the "**Italian Distributors**"). The Italian Distributors will acquire the Notes from the Dealer at the Issue Price. If the Italian Distributors acquires the Notes at the Issue Price, the Dealer may pay to the Italian Distributors a distribution fee of up to 4%. Any such amount received by the Italian Distributors may be in addition to the brokerage cost/fee normally applied by the Italian Distributors. Any purchaser of the Notes acknowledges that such distribution fee may be retained by the Italian Distributors. Further information is available from the Italian Distributor. Except as stated above, Lehman Brothers has no information about any financial arrangement between the Italian Distributors and their respective customers. Lehman Brothers assumes no responsibility of any kind for the contractual arrangements between the Italian Distributors and their respective customers. Any person seeking further information with respect to such matters should refer to the Italian Distributors. Neither the Dealer nor the Issuer is responsible for any information so provided or for whether or not the Italian Distributors provide such information. Further information shall be available from the Italian Distributors on request.
Description of possibility to reduce subscriptions and manner for refunding	Not Applicable

excess amount paid by applicants:	
Details of the minimum and/or maximum amount of application:	Minimum subscription amount is one Note
Details of the method and time limits for paying up and delivering the Notes:	Not Applicable
Manner in and date on which results of the offer are to be made public:	The Issuer may issue an Aggregate Nominal Amount of Notes up to a maximum of EUR 50,000,000. The final Aggregate Nominal Amount of the Notes will be determined by the Issuer by the Issue Date. The Issuer will publish notice of the definitive Aggregate Nominal Amount in accordance with the Prospectus Directive and file such notice with the IFSRA and report the definitive Aggregate Nominal Amount and the result of the offer to the *Commissione Nazionale per le Società e la Borsa* (CONSOB) by the Issue Date. The notice will also be published/made available at the registered office of the Issuer at Atrium Strawinskylaan 3105, 1077 ZX Amsterdam, The Netherlands and at the specified office of any Paying Agent in respect of the Notes. Dealings in the Notes shall not begin prior to the publication of such notice
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	Not Applicable
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	Not Applicable
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	The Distributor will notify the amount allotted to the subscribers. No dealing in the Notes may begin before such notification is made
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	Not Applicable
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:	**Banca Popolare Friuladria S.p.A.** Piazza XX Settembre, 2 33170 Pordenone - Italia **FinecoBank S.p.A.** Piazza Durante, 11 20121 Milano - Italia

UniCredit Xelion Banca S.p.A.
Via Pirelli, 32
20124 Milano - Italia

Annex

1. **Mandatory Early Redemption Amount**

Unless previously redeemed, or purchased and cancelled in accordance with the Conditions (as supplemented and amended herein), if, on the First Valuation Date, the Calculation Agent determines that the Closing Level of the Index is greater than the Initial Closing Level of the Index (such an event being a "**Mandatory Early Redemption Event**"), the Issuer shall redeem all (and not some only) of the Notes on the Mandatory Early Redemption Date, and, in such case, each Note (of the Calculation Amount) shall be redeemed by payment on 30 June 2011 (provided such a day is a Business Day, subject to adjustment in accordance with the Business Day Convention) (the "**Mandatory Early Redemption Date**") of an amount in the Specified Currency (such amount being the "**Mandatory Early Redemption Amount**") calculated by the Calculation Agent to be an amount equal to the product of (i) SD and (ii) 120 per cent.

2. **Final Redemption Amount**

Unless previously redeemed, or purchased and cancelled in accordance with the Conditions (as supplemented and amended herein), each Note will be redeemed by the Issuer on the Maturity Date (provided such a day is a Business Day, subject to adjustment in accordance with the Business Day Convention) at its Final Redemption Amount, and the Final Redemption Amount in respect of each Note (of the Calculation Amount) shall be an amount in the Specified Currency determined by the Calculation Agent in accordance with paragraphs (i) or (ii) below, as is applicable:

(i) if on the Final Valuation Date, the Calculation Agent determines that the Final Index Level is equal to or less than the Initial Index Level, then the Final Redemption Amount per Note shall be equal to SD; or

(ii) if on the Final Valuation Date, the Calculation Agent determines that the Final Index Level is greater than the Initial Index Level, then the Final Redemption Amount per Note shall be calculated by the Calculation Agent to be an amount equal to the sum of (i) SD and (ii) the Additional Amount.

Where "**Additional Amount**" means an amount calculated by the Calculation Agent in accordance with the following formula:

$$\mathrm{SD} \times \frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}}.$$

3. **Definitions**

The following expressions have the following meanings:

"**Business Day**":" means, with respect to the Maturity Date, a day on which the TARGET System is operating and a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**Business Day Convention**" means the Following Business Day Convention;

"**Calculation Agent**" means Lehman Brothers International (Europe) of 25 Bank Street, London E14 5LE, United Kingdom;

"**Closing Level**" means, in respect of the Index and any day, the official closing level of the Index, as calculated and announced by the Index Sponsor on that day;

"**Final Index Level**" means, in respect of the Index, the Closing Level of the Index on the Final Valuation Date, as determined by the Calculation Agent;

"**Final Valuation Date**" means 26 June 2013 (the "**Scheduled Final Valuation Date**"), or, if such day is not an Index Business Day, the next following Index Business Day, subject to adjustment in accordance with paragraph 4.2 (*Index Valuation Date Fallbacks*) below;

"**First Valuation Date**" means 26 June 2011 (the "**Scheduled First Valuation Date**"), or, if such day is not an Index Business Day, the next following Index Business Day, subject to adjustment in accordance with paragraph 4.2 (*Index Valuation Date Fallbacks*) below;

"**Index**" means the Lehman Brothers Agriculture Excess Return Index (*Bloomberg Code: LBAGER Index <GO>*), and any successor thereto accepted by the Calculation Agent as a Successor Index pursuant to paragraph 5.1 (*Successor Index*) below;

"**Index Business Day**" means, in respect of the Index, a day as determined by the Calculation Agent on which trading is generally conducted on the Relevant Exchange for each and every Index Contract then comprising the Index;

"**Index Contract**" means, in respect of any relevant day, each commodities or futures contract included in the Index;

"**Index Sponsor**" means Lehman Brothers Holdings, Inc., and any successor thereto acceptable to the Calculation Agent;

"**Initial Index Level**" means, in respect of the Index, the Closing Level of the Index on the Strike Fixing Date, as determined by the Calculation Agent;

"**Relevant Exchange**" means, in respect of the Index, any organised exchange or market of trading for any Index Contract then included in the Index and any successor to such Relevant Exchange or quotation system or any substitute exchange or quotation system to which trading in the Index Contract has temporarily relocated (provided that the Calculation Agent has determined that there is comparative liquidity to such Index Contracts on such temporary substitute exchange or quotation system as on the original Relevant Exchange);

"**Strike Fixing Date**" means, in respect of the Index, 26 June 2008 (the "**Scheduled Strike Fixing Date**"), or, if such day is not an Index Business Day, the next following Index Business Day; and

"**Trading Day**" means, in respect of an Index Contract, a day determined by the Calculation Agent, on which trading is generally conducted on the Relevant Exchange applicable to such Index Contract.

4. **Index Valuation Date Disruption Events and Fallbacks for Index**

4.1 **Index Valuation Date Disruption Events**

"**Index Valuation Date Disruption Event**" means (and shall be deemed to have occurred if), in respect of the Index, an event that would give rise, in accordance with the applicable Index Disruption Fallback, to an alternative basis for determining the relevant level of the Index were the event to occur or exist on any day.

The following events shall be Index Valuation Date Disruption Events:

(i) an "**Index Market Disruption Event**", which means that (and shall be deemed to have occurred if), in respect of any relevant day and the Index, in the determination of the Calculation Agent acting in good faith, one or more of the following occurs or is in existence on such day:

(a) there is a material suspension, limitation or disruption in the trading on a Relevant Exchange of any Index Contract;

(b) the settlement price on a Relevant Exchange of any Index Contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day's settlement price as specified by the Relevant Exchange; or

(c) the settlement price of any Index Contract is not published by the Relevant Exchange.

For the purpose of (a) above:

(I) a suspension of the trading in a Index Contract on any Index Business Day shall be deemed to be material only if:

(A) all trading in the Index Contract is suspended for the entire Index Business Day; or

(B) all trading in the Index Contract is suspended subsequent to the opening of trading on the Index Business Day, trading does not recommence prior to the regular scheduled close of trading in such Index Contract on such Index Business Day and such suspension is announced less than one hour preceding its commencement; and

(II) a limitation of trading in the Index Contract on any Index Business Day shall be deemed to be material only if the Relevant Exchange establishes limits on the range within which the price of the Index Contract may fluctuate and the closing or settlement price of the Index Contract on such day is at the upper or lower limit of that range.

Notwithstanding the foregoing, the following events will not constitute Index Market Disruption Events:

(y) a limitation on the hours in a Trading Day and/or number of Trading Days, if it results from an announced change in the regular business hours of the Relevant Exchange; or

(z) a decision to permanently discontinue trading in an Index Contract then included in the Index.

(ii) an "**Index Unavailability Event**", which means that (and shall be deemed to have occurred if), in respect of any relevant day and the Index, in the determination of the Calculation Agent acting in good faith, the Index is not calculated and published by the Index Sponsor.

4.2 **Index Valuation Date Fallbacks**

If the Calculation Agent determines that in respect of an Index and any day in respect of which the level of such Index is to be determined, an Index Valuation Date Disruption Event has occurred or exists in relation to any Index Contract, (each such Index Contract, an **"Affected Index Contract"** and any such date, a **"Disrupted Date"**), the Calculation Agent will determine the relevant level of such Index in accordance with the formula for and method of calculating the Index last in effect prior to the commencement of the Index Valuation Date Disruption Event using:

(a) in relation to each Index Contract which is not an Affected Index Contract, the settlement price on the applicable Relevant Exchange of each such Index Contract on the Disrupted Date; and

(b) in relation to each Affected Index Contract, the settlement price of the Affected Index Contract determined using the first Disruption Fallback (applied in accordance with its terms) below.

The following shall be "**Index Disruption Fallbacks**":

(y) "**Postponement**", which means that the Calculation Agent will use the settlement price of the Affected Index Contract on the applicable Relevant Exchange on the first succeeding Trading Day on which no Index Valuation Date Disruption Event has been in existence, provided that if the Index Valuation Date Disruption Event has been in existence (measured from and including the first Disrupted Date) for five consecutive Index Business Days (or (i) where the Mandatory Early Redemption Date is less than two Index Business Days from the date of the first Disrupted Date, for such number of consecutive Index Business Days measured from and including the first Disrupted Date and ending on the date which is one Business Day prior to the Mandatory Early Redemption Date, or (ii) where the Maturity Date is less than seven Index Business Days from the date of the first Disrupted Date, for such number of consecutive Index Business Days measured from and including the first Disrupted Date and ending on the date which is two Business Days prior to the Maturity Date), then Calculation Agent Determination will apply; and

(b) "**Calculation Agent Determination**", which means that the Calculation Agent will determine the settlement price of such Affected Index Contract based on its good faith estimate of the value of such Affected Index Contract on such day taking into consideration the latest available quotation for the Affected Index Contract and any other information in good faith it deems relevant.

5. Matters Affecting the Index

5.1 Successor Index

If the Index is replaced by a successor composite commodity index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the original Index, then in each case that index (the "**Successor Index**") will be deemed to be the Index for the purposes of the Notes, provided however, that the Calculation Agent, in its sole discretion, may make such adjustments as it deems necessary to the level of the Successor Index so that the level of the Successor Index reflects the same level as that of the Index before it was replaced.

5.2 Corrections to the Index

In the event that any level of the Index published by the Index Sponsor which is utilised for any calculation, observation or determination in respect of the Notes on any relevant date is subsequently corrected and the correction is published by the Index Sponsor within 30 calendar days (or such other time frame as the Calculation Agent acting in its absolute discretion deems appropriate; where different time frames may be deemed appropriate for different dates) after the original publication or announcement, such corrected level shall be the relevant level, and the Calculation Agent, to the extent it deems necessary, may make such adjustments to any of the terms of the Notes that it determines in its sole and absolute discretion to account for such correction.

5.3 Cessation of the Index and Index Early Redemption Event

If on any Index Business Day prior to the Maturity Date, the Calculation Agent notifies the Issuer that:

(i) the Index Sponsor has announced that it will permanently cancel publication of the Index and no Successor Index exists; or

(ii) the Index is not calculated and announced by the Index Sponsor and there is no Successor Index; and

(iii) (a) that having used reasonable endeavours, the Calculation Agent is unable to determine the relevant level of the Index or (b) in the opinion of the Calculation Agent continuing to determine the level of the Index would be unduly burdensome or would cause the Calculation Agent to incur a cost that it would not otherwise incur,

then the Issuer may give notice to the Noteholders that the Issuer will redeem the Notes (an "**Index Early Redemption Event**"). In such 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 (the "**Early Redemption Amount**"). For the purposes of this section, "**Unwind Costs**" means the value (determined in the currency in which the Notes are denominated) of any transfer or stamp tax cost, 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.

6. **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 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 on all holders of the Notes. 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 its functions in relation to the Notes. Nothing contained herein shall prevent the Calculation Agent from dealing in the Notes or from entering into any related transactions, including without limitation, any swap or hedging transactions, with the Issuer or any holder of the Notes.

7. **Notification of Successor Index, Early Redemption Events, Disruption Events and other Events**

(a) *Notice of Successor Index:* The Calculation Agent shall give notice to the Issuer and the Noteholders of any Successor Index determined in accordance with section 5.1 (*Successor Index*) above.

(b) *Disruption Events:* The Calculation Agent shall as soon as reasonably practicable notify the Issuer of the existence or occurrence of a Disruption Event on any relevant date however any delay or failure to notify will not affect the application of the applicable Disruption Fallbacks.

(c) *Notice of Index Early Redemption Event:* The Calculation Agent shall as soon as reasonably practicable notify the Issuer of the occurrence of an Index Early Redemption Event and the Early Redemption Amount however any delay or failure to notify will not affect the application of the applicable Early Redemption provisions.

(d) *Notice of Correction Event:* Upon the occurrence of a correction to a published level which changes the relevant level determined with respect to any date, the Calculation Agent shall as soon as reasonably practicable notify the Issuer stating the occurrence of such event, giving details of such correction and the action proposed to be taken in relation thereto.

(e) *Notice to Noteholders:* Adjustments and calculations in accordance with the foregoing sections shall be calculated by the Calculation Agent, shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) and shall be (in the absence of manifest error) binding on all parties concerned. However, Noteholders should be aware that there may be, necessarily, some delay between the time at which any of the above events occur and the time at which it is reported to Noteholders.

Schedule

INFORMATION RELATING TO THE UNDERLYING

*The information relating to the Lehman Brothers Agriculture Excess Return Index contained in this Securities Note has been extracted from information publicly available and published by the Index Sponsor at www.lehman.com, at Bloomberg® page LBAGER Index <GO>. 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, no facts have been omitted which would render the reproduced information inaccurate or misleading. No further or other responsibility in respect of such information is accepted by the Issuer or the Guarantor and no responsibility whatsoever is accepted by Lehman Brothers International (Europe)("**LBIE**"). In particular, neither the Issuer, the Guarantor or LBIE accepts responsibility in respect of the accuracy or completeness of the information set forth herein concerning the Underlying or that there has not occurred any event which would affect the accuracy or completeness of such information.*

The levels of the Underlying shown in the tables below show the high and low levels of the Underlying for the periods indicated. While the tables below provide some historical data regarding the risks of investing in the Underlying, past results are not necessarily indicative of future performance. Prospective purchasers of the Relevant Securities are advised to consult their own legal, tax, accountancy and other professional advisers to assist them in determining the suitability of the Relevant Securities for them as an investment. Each prospective purchaser of the Relevant Securities should be fully aware of and understand the complexity and risks inherent in the Relevant Securities before it makes its investment decision in accordance with the objectives of its business.

For the purposes of this Annex B:

"**Underlying**" means the Index (as defined in the Annex above).

"**Relevant Securities**" means the Notes (as described in the Annex above).

Schedule

INFORMATION RELATING TO THE LEHMAN BROTHERS AGRICULTURE EXCESS RETURN INDEX

(for the purposes of this Schedule 1, the "Index")

Index Composition

The Index is the agricultural-only element of the LBCI Excess Return Index and is comprised solely of the agricultural Index Contracts included in the LBCI Total Return for each year. Lehman Brothers Inc., as Index Sponsor, has developed and calculates a number of sub-indices representing components of the LBCI Excess Return. The Index is one of these sub indices.

For 2007, the Index consists of the following eight Index Contracts on the applicable Relevant Exchanges:

Commodity	Index Contract	Relevant Exchange	Ticker
Grains			
Corn	Corn	CBOT	C
Soybean	Soybean	CBOT	S
Soybean Meal	Soybean Meal	CBOT	SM
Soybean Oil	Soybean Oil	CBOT	BO
Wheat	Wheat (Chicago)	CBOT	W
Softs			
Coffee	Coffee 'C'	NYBOT	KC
Cotton	Cotton No. 2	NYBOT	CT
Sugar	Sugar No. 11	NYBOT	SB

For a description of how contracts are selected for the LBCI and a discussion of the LBCI in general, see "The Lehman Brothers Commodity Index—Commodity Selection and Weights" below.

Index Weighting

Once the list of LBCI-eligible contracts has been determined, each commodity in the Index will be re-weighted at the start of each year (implemented during the January roll period) using its average daily liquidity as of the previous November month-end. Average daily liquidity as of November 30th is converted into a commodity liquidity factor (based on contract closing prices as of the second LBCI Business Day of the year) that is held constant for each commodity after the January roll period. Though the liquidity factor remains constant, daily Index weightings will adjust throughout the year with the price movements of the underlying Index Contracts (i.e., price appreciation in an Index Contract will increase the weight of that Index Contract in the Index). For a description of how contracts weighting in the LBCI (including the calculation of liquidity factors), see "The Lehman Brothers Commodity Index—Commodity Selection and Weights" below.

As time progresses the LBCI will experience some turnover in the list of eligible commodity contracts. If a new contract becomes eligible or ceases to be eligible at the end of November based upon trailing three-year daily average liquidity, then it will enter or exit during the January weighting roll period.

The following tables show (a) the hypothetical initial annual weights for the Index, which was launched on July 1, 2006, over the period starting from January 1, 2001 until July 1, 2006, and actual initial annual Index weights as of July 1, 2006, and (b) the initial annual weights for the Index as of January 1, 2007 as compared to the actual weights for the Index as of the end of June 2007.. The hypothetical and actual historical weights presented below are not necessarily indicative of the future weightings of any particular Index Contract, commodity or sector in the Index.

Initial Annual LBCI Agriculture Weights Since 2001

Sector & Commodity Selection Initial Annual Index Weights (as of January 1, unless otherwise specified)

Sector/ Commodity	Contract	Exch.	Jan 2008	2007	Jul 1, 2006	2006	2005	2004	2003	2002	2001
Grains											
Soybeans	Soybeans	CBT	38.91%	33.9%	36.05%	38.32%	30.82%	37.03%	35.18%	32.84%	34.79%
Corn	Corn	CBT	15.50%	24.49%	18.68%	16.35%	19.24%	16.97%	17.51%	19.74%	17.85%
Soybean Meal	Soybean Meal	CBT	9.87%	8.33%	8.96%	12.02%	9.78%	13.33%	10.35%	9.14%	11.88%
Wheat	Chicago	CBT	13.05%	10.36%	9.83%	8.85%	9.75%	9.40%	8.51%	10.42%	7.89%
Soybean Oil	Soybean Oil	CBT	6.87%	6.79%	7.52%	6.68%	6.53%	6.90%	7.00%	8.98%	5.90%
Total Grains			**84.20%**	**83.87%**	**81.04%**	**82.23%**	**76.13%**	**83.64%**	**78.55%**	**81.12%**	**78.31%**
Softs											
Coffee	Coffee "C"	NYBOT	5.90%	7.27%	6.93%	5.58%	10.48%	5.63%	8.74%	8.42%	4.92%
Cotton	Cotton #2	NYBOT	4.60%	5.10%	5.63%	6.09%	4.64%	7.59%	8.52%	6.07%	9.35%
Sugar	World Sugar #11	NYBOT	5.30%	3.76%	6.41%	6.09%	8.75%	3.13%	4.19%	4.40%	7.43%
Total Softs			**15.80%**	**16.13%**	**18.96%**	**17.77%**	**23.87%**	**16.36%**	**21.45%**	**18.88%**	**21.69%**
Total Index			**100.0%**	**100.0%**	**100.0%**	**100/0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Lehman Brothers Inc., 2008

LBCI Agriculture Weights as of January 2, 2008

Initial Annual Index Weights Index Weights Commodity Index Contract as of January 2, 2008 and May,22 2007

Commodity	**Index Contract**	**Initial Annual Index Weights as of January 1, 2008**	**Index Weights as of May 23, 2007**
Grains			
Soybeans	Soybeans	38.91%	27.85%
Corn	Corn	15.50%	23.07%
Soybean Meal	Soybean Meal	9.87%	6.82%
Wheat	Wheat (Chicago)	13.05%	8.16%
Soybean Oil	Soybean Oil	6.87%	7.12%
Total Grains		**84.20%**	**73.04%**
Softs			
Coffee	Coffee "C"	5.90%	9.91%
Cotton	Cotton No. 2	4.60%	6.98%
Sugar	Sugar No. 11	5.30%	10.08%
Total Softs		**15.80%**	**26.96%**
Total Index		**100.00%**	**100.00%**

Calculation of the Daily Index Level and Index Returns

Like the general LBCI Total Return, the Index is a total return index. Accordingly, the daily Index level and returns on the Index reflect:

- Spot return – the returns associated with the percentage of the underlying Index Contracts used to price the LBCI before any contract rolling has occurred.

- Excess return – the combined returns associated with the changes in price of the underlying Index Contracts together with the "roll yields" for those Index Contracts; and

- Total return – the excess return plus the return on the collateral that has to be posted as margin against the futures positions.

The final Index level for each LBCI Business Day is published at such time on Bloomberg page "LBAGTR <INDEX>", Reuters page "LEH/COMMC" and LehmanLive.

Spot Returns

On any LBCI Business Day in a month other than a day during a roll period for the Index Contract, or in a month in which no roll is scheduled to occur for the Index Contract, the level of the Index will increase or decrease from the previous day's Index level in direct proportion to the daily percentage appreciation or depreciation (the "spot price movements") in the price of the then-active (prompt) Index Contract relative to the previous day's closing price for the prompt Index Contract on the Relevant Exchange.

Excess Returns

The "excess returns" of the Index are the combined return of spot price movements and roll yield associated with the Index Contracts. During any month in which an Index Contract is scheduled to roll, the roll period (like the roll period for all other commodity contracts included in the LBCI) will begin at the end of the fifth LBCI Business Day (as defined in "The Lehman Brothers Commodity Index—Overview" below) in that month and last for five LBCI Business Days. During the roll period, the hypothetical position in that Index Contract is gradually shifted from the prompt Index Contract to the prompt + 1 Index Contract (i.e., the Index Contract with the next nearest expiration) in 20% daily increments. For a further details on the rolling of the Index Contracts and the impact of this rolling on the calculation of the daily Index level during the roll period, see "The Lehman Brothers Commodity Index—LBCI Return Calculations—Commodity Roll Mechanics" below.

The roll from the prompt to the prompt + 1 contract generates "roll yield". When longer dated contracts are priced lower than the nearer contract and spot prices, the market is in backwardation. When the opposite is true and longer contracts are priced higher, the market is in contango. Positive roll yield is generated in backwardated markets when higher priced spot or near-term futures contracts are "sold" to "buy" lower priced longer dated contracts. Negative roll yield occurs in contangoed markets when lower priced spot or near-term futures contracts are "sold" to "buy" higher priced longer dated contracts. Accordingly, when the market for an Index Contract is in backwardation, the roll yield for the Index Contract in that month will be positive and therefore serve to increase the level of the Index relative to what it would have been based solely on the spot price movements in the Index Contract. Conversely, when the market for an Index Contract is in contango, the roll yield for that month will be negative and therefore will decrease the level of the Index.

Total Returns

returns for Index are calculated by adding a Treasury Bill return (compounded daily) to the excess returns described above to represent the total return earned by a fully collateralized futures position. For each calendar day during the Index calculation period, collateral will earn a daily Treasury Bill return, and if there is more than one calendar day in the calculation period this return will be compounded for the number of days in the period. For further details concerning the calculation of the total return, see "LBCI Return Calculations—Total Returns" below.

Contract Roll Schedule

The LBCI Contract Calendar specifies which Index Contracts (by settlement month) are used to calculate LBCI returns for each monthly reporting period. The calculation of returns on the Index will follow the LBCI Contract Calendar with respect to the applicable Index Contracts. For further discussion of the LBCI Contract Calendar, see "The Lehman Brothers Commodity Index—LBCI Return Calculations—Commodity Roll Mechanics" and "—LBCI Contract Calendar" below.

The Lehman Brothers Commodity Index

Overview

Lehman Brothers Inc. launched the Lehman Brothers Commodity Index ("LBCI"), which includes the LBCI Total Return and LBCI Excess Return (see "—LBCI Return Calculations" below) on July 1, 2006. The LBCI is a rules-based index of commodities futures that uses liquidity as the primary criterion for commodity selection and weights. The LBCI includes commodities with an average daily dollar trading volume exceeding $250 million (or $1 billion for industrial metals traded on the London Metals Exchange) over the previous three years as of November 30. The LBCI currently is composed of the prices of 20 exchange-traded futures contracts (the "Index Contracts") on physical commodities. A futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. For general description of the commodity future markets, please see "The Commodity Futures Markets" above. The commodities currently included in the LBCI are: crude oil, heating oil, natural gas, unleaded gas, aluminium, copper, nickel, zinc, gold, silver, lean hogs, live cattle, corn, soybean, soybean meal, soybean oil, wheat, coffee, cotton and sugar.

The LBCI contains four major sectors: energy, metals, agriculture, and livestock. Within metals, there are additional subsectors for industrial metals and precious metals. Within agriculture there are subsectors for grains and softs. Each of these sector indices represents the liquidity weighted returns of its commodity components.

The LBCI Total Return is a total return index, reflecting the combined returns associated with the changes in price of the underlying Index Contracts together with the "roll yields" for those Index Contracts (together, the "excess return"), together with the interest return on a hypothetical fully collateralized investment in the Index Contracts. The LBCI Excess Return, by contrast, is an excess return index, reflecting the excess return associated with the underlying Index Contracts without any return on collateral. For a description of calculation of the excess return and total return, see below under "—LBCI Return Calculations". Lehman Brothers Inc. has also developed and calculates a number of sub-indices representing components of the LBCI, as well as certain variations of the LBCI or its sub-indices reflecting weightings of the component Index Contracts that are different than the annual weighting assigned of the LBCI generally (or the sub-indices of the LBCI).

The LBCI, including the LBCI Total Return, the LBCI Excess Return, each LBCI sub-index and any variations of the LBCI or its sub-indices, is a proprietary index that Lehman Brothers Inc. developed, owns and calculates. The methodology for determining the composition and the weighting of the LBCI and for calculating its value is subject to modification by Lehman Brothers Inc. at any time. Initial LBCI returns are published once between 4:00 p.m. and 6:00 p.m. (New York City time) on each LBCI Business Day (as defined below) for the LBCI and its components. When final closing prices are published for each Index Contract on their respective exchanges, the daily returns will be finalized. Closing levels on each LBCI Business Day for (x) the LBCI and its sub-indices are available on Bloomberg page "LBCI <INDEX>", Reuters page "LEH/COMMA" and LehmanLive; (y) the LBCI Excess Return are available on Bloomberg page "LBCIER <Index>"; and (z) the LBCI Total Return are available on Bloomberg page "LBCITR <Index>." Closing levels of the LBCI

Excess Return, the LBCI Total Return and certain LBCI sub-indices can also be obtained from the official website of Lehman Brothers at http://www.lehman.com/LL_S/public/publicsite/bondindex.html. The Issuer is not incorporating by reference herein the website or any material included in the website.

A "LBCI Business Day" will follow the New York Mercantile Exchange (NYMEX) holiday calendar and the LBCI will only be published on days when the NYMEX is open for trading (including half days). On those days when any other exchange (LME, COMEX, CME Group, and ICE) is closed and the NYMEX is open, Lehman Brothers Inc. will use data for the affected Index Contract(s) from the previous available business day on which such exchange(s) was open for LBCI calculations. On days when the NYMEX is closed and other exchanges are open, returns will be reflected on the next day when the NYMEX is open. Contract roll schedules will reflect the NYMEX calendar for all commodities. If there is a NYMEX holiday before or during a roll period, the scheduled roll will be pushed forward to the next LBCI Business Day.

Lehman Brothers Inc. and its affiliates actively trade futures contracts and options on future contracts on the commodities that underlie the LBCI, as well as commodities, including commodities represented by the Index Contracts. For information about how this trading may affect the value of the LBCI, see "Risk Factors—Trading and Other Transactions by Affiliates of Lehman Brothers Holdings Inc. and Others in the Index Contracts and the Commodities Underlying the Index Contracts May Affect the Level of the Index."

Commodity Selection and Weights

LBCI composition and weights are reset annually each January to reflect updated historical commodity contract liquidity data as of November 30 of the previous year. In addition, Lehman Brothers Inc. will also calculate and publish the projected liquidity factors and LBCI weights throughout the year using the trailing three-year average daily volume as of that day. This timeframe enables the LBCI to be constructed using more recent liquidity data while still giving investors sufficient time to prepare for the LBCI rebalancing.

Quantifying Commodity Liquidity

The LBCI components are both selected and weighted based on historical commodity futures liquidity. For LBCI purposes, liquidity is derived from the exchange reported trading volume of non-financial commodities futures. To make a meaningful comparison across commodity markets, Lehman Brothers Inc. calculates a trailing three-year average of the average daily dollar volume of contracts traded (DVCT) for all commodities that may be eligible for the LBCI. Converting published volumes from each of the exchanges into a daily dollar value allows for direct comparisons of liquidity across exchanges in a common metric. Daily calculations over a three-year period capture intra-month liquidity changes while offering a historical perspective that reflects the seasonality and cyclicality of different markets and maintains LBCI stability.

For each commodity Lehman Brothers Inc. calculates a DVCT using the following steps:

1. Identify contract-specific trading volumes and closing prices as reported daily by each global futures exchange. All futures expirations of a standardized contract with trading activity are included in the calculation. If volumes are not published for specific settlement dates in the future, Lehman Brothers Inc. will use the aggregated volumes published for each contract across all settlement dates.

2. To derive the DVCT of a contract: multiply the closing price of that contract times (A) the daily reported trading volume of that contract and (B) the fixed number of units in which each contract is denominated.

3. Aggregate the daily values derived in step 2 for all settlement dates of that contract to determine the summed daily dollar volume traded for the entire commodity contract.

4. Average the daily dollar volume traded in step 3 over the trailing three-year period to calculate a trailing three-year average daily DVCT.

Selecting Commodities for the LBCI Based on Liquidity

To be eligible for the LBCI, a commodity must meet a minimum liquidity threshold based on trading volume in the past three years. Commodity liquidity is evaluated across all contracts and settlement dates on the various global commodity futures exchanges for commodities that may be eligible for the LBCI.

- Commodities with an average daily dollar trading volume exceeding $250 million over the previous three years as of November 30 are eligible for inclusion in the LBCI (except industrial metals traded on the London Metals Exchange (LME), which will require a minimum average daily trading volume of $1 billion because of differences in their method for reporting volumes compared with other exchanges).

- LBCI-eligible commodities will remain in the LBCI until their average daily dollar volume traded over the previous three years as of November 30 drops below $200 million ($800 million for LME metals). This will help maintain LBCI compositional stability and prevent commodities from exiting the LBCI for a year just to re-enter at the beginning of the next year if they are at or near the $250 million ($1 billion) threshold.

- Only the largest contract per commodity based on liquidity will be LBCI-eligible. For example, the largest crude oil contract, West Texas Intermediate Crude Oil, which trades on the NYMEX, will be the Index Contract for crude oil while Brent Crude, which trades on the Inter Continental Exchange (ICE), will not, despite the fact that both contracts meet the LBCI liquidity requirement.

- If the LBCI-eligible contract of a particular commodity is discontinued or substituted in the market by a different contract as a result of external factors such as government regulations, Lehman Brothers Inc. may substitute the new contract as the Index Contract in between LBCI rebalancing dates after providing advanced notice to LBCI users.

- Commodities that are considered to be derivatives or downstream products created from other LBCI-eligible commodities are treated as separate commodities as long as they have sufficient market liquidity and are evaluated for LBCI eligibility on a stand-alone basis. For example, soybeans, soybean meal, and soybean oil are treated as separate commodities and will each be LBCI-eligible if their respective liquidity exceeds $250 million daily. The same holds true for crude oil and its downstream products of heating oil and unleaded gasoline.

- Only U.S. dollar-denominated contracts are currently LBCI-eligible. Alternate versions of the LBCI that may substitute or add non-U.S. dollar contracts are planned for future development.

- The LBCI contains 20 commodities that qualified for inclusion, each with its single associated Index Contract (see Figure 1 below). Commodities that did not meet the minimum liquidity threshold but are represented in other major indices include cocoa, lead, and feeder cattle.

Figure 1. LBCI Eligible Commodities and Contracts for 2008

Commodity	Contract Used in LBCI	Exchange	Ticker	USD Denominated Futures Contracts Greater than $250m DVCT Not Currently Eligible for LBCI
Crude Oil	West Texas Intermediate	NYMEX	CL	Brent Crude (IPE)
Heating Oil	Heating Oil	NYMEX	HO	Gasoil (IPE)
Natural Gas	Henry Hub	NYMEX	NG	
Unleaded Gas	RBOB	NYMEX	XB	HU RFG (used prior to July 1, 2006)
Aluminum	High Grade Aluminum (London)	LME	LA	Alloy (LME), Aluminum (COMEX)
Copper	Copper (London)	LME	LP	Copper (COMEX)
Nickel	Primary Nickel (London)	LME	LN	
Zinc	High Grade Zinc(London)	LME	LX	
Gold	Gold (New York)	COMEX	GC	Gold (CME Group)
Silver	Silver (New York)	COMEX	SI	Silver (CME Group)
Lean Hogs	Lean Hogs	CME Group	LH	
Live Cattle	Live Cattle	CME Group	LC	
Corn	Corn	CME Group	C	
Soybean	Soybean	CME Group	S	
Soybean Meal	Soybean Meal	CME Group	SM	
Soybean Oil	Soybean Oil	CME Group	BO	
Wheat	Wheat (Chicago)	CME Group	W	Kansas (KCBOT), Minneapolis (MGE)
Coffee	Coffee 'C'	ICE	KC	Arabica (BMF), Robusta (LIFFE)
Cotton	Cotton No. 2	ICE	CT	
Sugar	Sugar No. 11	ICE	SB	Sugar No. 14 (NYBOT)

Source: Lehman Brothers Inc., 2008

Commodity Weightings

Once the list of LBCI-eligible contracts has been determined, each commodity will be re-weighted in the LBCI at the start of each year (implemented during the January roll period) using its average daily liquidity as of the previous November month-end. Average daily liquidity as of November 30 is converted into a commodity liquidity factor (based on contract closing prices as of the second LBCI Business Day of the year) that is held constant for each commodity after the January roll period. Though the liquidity factor remains constant, daily LBCI weightings will adjust throughout the year with the price movements of the underlying Index Contracts (i.e., price appreciation in an Index Contract will increase the weight of that Index Contract in the LBCI).

- Each Index Contract will be weighted in the LBCI in proportion to its liquidity relative to the other Index Contracts. Volumes for Index Contracts traded on the LME are divided by two to more accurately reflect the liquidity of the metals represented by these Index Contracts relative to other LBCI-eligible commodities.

- If a commodity does not have liquidity data for the full three-year period as of November month-end, average daily liquidity will be used for the data points that do exist, provided that the time series is longer than one year. If an Index Contract was substituted for a different Index Contract for that commodity, the previous Index Contract's historical liquidity may also be considered to determine LBCI weights for that commodity.

- There will be no caps or floors on a particular commodity or sector weighting based on liquidity.

- LBCI weights will be published daily. In addition, Lehman Brothers Inc. will also calculate projected LBCI weights for the following year using the trailing three-year average daily volume as of that day. On November 30, this projected weight will become the initial weight for the following year. Figure 2 under "—Calculating Commodity Liquidity Factors and LBCI

Weights—Rebalancing Liquidity Factors" below shows the evolution of commodity and sector LBCI weights since 2001.

Calculating Commodity Liquidity Factors and LBCI Weights

The two components used to calculate a commodity's daily LBCI weight are its liquidity factor and the price of the relevant Index Contract. While a commodity's Index Contract price changes daily based on movements in the futures markets, its liquidity factor, or "amount outstanding", is reset only once a year based on its trailing three-year historical contract liquidity.

The liquidity factor is a derived number equivalent to the relative amount of each commodity needed to achieve the liquidity-based weightings set forth by the LBCI rules. It is not a direct measure of trading volume or market liquidity. It is calculated by dividing the average daily dollar value of contracts traded as of November 30 of the previous year (which determines the beginning of year LBCI weights) by the closing prices of each Index Contract as of the second LBCI Business Day of the new calendar year. For a given commodity contract, the formula for liquidity factor is:

$$\text{Liquidity Factor} = \frac{\mathbf{DVCT}_{\text{Prev Nov ME}}}{\mathbf{Price}_{\text{2nd Business Day}}}$$

Where: $\mathbf{DVCT}_{\text{Prev Nov ME, i}}$ = Trailing three-year average dollar value of contracts traded for LBCI eligible contract i as of November 30 of the previous year.

$\mathbf{Price}_{\text{2nd Business Day}}$ = Prompt contract closing price of Index Contract for commodity i, as of the second LBCI Business Day of the year.

Rebalancing Liquidity Factors

Annual LBCI rebalancing is implemented during the January LBCI roll period. This occurs by switching from the previous year's liquidity factor to the current year's liquidity factor in 20% daily increments during the five-day roll period. Rebalancing over a five-day roll period maintains LBCI stability by not causing a major LBCI re-weighting on a single LBCI Business Day. Liquidity factors for each year will be announced at the end of the second LBCI Business Day of that year.

On the first through fifth LBCI Business Day of each year, the liquidity factor for each commodity will be the previous year's liquidity factor. On the sixth through ninth LBCI Business Days of the January roll period, the liquidity factor will be a weighted combination of the previous year's and current year's liquidity factors. From the tenth LBCI Business Day forward, the LBCI will use the current year's liquidity factor. Once 100% of the new liquidity factor is used for LBCI weightings, the annual rebalancing has been completed. Daily LBCI weights will then reflect both the rebalanced component weights and the daily price movements that have since occurred.

The following two tables show the hypothetical yearly initial weights for the LBCI, which was launched on July 1, 2006, over the period starting from January 1, 2001 until July 1, 2006, and actual initial annual LBCI weights as of July 1, 2006, January 1, 2007, January 1, 2008, as well as the daily weightings for the LBCI at February 15, 2008. Neither the daily weightings nor the hypothetical and actual historical initial weights presented below are necessarily indicative of the future initial or daily weightings of any particular Index Contract, commodity or sector in the LBCI.

Figure 2. Initial Annual LBCI Weights Since 2001

Sector & Commodity Selection			Initial Annual LBCI Weights (as of January 1, unless otherwise specified)								
Sector/Commodity	**Contract**	**Exch.**	**2008**	**2007**	**Jul 1, 2006**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Energy			**57.96%**	**55.85%**	**51.02%**	**56.17%**	**52.12%**	**51.21%**	**50.77%**	**46.81%**	**40.31%**
Crude Oil	West Texas Intermediate	NYMEX	34.13%	29.04%	27.48%	26.65%	23.49%	22.19%	22.38%	20.81%	17.67%
Natural Gas	Henry Hub Natural Gas	NYMEX	11.77%	13.28%	7.98%	14.63%	15.06%	15.91%	15.27%	13.74%	11.99%
Unleaded Gas	NY Harbor/RBOB (1)	NYMEX	4.83%	6.11%	8.13%	7.54%	7.05%	6.84%	6.79%	6.27%	5.38%
Heating Oil	No. 2 Heating Oil NY	NYMEX	7.23%	7.42%	7.43%	7.35%	6.52%	6.28%	6.33%	5.99%	5.28%
Metals			**27.67%**	**25.51%**	**30.10%**	**22.77%**	**24.47%**	**25.24%**	**26.19%**	**28.92%**	**32.13%**
Industrial Metals			**18.65%**	**16.91%**	**20.11%**	**14.12%**	**16.08%**	**18.12%**	**20.25%**	**22.19%**	**23.84%**
Aluminum	High Grade Primary Aluminum	LME	5.92%	5.10%	4.54%	4.29%	6.11%	8.10%	9.12%	9.65%	9.94%
Copper	Copper - Grade A	LME	8.62%	8.10%	10.50%	6.68%	6.78%	6.95%	7.52%	8.25%	8.71%
Nickel	Primary Nickel	LME	1.74%	1.60%	2.23%	1.55%	1.58%	1.48%	1.83%	2.21%	2.70%
Zinc	Special High Grade Zinc	LME	2.37%	2.12%	2.83%	1.60%	1.60%	1.59%	1.78%	2.09%	2.49%
Precious Metals			**9.02%**	**8.60%**	**10.00%**	**8.64%**	**8.40%**	**7.11%**	**5.94%**	**6.73%**	**8.29%**
Gold	Gold	CMX	7.01%	6.63%	7.65%	6.83%	6.70%	5.67%	4.49%	4.88%	5.83%
Silver	Silver	CMX	2.01%	1.97%	2.34%	1.81%	1.70%	1.44%	1.45%	1.85%	2.46%
Agricultural			**11.69%**	**15.8%**	**16.54%**	**18.22%**	**20.55%**	**20.35%**	**19.75%**	**20.66%**	**23.97%**
Grains			**8.32%**	**12.14%**	**13.40%**	**14.62%**	**17.17%**	**17.01%**	**16.17%**	**16.30%**	**18.36%**
Soybeans	Soybeans	CME Group	3.25%	5.19%	5.76%	6.88%	7.89%	7.31%	6.59%	6.73%	7.88%
Corn	Corn	CME Group	2.20%	2.99%	3.24%	3.06%	3.66%	3.83%	3.98%	3.98%	4.34%
Soybean Meal	Soybean Meal	CME Group	0.89%	1.37%	1.48%	1.86%	2.30%	2.38%	2.30%	2.28%	2.37%
Wheat	Chicago	CME Group	1.26%	1.64%	1.73%	1.60%	1.86%	2.03%	2.02%	2.00%	2.04%
Soybean Oil	Soybean Oil	CME Group	0.72%	0.95%	1.18%	1.21%	1.47%	1.45%	1.28%	1.31%	1.73%
Softs			**3.37%**	**3.63%**	**3.14%**	**3.61%**	**3.38%**	**3.34%**	**3.58%**	**4.36%**	**5.61%**
Coffee	Coffee "C"	ICE	1.22%	1.36%	1.16%	1.43%	1.27%	1.15%	1.30%	1.76%	2.31%
Cotton	Cotton #2	ICE	0.84%	0.90%	0.95%	1.11%	1.20%	1.27%	1.28%	1.53%	2.08%
Sugar	World Sugar #11	ICE	1.31%	1.37%	1.03%	1.06%	0.90%	0.92%	1.00%	1.07%	1.22%
Livestock			**2.68%**	**2.87%**	**2.34%**	**2.84%**	**2.86%**	**3.21%**	**3.30%**	**3.60%**	**3.59%**
Live Cattle	Live Cattle	CME Group	1.68%	1.82%	1.43%	1.88%	1.99%	2.35%	2.33%	2.49%	2.48%
Lean Hogs	Lean Hogs	CME Group	1.00%	1.05%	0.91%	0.96%	0.87%	0.86%	0.97%	1.11%	1.11%
		Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Lehman Brothers Inc., 2008

(1) NY Harbor RFG Contract used until July 1, 2006; RBOB contract used thereafter.

Figure 3. LBCI Daily Weights at February 15, 2008

Sector & Commodity Selection			Daily LBCI Weights at	
Sector/Commodity	**Contract**	**Exch.**	**January 1,2008**	**February 15, 2008**
Energy			**62.06%**	**61.11%**
Crude Oil	West Texas Intermediate	NYMEX	34.87%	37.16%
Natural Gas	Henry Hub Natural Gas	NYMEX	11.21%	9.70%
Unleaded Gas	NY Harbor/RBOB (1)	NYMEX	7.11%	7.08%
Heating Oil	No. 2 Heating Oil NY	NYMEX	8.86%	7.17%
Metals			**19.13%**	**27.18%**
Industrial Metals			**11.36%**	**21.03%**
Aluminum	High Grade Primary Aluminum	LME	3.11%	6.07%
Copper	Copper - Grade A	LME	6.57%	10.72%
Nickel	Primary Nickel	LME	0.83%	2.43%
Zinc	Special High Grade Zinc	LME	0.84%	1.81%
Precious Metals			**7.77%**	**6.15%**
Gold	Gold	CMX	6.17%	4.69%
Silver	Silver	CMX	1.59%	1.46%
Agricultural			**16.79%**	**7.95%**
Grains			**14.07%**	**5.91%**
Soybeans	Soybeans	CME Group	6.49%	3.16%
Corn	Corn	CME Group	2.62%	0.81%
Soybean Meal	Soybean Meal	CME Group	1.65%	0.87%
Wheat	Chicago	CME Group	2.16%	0.53%
Soybean Oil	Soybean Oil	CME Group	1.15%	0.54%
Softs			**2.72%**	**2.05%**
Coffee	Coffee "C"	ICE	1.03%	0.33%
Cotton	Cotton #2	ICE	0.78%	0.27%
Sugar	World Sugar #11	ICE	0.92%	1.44%
Livestock			**2.02%**	**3.75%**
Live Cattle	Live Cattle	CME Group	1.32%	1.52%
Lean Hogs	Lean Hogs	CME Group	0.70%	2.24%
		Total	**100.00%**	**100.00%**

Source: Lehman Brothers Inc., 2008

Introducing and Removing Commodities

As time progresses the LBCI will experience some turnover in the list of eligible commodity contracts. If a new contract becomes eligible or ceases to be eligible at the end of November based upon trailing three-year daily average liquidity, then it will enter or exit during the January weighting roll period.

LBCI Return Calculations

Types and Sources of LBCI Returns from Long Futures Positions

A long position in a commodity futures contract generates returns from change in the spot price of the commodity, roll yield and collateral interest. Accordingly, three main types of returns are calculated for the LBCI:

- Spot return – the returns associated with the percentage of the underlying Index Contracts used to price the LBCI before any contract rolling has occurred.
- Excess return – the combined returns associated with the changes in price of the underlying Index Contracts together with the "roll yields" for those Index Contracts; and
- Total return – the excess return plus an interest return on a hypothetical fully collateralized investment in the underlying Index Contracts.

Lehman Brothers Inc. calculates both excess and total returns on the LBCI and its components on a daily basis.

Spot Returns

Spot returns, which reflect changes in commodity spot prices, are fairly straightforward. If the LBCI is long wheat and the spot price of wheat appreciates then a positive return will accrue. Thus, on any LBCI Business Day in a month other than a day during a roll period for an Index Contract, or in a month in which no roll is scheduled to occur for that Index Contract, the level of the LBCI will reflect the increase or decrease (in proportion to the relative weighting of the Index Contracts in the LBCI, as described in "—Commodity Selection and Weights" above) in the price of each then-active (prompt) Index Contract relative to the previous day's closing price for that prompt Index Contract.

Excess Returns

The "excess returns" of the LBCI are the combined return of spot price movements and "roll yield" associated with the rolling of Index Contracts, as discussed in "—Commodity Roll Mechanics" below. The roll yield generated depends on the pricing of longer-dated futures contracts relative to nearby futures and spot commodity prices. When longer-dated contracts are priced lower than the nearer contract and spot prices, the market is in backwardation. When the opposite is true and longer contracts are priced higher, the market is in contango. Positive roll yield is generated in backwardated markets when higher priced spot or near-term futures contracts are "sold" to "buy" lower priced longer-dated contracts. Negative roll yield occurs in contangoed markets when lower priced spot or near-term futures contracts are "sold" to "buy" higher priced longer-dated contracts. Accordingly, when the market for an Index Contract is in backwardation, the roll yield for a month in which that Index Contract is rolled will be positive and therefore serve to increase the level of the LBCI relative to what it would have been based solely on the spot price movements in the Index Contract. Conversely, when the market for an Index Contract is in contango, the roll yield for a month in which that Index Contract is rolled will be negative and therefore will decrease the level of the LBCI.

Total Returns

The third source of return from a long futures position comes from collateral posted as margin. A fully collateralized futures position posts the full investment as margin, which is then invested in money market or other similar cash instruments that generate a return. For the LBCI, total returns are calculated by adding a Treasury Bill return (compounded daily) to the excess returns described above to represent the total return earned by a fully collateralized futures position.

Daily Treasury Bill returns are compounded from the previous LBCI Business Day. If the current LBCI Business Day is more than one calendar day from the previous LBCI Business Day, the Treasury Bill return will be calculated and compounded for those additional days. For each calendar day during the Index calculation period, collateral will earn a daily Treasury Bill return as specified below. If there is more than one calendar day in the calculation period this return will be compounded for the number of days in the period.

$$\text{3-Month Treasury Bill Return}_{\text{Daily}} = \left(\frac{1}{1 - (91/360) * HR_{t-1}}\right)^{1/91}$$

Where: HR_{t-1} = for any LBCI Business Day, the 91-day auction high rate for U.S. Treasury Bills announced by the U.S. Department of the Treasury and reported under the heading "High Rate" on Reuters page USAUCTION10, or any successor page, on the most recent of the weekly auction dates prior to such LBCI Business Day. The high rate is generally available on Monday afternoons (if not a holiday), and as a result the high rate for each week will generally first be used in that weeks's return calculations beginning on Tuesday.

Commodity Roll Mechanics

A fundamental characteristic of the LBCI, like other commodity indices, is that as a result of being comprised of futures contracts, the LBCI has to be managed to ensure it does not take delivery of the commodities in question. This is achieved through the commodity roll mechanics under which the Index Contracts underlying the LBCI are rolled forward to a new contract date during the month as they approach their settlement date. Therefore, at the contract level, there are up to two Index Contracts that can contribute to LBCI returns during the month: the prompt (nearby) contract and the prompt + 1 (next nearby) contract into which it is rolled.

During any month in which an the Index Contract is scheduled to roll, the roll period will begin at the end of the fifth LBCI Business Day in that month and last for five LBCI Business Days. During the roll period, the hypothetical position in the Index Contract is gradually shifted from the prompt Index Contract to the prompt + 1 Index Contract (i.e., the Index Contract with the next nearest expiration) in 20% daily increments. The daily price of the Index Contract during the roll period, as well as the previous day's price of the Index Contract against which the appreciation or depreciation of the daily Index Contract price is measured, therefore will each be a composite price of the then-current prompt Index Contract and the prompt + 1 Index Contract weighted by the percentage that has been rolled at the end of the previous LBCI Business Day. Accordingly, during the roll period for a given Index Contract, the returns for that Index Contract are calculated as follows:

- On the fifth LBCI Business Day of the relevant month, Index Contract excess returns will reflect 100% of the price movements of the prompt contract. At the end of that fifth LBCI Business Day, 20% of the prompt contract will be rolled to the prompt + 1.
- At the beginning of the sixth LBCI Business Day in that month, the excess returns on the Index Contract will reflect a contract "basket" containing 80% of the prompt contract and 20% of the prompt + 1 at the start of that day. Excess returns will be calculated on this "basket". At the end of that sixth LBCI Business Day, an additional 20% is rolled.
- For the seventh LBCI Business Day, the "basket" will consist of 60% prompt / 40% prompt + 1.
- For the eighth LBCI Business Day, the "basket" will consist of 40% prompt / 60% prompt + 1.
- For the ninth LBCI Business Day, the "basket" will consist of 20% prompt / 80% prompt + 1.

- At the end of the ninth LBCI Business Day of the relevant month, the prompt contract will have been fully rolled into the prompt + 1, which then becomes the new prompt until the next roll period.

Returns on an Index Contract on and after the tenth LBCI Business Day in a month in which it is rolled will comprise 100% of the new prompt contract that has just been fully rolled into (which was formerly the prompt + 1 at the start of that month).

Adjustments to the Contract Roll Process

A number of market circumstances can lead to an adjustment in the rolling process. These adjustments occur when it would be difficult to liquidate or establish positions in the market and perform the roll. If any of these market disruption events occurs on any of the days during the roll period, then the proportion of the roll that would have taken place on that day is skipped. For example, if a market disruption event occurs on the first day of the roll, then none of the 80%/20% roll is taken. Instead the 60% / 40% proportion is taken on the next LBCI Business Day. If a market disruption event occurs on that day also, then the roll proportion will be 40% / 60% on the following LBCI Business Day. Two examples of disruption events are:

- Commodity reaches a limit price during the last 15 minutes of the trading session – if either the prompt or prompt +1 contract reaches a limit price during the final 15 minutes of regular or rescheduled trading, the roll will be skipped that day.

- Trading interrupted or terminated on an exchange – if trading is terminated prior to the expected close of business and does not resume at least 15 minutes prior to the scheduled close, then the roll will be deferred.

If either event occurs, a notice will be posted on LehmanLive indicating the event and reason.

LBCI Contract Calendar

The LBCI Contract Calendar specifies which Index Contracts (by settlement month) are used to calculate LBCI returns for each monthly reporting period. For each calendar month, the LBCI Contract Calendar indicates a prompt contract and, if a given Index Contract is scheduled to be rolled during the month, the prompt + 1 contract. If a roll is not scheduled, then only the prompt contract is listed (and LBCI returns are calculated solely be reference to the prompt contract). Contracts are selected to ensure there is sufficient market liquidity in each commodity when calculating LBCI returns. Monthly contracts for a given commodity that are less liquid and have significantly lower trading volumes relative to other settlement months will be excluded from the LBCI Contract Calendar, and will not be rolled into or included in commodity price calculations. Annex C hereto shows the LBCI Contract Calendar for 2008, indicating the prompt contracts and, where applicable, the prompt + 1 contracts, for each Index Contract in each calendar month. The LBCI Contract Calendar for each succeeding year will be published annually on LehmanLive.

The Commodity Futures Market

Contracts on physical commodities are traded on regulated futures exchanges, in the over-the-counter market and on various types of physical and electronic trading facilities and markets. At present, all of the Index Contracts underlying the Index and the general LBCI are exchange-traded futures contracts. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. A futures contract on an index of commodities typically provides for the payment and receipt of a cash settlement based on the value of such commodities. A futures contract provides for a specified settlement month in which the commodity or financial instrument is to be delivered by the seller (whose position is described as "short") and acquired by the purchaser (whose position is described as "long") or in which the cash settlement amount is to be made.

Futures contracts are traded on organized exchanges, known as "contract markets" in the United States, through the facilities of a centralized clearing house and a brokerage firm which is a member of the clearing house. The clearing house guarantees the performance of each clearing member which is a party to the futures contract by, in effect, taking the opposite side of the transaction. At any time prior to the expiration of a futures contract, subject to the availability of a liquid secondary market, a trader may elect to close out its position by taking an opposite position on the exchange on which the trader obtained the position. This operates to terminate the position and fix the trader's profit or loss.

U.S. contract markets, as well as brokers and market participants, are subject to regulation by the Commodity Futures Trading Commission. Futures markets outside the United States are generally subject to regulation by comparable regulatory authorities. However, the structure and nature of trading on non-U.S. exchanges may differ from the foregoing description. From its inception to the present, the Lehman Brothers Commodity Index has been comprised exclusively of futures contracts traded on regulated exchanges.

Historical Information

The following table sets out the high and low official closing levels for the Index for the periods indicated. The historical performance of the Index should not be taken as an indication of future performance.

Year ended 31 December	**High**	**Low**
2005	126.9668	96.8305
2006	112.3062	89.1248
2007	146.0013	103.3801

12 Months to April 2008	**High**	**Low**
May 2007	111.1274	103.3801
June 2007	118.1943	111.1625
July 2007	119.4032	109.6148
August 2007	115.5266	108.1154
September 2007	131.2917	117.0175
October 2007	129.7685	121.7112
November 2007	133.3237	124.7823
December 2007	146.0013	131.6732
January 2008	153.6205	143.9643
February 2008	176.2221	153.5920
March 2008	179.3206	146.7643
April 2008	161.4411	149.2609

Source: Bloomberg® (28 May 2008)

The official closing level of the Index on 27 May 2008 was 148.4469.

Source: Bloomberg® (28 May 2008)

ANNEX C

2008 LBCI Contract Calendar

				Current Active Contract / Next Active Contract by LBCI Reporting Month												
Commodity	**Contract**	**Exchange**	**Ticker**	**Jan (F)**	**Feb (G)**	**Mar (H)**	**Apr (J)**	**May (K)**	**June (M)**	**July (N)**	**Aug (Q)**	**Sep (U)**	**Oct (V)**	**Nov (X)**	**Dec (Z)**	**Excluded Contracts**
Crude Oil	West Texas Intermediate	NYMEX	CL	G/H	H/J	J/K	K/M	M/N	N/Q	Q/U	U/V	V/X	X/Z	Z/F	F/G	
Heating Oil	Heating Oil	NYMEX	HO	G/H	H/J	J/K	K/M	M/N	N/Q	Q/U	U/V	V/X	X/Z	Z/F	F/G	
Natural Gas	Henry Hub	NYMEX	NG	G/H	H/J	J/K	K/M	M/N	N/Q	Q/U	U/V	V/X	X/Z	Z/F	F/G	
Unleaded Gas	NYH RBOB	NYMEX	XB	G/H	H/J	J/K	K/M	M/N	N/Q	Q/U	U/V	V/X	X/Z	Z/F	F/G	
Aluminum	High Grade Aluminum	LME	LA	G/H	H/J	J/K	K/M	M/N	N/Q	Q/U	U/V	V/X	X/Z	Z/F	F/G	
Copper	Copper	LME	LP	G/H	H/J	J/K	K/M	M/N	N/Q	Q/U	U/V	V/X	X/Z	Z/F	F/G	
Nickel	Primary Nickel	LME	LN	G/H	H/J	J/K	K/M	M/N	N/Q	Q/U	U/V	V/X	X/Z	Z/F	F/G	
Zinc	High Grade Zinc	LME	LX	G/H	H/J	J/K	K/M	M/N	N/Q	Q/U	U/V	V/X	X/Z	Z/F	F/G	
Gold	Gold (New York)	COMEX	GC	G/J	J	J/M	M	M/Q	Q	Q/Z	Z	Z	Z	Z/G	G	V
Silver	Silver (New York)	COMEX	SI	H	H/K	K	K/N	N	N/U	U	U/Z	Z	Z	Z/H	H	F
Lean Hogs	Lean Hogs	CME Group	LH	G/J	J	J/M	M	M/N	N/Q	Q/V	V	V/Z	Z	Z/G	G	K
Live Cattle	Live Cattle	CME Group	LC	G/J	J	J/M	M	M/Q	Q	Q/V	V	V/Z	Z	Z/G	G	K, N
Corn	Corn	CME Group	C	H	H/K	K	K/N	N	N/U	U	U/Z	Z	Z	Z/H	H	
Soybean	Soybean	CME Group	S	H	H/K	K	K/N	N	N/X	X	X	X	X/F	F	F/H	Q, U
Soybean Meal	Soybean Meal	CME Group	SM	H	H/K	K	K/N	N	N/Z	Z	Z	Z	Z/F	F	F/H	V, Q
Soybean Oil	Soybean Oil	CME Group	BO	H	H/K	K	K/N	N	N/Z	Z	Z	Z	Z/F	F	F/H	V, Q
Wheat	Wheat (Chicago)	CME Group	W	H	H/K	K	K/N	N	N/U	U	U/Z	Z	Z	Z/H	H	
Coffee	Coffee 'C'	ICE	KC	H	H/K	K	K/N	N	N/U	U	U/Z	Z	Z	Z/H	H	
Cotton	Cotton No. 2	ICE	CT	H	H/K	K	K/N	N	N/Z	Z	Z	Z	Z	Z/H	H	V
Sugar	Sugar No. 11	ICE	SB	H	H/K	K	K/N	N	N/V	V	V	V/H	H	H	H	

Source: Lehman Brothers, 2008

Notes:

- Each month that a commodity has two letters listed will have the prompt contract rolled to the prompt + 1 contract for that commodity. Using Crude Oil as an example, the prompt contract at the start of the January is the G (February) contract and the prompt + 1 contract is the H (March) contract. From the fifth through the ninth LBCI Business Day, 20% of the G contract will be rolled daily into the H contract.

- If a commodity only has one letter listed for an LBCI Reporting Month, there will be no contract roll that month. For example, during February, the prompt gold contract is the J (April) contract. It will not be rolled during the month.

- Prior to July 1, 2006, the active Unleaded Gas Contract was the RFG (Ticker: HU) contract. As of July 1, 2006, the active contract is the RBOB (Ticker: XB)

PRINCIPAL PLACE OF BUSINESS OF LBHI

Lehman Brothers Holdings Inc.

745 Seventh Avenue

New York, New York 10019

REGISTERED OFFICE OF LBTCBV

Lehman Brothers Treasury Co. B.V.

Atrium Strawinskylaan 3105

1077 ZX Amsterdam

The Netherlands

DEALER

Lehman Brothers

International (Europe)

25 Bank Street

London E14 5LE

FISCAL AGENT AND PRINCIPAL PAYING AGENT

The Bank of New York

One Canada Square

London, E14 5AL

England

IRISH PAYING AGENT

AIB/BNY Fund Management (Ireland) Limited

Guild House, Guild Street

Dublin 1

Ireland

LISTING AGENT

Arthur Cox Listing Services Limited

Earlsfort Centre

Earlsfort Terrace

Dublin 2