

Confidential

Capital Markets Finance

Securitized Products, MBS

- Non Investment Grade Retained Interests

January 16th, 2007

LEHMAN BROTHERS

Executive Summary

- ◆ In the past year there has been a significant growth in the holdings of Residual Certificates, Net Interest Margin Bonds (NIM) and Non Investment Grade (NIG) or subordinated bonds from our principal transactions (together “Non Investment Grade Retained Interests” or “NIG RI”).
- ◆ NIG RI have grown from \$637 million in Q405 to \$1.97 billion in Q406. These are illiquid positions that are very leveraged to the credit and prepayment risk inherent in the collateral underlying each deal.
- ◆ This growth comes at a time when credit spreads are widening and subprime loan performance is weakening.
- ◆ This increase in our holdings of NIG RI positions represents a change to our business model, the center piece of which historically has been our ability to syndicate risk to investors.
- ◆ In response to these changes and in order to create a favorable risk return profile, the balance sheet is being diverted from subprime to prime.
- ◆ PC is performing extra diligence in valuing these positions as they have become less liquid and their balance is growing.

Business Review and Outlook

Full Year Financials

Securitized Products - Financial Review

	2005	2006	2007	2006 VS. 2007	
	Actual	Actual	Budget	\$	%
Mortgages	2,334	1,706	1,863	157	9%
Americas	2,322	1,701	1,858	156	9%
Europe			-	-	
Asia	12	5	5	0	3%
Struc. Finance	523	855	1,037	182	21%
Americas	249	317	397	81	25%
Europe	253	483	550	67	14%
Asia	21	55	90	35	63%
Total	2,857	2,561	2,900	339	13%
Americas	2,571	2,018	2,255	237	12%
Europe	253	483	550	67	14%
Asia	33	60	95	35	58%

- ◆ Mortgage Origination revenues were down by (\$533m) Y/Y driven by decreasing volumes and high Early Payment Defaults and Representation and Warranty costs in the Subprime space. Prime origination volumes and revenues declined slightly.
- ◆ Trading revenues were down (\$95m) Y/Y with Prime up \$75m, Subprime down (\$119m) and other down (\$51m).

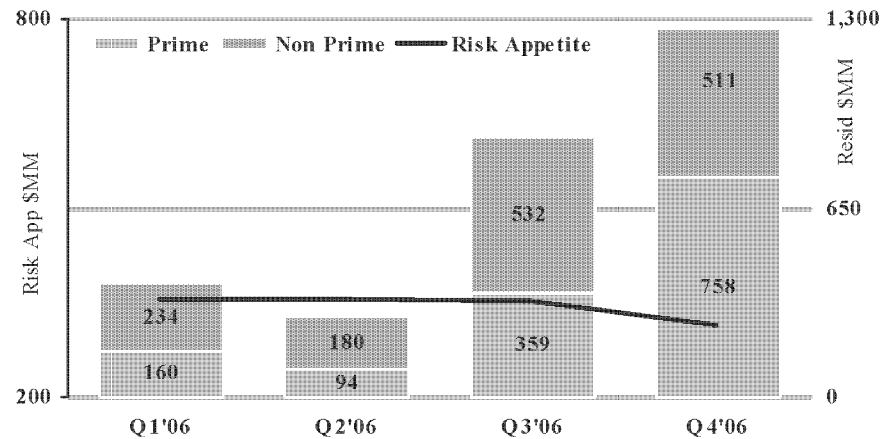
MBA Mortgage Market Projections, January 2007

- ◆ Total originations in 2007 are projected to decline by about 5 percent to \$2.39 trillion from an estimated \$2.51 trillion in 2006.
- ◆ Purchase activity in 2007, is projected to decline by about 5 percent from 2006 levels to \$1.33 trillion.
- ◆ Total home sales in 2006 were 9.7 percent lower than in 2005. (data is available through November-06).
- ◆ Home sales are expected to decline through the middle of 2007 before picking up slightly in the second half of the year.
- ◆ Slowly improving inventories of unsold homes should cause home prices in 2007 to be flat relative to 2006. The gains in the median home price for both new and existing homes should be about 1 to 2 percent through 2008.

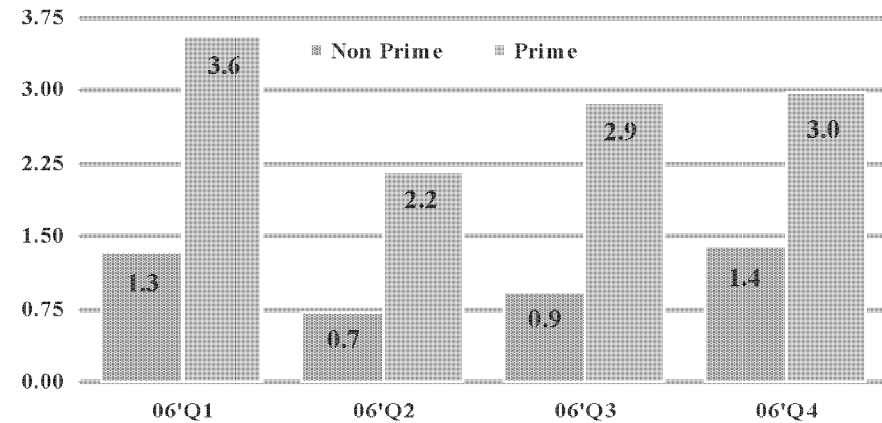
Mortgage Risk Overview

- ◆ The growth in Residual positions is not readily apparent from VAR and Risk Appetite calculations.
- ◆ High inventory turn over and early payment default protection provide credit protection not found in residuals.

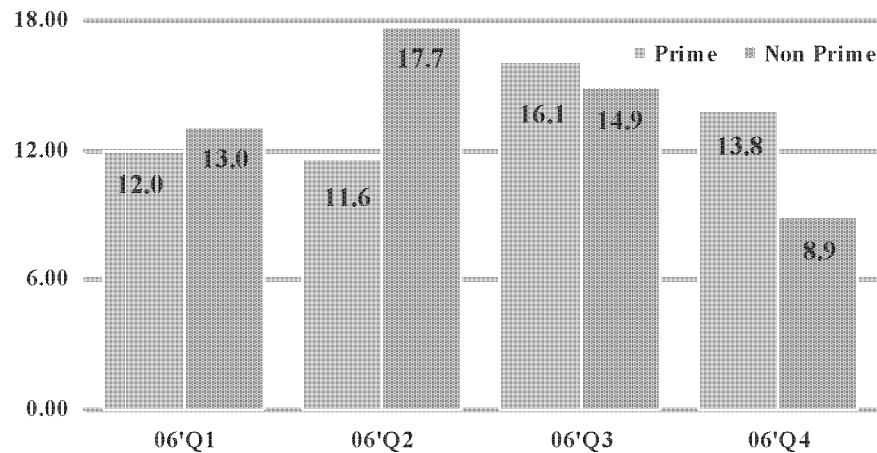
NIG Residuals & Risk Appetite (\$MM)



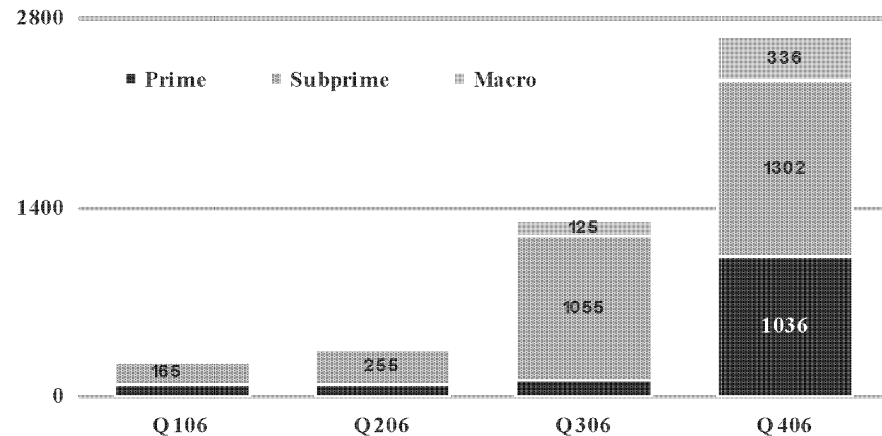
Investment Grade Retained Interests (\$B)



Whole Loans (\$B)



ABX & CDS Protection (\$M)



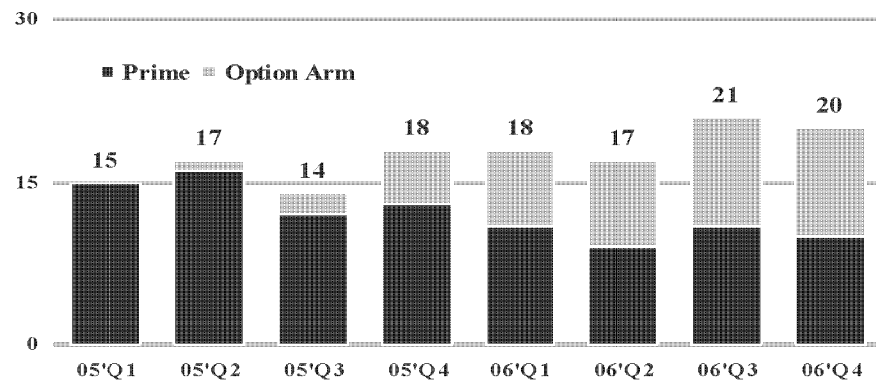
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PRIME RESIDUALS

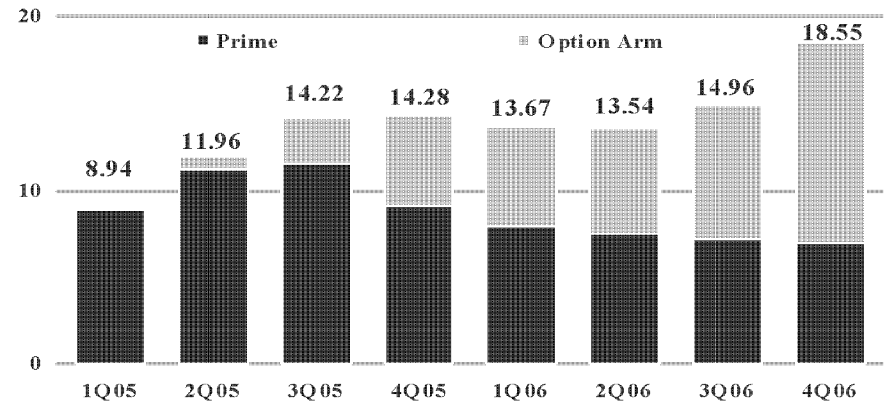
Prime - Introduction of the Option ARM

- ◆ The introduction of the Option ARM program has helped the Prime Desk maintain securitization volumes and grow revenues in a down origination market.
- ◆ In 2006 Lehman did not originate any Option ARMs. In 2007, Lehman introduced a new ARM product with a negative amortization feature. The loans are purchased from Green Point, Indy Mac, GMAC-RFC and Countrywide.
- ◆ Option ARM margins have decreased as competition in the space has increased.

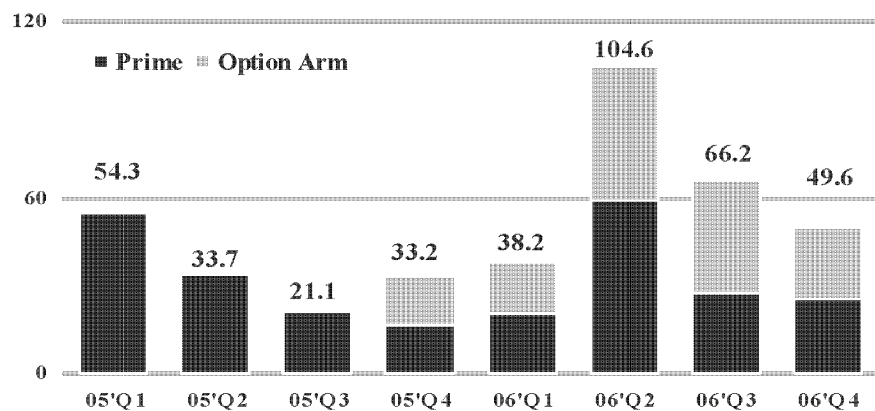
of Prime Deals



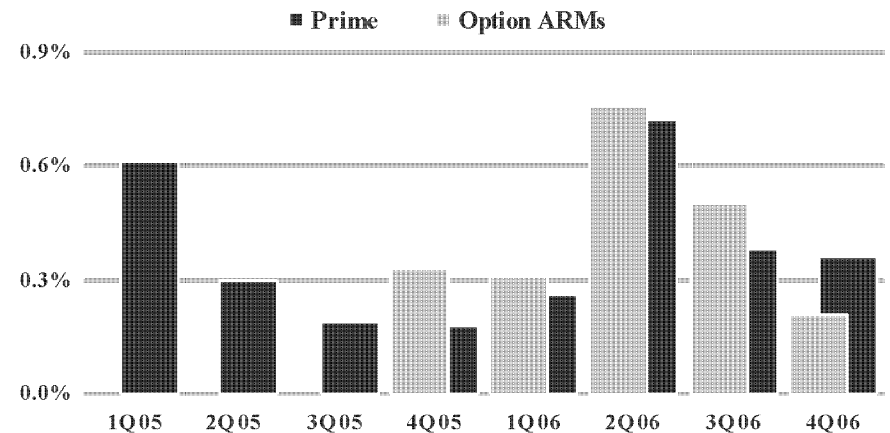
Prime Securitization Volume (\$B)



Revenues (\$M)



Total Margins (%)



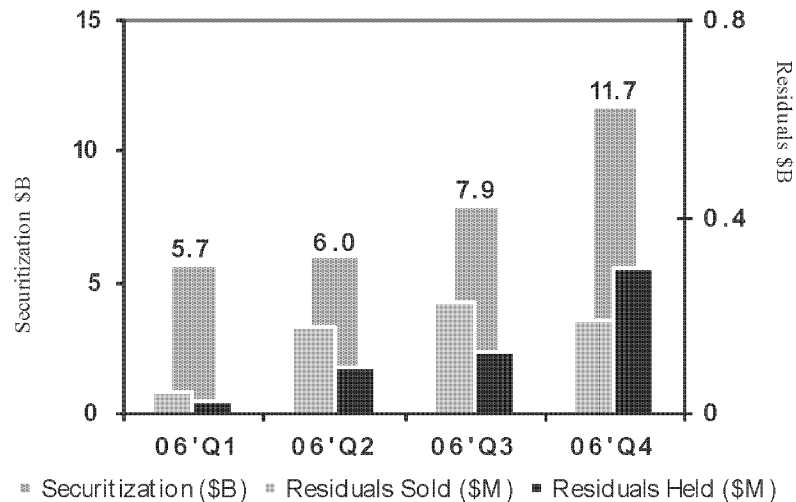
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Prime - Introduction to the Option ARM

- ◆ Once considered an esoteric mortgage product by both lenders and borrowers, Option ARMs have emerged as a core mortgage product within the prime and near-prime space.
- ◆ Option ARMs offer the borrower three payment options each month: 1) fully amortizing, 2) interest only, and 3) minimum (based on a teaser rate as low as 1%). The minimum payment is a negative amortization option with the difference between the fully indexed and the teaser rate being added to the loan's principal balance.
- ◆ Option ARMs are generally pitched as a good product for sophisticated borrowers with variable incomes such as the self employed and commissioned individuals. However concerns have arisen that this product is being used as an affordability product or is marketed to people in such a way that the costs and risks of the product are not fully understood.
- ◆ Prepayment Shock at recast, when a borrower hits their negative amortization ceiling and their minimum payment increases, is of particular concern.
- ◆ Increasing interest rates could make it difficult for distressed Option ARM borrowers to refinance out of their current loan.
- ◆ The newness of this product makes historical loss and prepayment performance data quite thin.
- ◆ Due to the lack of historical prepayment data, prepayment models on option ARMs are still going through the usual evolutionary process.
- ◆ In terms of credit performance, Option ARMs have performed better than other ARM products. However, there is not enough data to evaluate the impact of the recast on Option ARM credit performance.

Prime - Residual Creation

Option ARM Residual Creation



Commentary on Market Activity

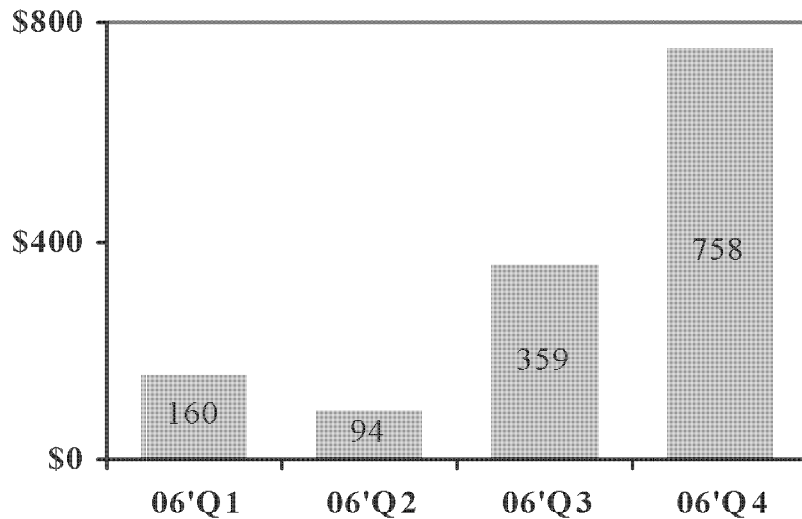
The prime desk only has one investor for Option ARM Residuals and as a result sales of these positions has not kept pace with creation volume.

Option ARM Retained Interests have grown from negligible to \$550m in one year, with a similar amount having been sold to The Horizon Fund. These assets could approach \$1billion in 2007.

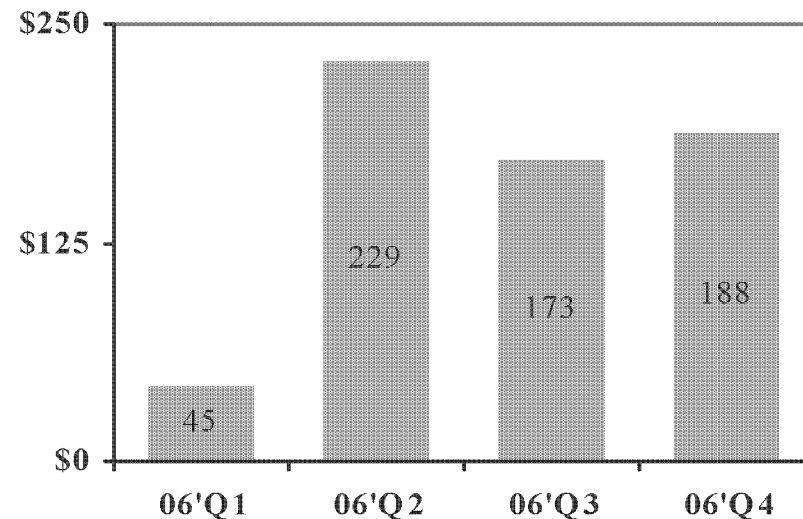
Without a large investor base for residual risk the option arm business model is highly dependent on our willingness to regularly hold large residual risk positions in our securitizations.

This has not traditionally been our model but the desk is very comfortable with this trade.

Prime Residuals Held (\$M)



Prime Residuals Sales (\$M)



Prime - Residual Holdings

Some of the residual interests are quite large and deal profitability is highly dependent on valuation levels.

Given the variability of the cash flows underlying residual values are generally thought of as falling within a range. With large residuals and small margins, deal economics can swing drastically based on our view of future performance.

Relatively small differences in actual versus projected cash flows can bring significant volatility to earnings, and if performance is materially worse the losses can be large.

The desk understands this trade well, and they believe the Prime / Alt A space offers relative value versus Subprime, which is facing credit issues in the current vintage.

Top 5 Prime Residual Positions

<u>Product</u>	<u>Description</u>	<u>\$ Market Value</u>	<u>Position Age</u>
Prime	LXS 06-16N X	119,163,582	64
Prime	LXS 06-18N X	95,399,995	1
Prime	LXS 2006-12N X	86,742,807	123
Prime	LXS 2006-4N X	58,795,974	170
Prime	RALI 2006-QO8 SB	53,518,243	9

P/L Sensitivity

<u>Deal Name</u>	<u>Orig Face</u>	<i>Base</i>		<u>Residual MV @ Issue</u>
		<u>P/L</u>	<u>Margin</u>	
LXS 2006-16N	2,218,218,190	2,500,000	0.11%	120,000,000
LXS 2006-18N	1,019,681,000	1,500,000	0.15%	95,399,995
<i>Smaller Residual</i>				
LXS 2006-16N	2,218,218,190	(9,500,000)	-0.43%	108,000,000
LXS 2006-18N	1,019,681,000	(8,040,000)	-0.79%	85,859,996
<i>Larger Residual</i>				
LXS 2006-16N	2,218,218,190	14,500,000	0.65%	132,000,000
LXS 2006-18N	1,019,681,000	11,040,000	1.08%	104,939,995

Balance Sheet Sensitivity

	<u>90% * Loss</u>	<u>100% * Loss</u>	<u>110% * Loss</u>
90% * speed	859,573,694	839,190,951	805,149,540
100% * speed	818,164,512	800,861,419	770,883,161
110% * speed	794,950,575	778,216,342	749,374,989

SUBPRIME RESIDUALS

Subprime - Historical Residual Issues

- ◆ Subprime securitizations are strongly associated with and have a longer history of Residual Certificate creation than Prime Securitizations.
- ◆ In the middle to late 1990's, residual valuation and gain on sale accounting was the Achilles' heel of the Subprime industry and no one really escaped the damage caused by poor or overly optimistic projections of residual cash flows / values.
- ◆ The Subprime sector has matured and developed into a much more sophisticated and a better capitalized one than has been previously. However, another shake out in the industry appears to be underway as lending standards have been eased and new entrants into the market compete for volume.

Subprime Participants Over Time

Pre-1996	1996-1998	1999-2001	2002 to 2005
Money Store	Associates	Household	Ameriquest
Beneficial	Household	CitiFinancial	New Century
Household	ContiMortgage	BoA	CitiFinancial
Guardian S&L	IMC	WaMu	Household
LongBeach	Money Store	Option One	Option One
	Green Tree	GMAC-RFC	First Franklin
	Advanta	Countrywide	WaMu
	GMAC-RFC	First Franklin	Countrywide
		New Century	GMAC-RFC
		Ameriquest	Wells Fargo

Source: *An Introduction to Non Prime MBS & Sail/BNC* by Matt Miller & Akhil Mago

2006 Activity

Sudden Closings

Ownit Mortgages, CA
 Sebring Capital Partners, TX
 Mortgage Lenders Network, CT

For Sale / Sold

Option One, H&R Block
 Ameriquest, ACC Capital
 First Franklin, National City
 Champion Mortgage, Key Bank
 New Century, (NEW)
 Saxon Mortgage, (SAX)
 Mortgage IT, (MHL)

Subprime - Current Market Conditions

- ◆ **Subprime lenders remain under pressure in terms of origination volumes and profitability.**
 - **Ownit Mortgage Solutions and Sebring Capital partners have ceased operations citing unfavorable market conditions.**
 - **Mortgage Lenders Network USA stopped funding loans and is seeking a strategic solution for its wholesale business.**
 - **Ameriquest Mortgages cut jobs, closed branches and placed itself up for sale. Many Subprime originators have recently been sold or marketed including, Mortgage IT, First Franklin and Option One.**

- ◆ **Early indications of performance on the 2006 Subprime vintage demonstrates the weakest book of business in quite some time due to deteriorating underwriting standards.**
 - **Loan repurchases for early payment defaults along with representation and warranty violations have soared industry wide in 2006. BNC and Finance America collectively set aside \$119m for such exposure.**
 - **Concerns have been raised as weak Subprime collateral performance can effect investor returns when losses exceed available credit enhancement.**
 - **At the end of Nov-06, CDS spreads widened dramatically and cash spreads are anticipated to follow.**
 - **In Mid December, Moody's placed several classes issued by seven Structured Asset Investment Loan (SAIL) Trust deals under review for possible downgrade.**

Subprime Customer Review

◆ The Subprime desk has a stable of 33 investors to whom we have sold first loss positions during 2006. The top 10 investors by volume purchased 70% of the risk sold.

◆ The desks second largest investor was Amaranth.

Top Subprime Customers and Sales

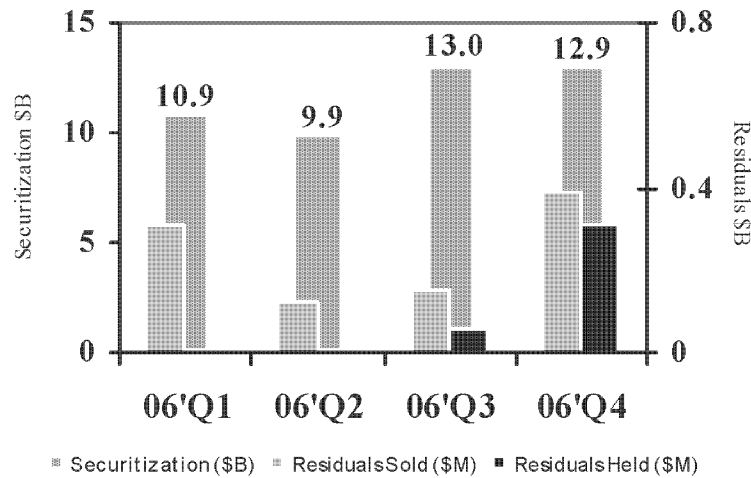
Buyers of Subprime Mortgage Risk Investors - FY 2006

(Residuals, NIM Bonds, and Preference Shares)

<u>Ranking</u>	<u>Counterparty</u>	<u>\$ Purchased</u>	<u>% of Total</u>	<u>Ranking</u>	<u>Counterparty</u>	<u>\$ Purchased</u>	<u>% of Total</u>
1	BRACEBRIDGE CAPITAL	118,060,000	12.90%	18	STARK INVESTMENTS LP	12,110,000	1.32%
2	AMARANTH	114,240,000	12.48%	19	SCHROEDERS	15,250,000	1.67%
3	BARCLAYS GLOBAL INVESTORS	110,920,000	12.12%	20	FIDELITY MANAGEMENT	10,730,000	1.17%
4	ELLINGTON CAP MGMT	75,870,000	8.29%	21	MKP MASTER FUND LDC	9,480,000	1.04%
5	MORGAN STANLEY ASSET MGMT	62,220,000	6.80%	22	GOLDMAN SACHS	9,110,000	1.00%
6	CITIGROUP GLOBAL MARKETS	54,000,000	5.90%	23	ING	6,000,000	0.66%
7	SALOMON BROS ASSET MGMT	40,520,000	4.43%	24	DILLON READ CAPITAL MGMT	5,880,000	0.64%
8	MKP CREDIT MASTER FUND LDC	35,390,000	3.87%	25	MARATHON ASSET MGMT CO	5,000,000	0.55%
9	MORGAN STANLEY & CO	31,980,000	3.49%	26	STRUC PORT MGT	5,000,000	0.55%
10	PIMCO (PACIFIC INVEST MGMT)	31,560,000	3.45%	27	UBS ASSET MGMT LTD	5,000,000	0.55%
11	STONE HARBOR	31,000,000	3.39%	28	BENEFICIAL LIFE INSURANCE	4,810,000	0.53%
12	FIDELITY CAP MKTS	25,070,000	2.74%	29	JP MORGAN SECURITIES	4,140,000	0.45%
13	SMITH BREEDEN	24,200,000	2.64%	30	STATE STREET GLOBAL	1,330,000	0.15%
14	DECLARATION MGMT & RESRCH	28,300,000	3.09%	31	AAMI	1,220,000	0.13%
15	CAPMARK	20,580,000	2.25%	32	BENEFICIAL LIFE	1,000,000	0.11%
16	US CENTRAL	15,000,000	1.64%	33	DELAWARE HB	50,000	0.01%
17	SMITH BREEDON ASSOCIATES	12,150,000	1.33%		Grand Total	927,170,000	100.00%

Subprime - Residual Creation

Subprime Residual Creation



Commentary on Market Activity

Investors have grown cautious in the subprime space and as a result the desk is struggling to sell residuals and NIG bonds. Subprime residuals have grown from nearly nothing to \$400m in one year, with \$965m having been sold to various buyers.

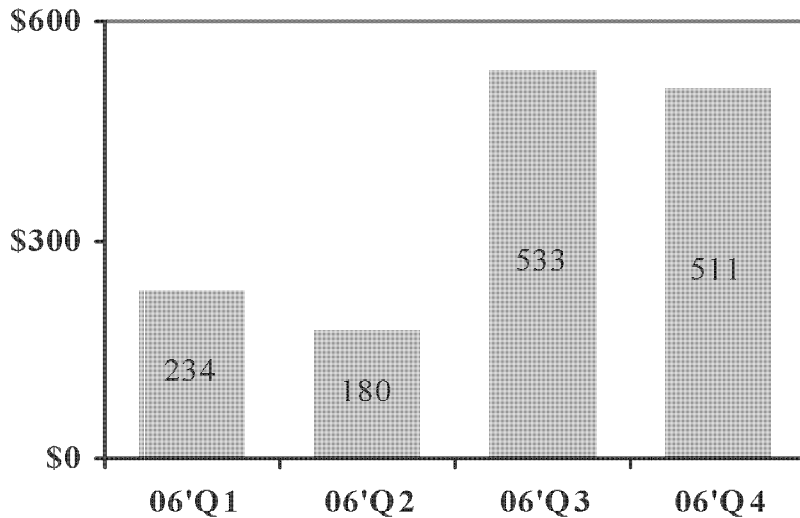
TOP 5 Residual Positions

Product	Description	Market Value	Position Age
Non-Prime	SASCO 2006-WF3 X	68,869,008	65
Non-Prime	SASC 2006-BC4 X	63,933,546	3
Non-Prime	FFML 2006-FFB B2	44,181,955	2
Non-Prime	LBSBC 2006-3 X	37,198,404	10
Non-Prime	SASC 2006-BC5 X	29,030,540	3

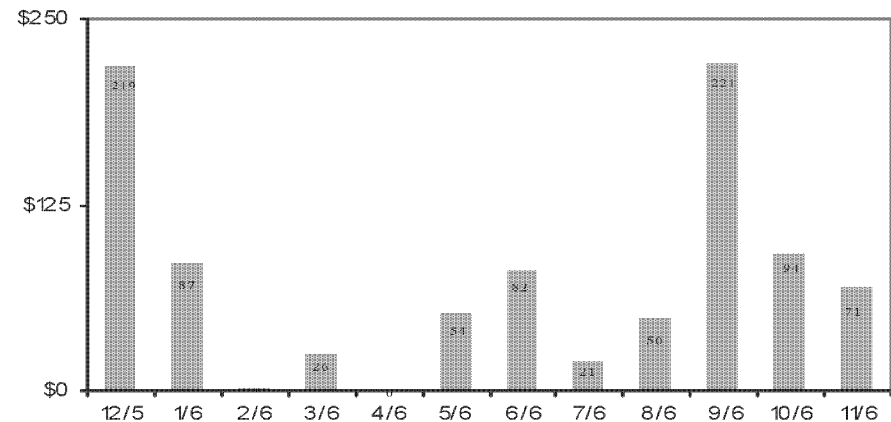
Balance Sheet Sensitivity

	90% * Loss	100% * Loss	110% * Loss
90% * speed	551,227,715	519,988,548	493,080,192
100% * speed	547,238,700	517,505,443	493,190,976
110% * speed	546,147,614	517,937,022	495,069,971

Subprime Residual Balances (\$M)



Monthly Subprime Residual Sales (\$M)



Product Control - Valuation Approach

Residual Certificates

- ◆ The residual valuation process is a mark to model process that looks to the economic value of the cash flows given a reasonable set of expectations about future collateral performance and a fair market rate of return.
- ◆ Deal assumptions are generally based on historical performance for specific collateral types and deal mechanics are run on Intex Desktop.
- ◆ Deals are valued using a matrix approach. The desk price must fall within a range bounded by stressing base prepayment and default assumptions up and down 10% using a current market discount rate.
- ◆ This matrix pricing is appropriate because of the uncertainty around collateral performance due to random factors, nuances specific to certain issuers and loan vintages of performance and collateral composition that varies from deal to deal.

Product Control - Valuation Approach

Net Interest Margin (NIM) Bonds

- ◆ All NIM bonds are valued using the LehmanLive Single Security Analysis tool.
- ◆ This tool was developed by Mortgage Research and is available to clients with access to LehmanLive.
- ◆ Prepayment and losses are model driven based on the collateral composition of the underlying deal.
- ◆ Valuation Control applies discount rates based on current market data

Product Control - Valuation Specifics for Subprime Residuals

- ◆ **The valuation process has recently been updated and now includes the use of collateral specific curves or vectors obtained from Loan Performance, Inc via LehmanLive.**
- ◆ **Subprime curves used are Conditional Prepayment Rate (CPR) and Conditional Loss Rate (CLR) for the following collateral types: Lehman, First Franklin, Wells Fargo or Market Average as is appropriate to the deal under review. A SASCO second lien curve is also used when applicable.**
- ◆ **All curves are by mortgage or amortization type fixed, floating and overall (used for hybrids).**
- ◆ **The current market discount rate is 18%. (The Desk also uses 18%)**

Product Control - Valuation Specifics for Option ARM Residuals

- ◆ Due to a lack of collateral performance, prepayment and loss curves were developed based on traditional Alt-A collateral performance with additional assumptions for the attributes of the negative amortization option affecting performance.
- ◆ Collateral specific prepayment curves based on the length of the prepayment penalty are utilized.
- ◆ Losses are set at a 25% premium to the traditional hybrid Alt-A ARM product rates due to the negative amortization option. Losses are around 75-85 bps.
- ◆ These assumptions were developed with the help of Research and are used by both the business and by PC for valuation.
- ◆ The desk sets their discount rate based on collateral trading levels. Product Control uses an 18% discount rate.

Product Control – Valuation Results Summary

- ◆ Overall, the Residual positions are marked conservatively and Product Control believes no valuation adjustment is required for the Subprime and Prime residual books at this time.
- ◆ For the NIM bonds, both the Subprime and the Prime desks have their books marked conservatively as compared to prices obtained from LehmanLive. No valuation adjustments are required at this time.
- ◆ The result of our findings are consistent with our general revenue recognition approach where less than 100% of deal revenue is recognized until the majority of the collateral risk is sold.

Retained Interest Pricing Summary

<u>Position</u>	<u>Book Value</u>	<u>PC Value</u>	<u>Difference</u>
Subprime Residuals	510,869,913	517,505,443	6,635,530
Subprime NIMs	686,081,080	719,096,723	33,015,643
	1,196,950,993	1,236,602,166	39,651,173
Prime Residuals	757,622,211	800,861,419	43,239,208
Prime NIMs	108,274,094	117,059,767	8,785,673
	865,896,305	917,921,186	52,024,881
Grand Total	2,062,847,298	2,154,523,352	91,676,054

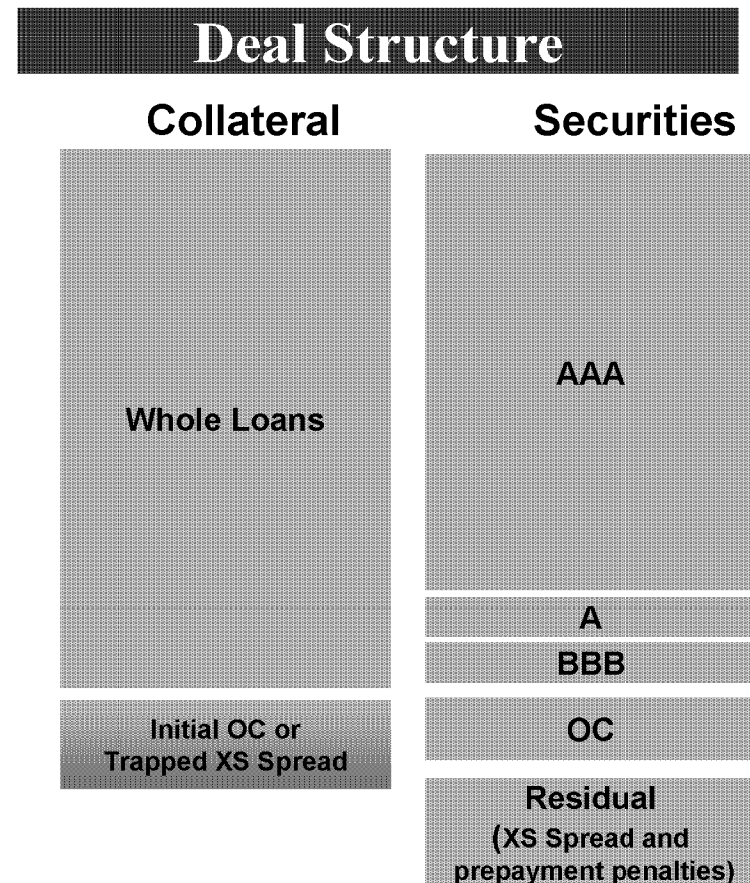
Conclusion and Product Control Next Steps

- ◆ The mortgage market faces several challenges with weaker home sales, lower home price appreciation and slower mortgage originations. The subprime market faces serious issues with collateral performance and the prime market is unsure about Option ARMs performance when the loan recasts. There is also concern about predatory lending practices.
- ◆ As a result investor interest in mortgage risk has ebbed and retained interests in our principal transactions have increased considerably.
- ◆ As such we can expect extra scrutiny from the analyst community, our auditors and our regulators about the growth in and the level of NIG RI.
- ◆ The desk is comfortable with this risk and is allocating more resources to the prime space and away from the subprime space.
- ◆ Product Control has instituted a more stringent price testing verification process and is comfortable that the retained interests are marked appropriately.
- ◆ Going forward, PC with the help from research and the desk is instituting a monitoring process for valuation assumptions and cash flows. This is required for the FAS-157 disclosure process.
- ◆ PC would also like to institute a formalized day one discovery process for new residual bookings to provide greater comfort with day one PnL calculation.

APPENDIX

Standard Securitization

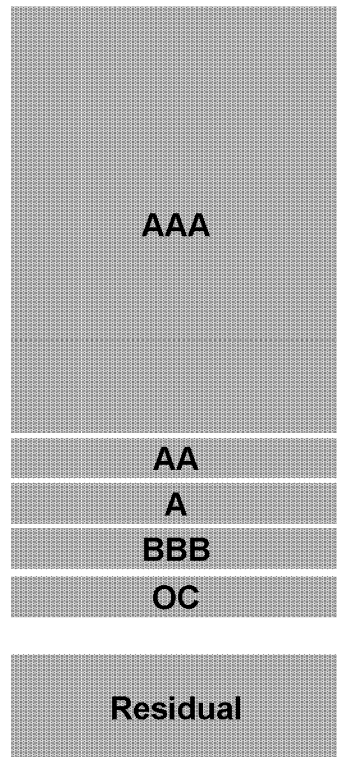
- ◆ **Securitization is the packaging of pools of loans or receivables with an appropriate level of credit enhancement and the redistribution of these packages to investors in the form of securities which are collateralized by the underlying pool and its associated income stream.**
- ◆ **Credit Enhancement is provided through various mechanisms: Senior / subordinate structure, Over collateralization (OC), Excess spread, Mortgage insurance, and Insurer's wrap.**



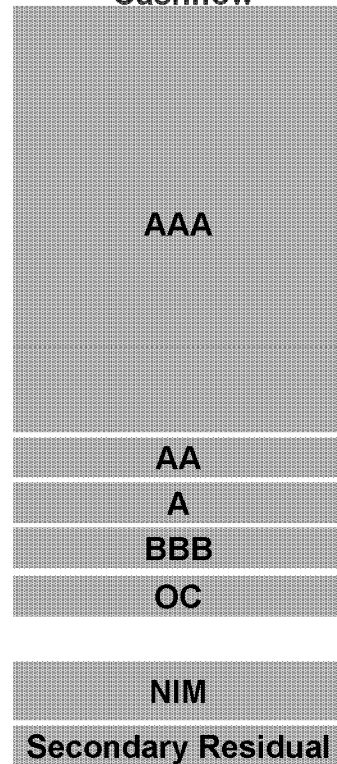
Net Interest Margin (NIM) - Securitization

In a NIM securitization certain residual cash flows (XS spread) are rated, capitalized, and issued as securities senior to the remaining residual cash flows.

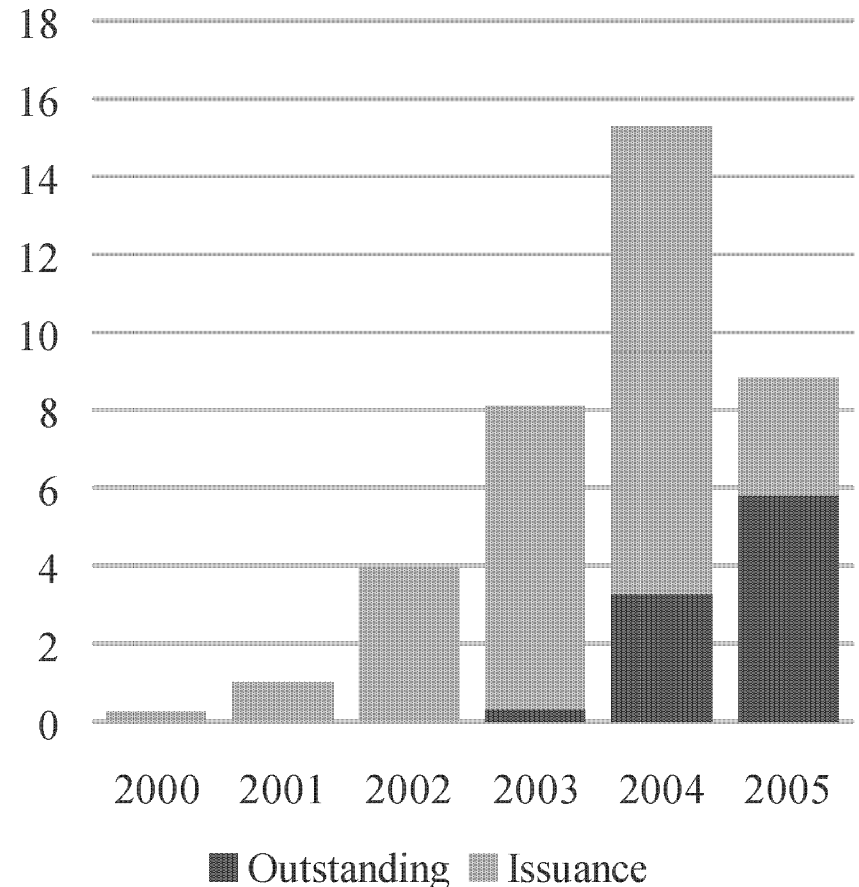
Issuer Can Sell/Retain Entire Residual



NIMs Represent the Front End of Residual Cashflow



NIM Outstanding/Issuance (B)



2005 NIM Issuance till October 2005

Source: An Introduction to Subprime MBS & Sail/BNC by Matt Miller & Akhil Mago

NIM Securitization - Continued

◆ In a NIM securitization certain residual cash flows (XS spread) are rated, capitalized, and issued as securities senior to the remaining residual cash flows.

◆ Cash flows included in a NIM securitization are generally those from early on in the deal; post build-up of the target Over Collateralization (OC) but pre-onset of collateral losses. Also the IO dollars are most abundant when the deal balance is largest.

◆ NIM securitization is a way to monetize the residual value and syndicate some of its risk. Given the rating agency's sizing of the NIM, risk transfer occurs only in the most severe loss scenarios.

◆ As a result NIM bonds have short waited average life (WAL) and are dependent on the timing of losses as much as the magnitude. Fast prepayments extend a NIM bond's WAL

◆ Post NIM issuance, a new leveraged residual is created, known as: Leveraged NIM, Baby NIM, Post NIM. The original residual is the collateral for the NIM issuance.

Deal Economics – Gain on Sale

Deal Sheet – LXS 06-17 November 06

Income	
Bond Proceeds	1,305,467,307
IO Proceeds	2,998,978
Accrued Interest	2,169,724
	<hr/>
	1,310,636,009
Expense	
Loan Pool Basis	1,340,917,340
Trapped Interest	8,124,486
SWAP Cost basis	0
	<hr/>
	1,349,041,826
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Cash Gain on Sale	(38,405,816)
Retained Interest	
Servicing Rights	5,200,731
Residual Classes	39,098,892
	<hr/>
	44,299,623
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Total Gain on Sale	<u>5,893,806</u>

Deal Sheet – SASCO 06-BC5 November 06

Income	
Bond Proceeds	777,107,158
IO Proceeds	0
Accrued Interest	600,575
	<hr/>
	777,707,733
Expense	
Loan Pool Basis	794,460,951
Trapped Interest	5,016,617
R-Class Reserve	243,414
SWAP Cost basis	1,356,000
	<hr/>
	801,076,982
<hr/>	
Cash Gain on Sale	(23,369,249)
Retained Interest	
Servicing Rights	2,469,039
Residual Classes	33,364,013
	<hr/>
	35,833,052
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Total Gain on Sale	<u>12,463,803</u>

Glossary of terms

- ◆ Over Collateralization (OC): The amount by which a Trust's collateral or asset balance exceeds its liabilities. OC can be funded at deal closing or built up over time by trapping excess interest in the deal.
- ◆ Retained interest (RI): An interest in a securitization retained by the issuer. Generally RIs are classified as investment grade (IG) or non investment grade (NIG). NIG RI are generally residuals, credit support bonds and NIM bonds.
- ◆ Option ARM: An adjustable rate mortgage (ARM) on which the interest rate adjusts monthly and the payment adjusts annually, with borrowers offered options on how large a payment they can make. The options include interest-only, and a "minimum" payment that may be less than the interest-only payment. The minimum payment option results in a growing loan balance, termed "negative amortization".
- ◆ Subprime: Generally first lien mortgage loans to Subprime borrowers. A traditional Subprime borrower has been delinquent on his housing payments at least once during the preceding year or has a FICO score below 620. Increasingly subprime loans are being issued to borrowers not because they have blemished credit but because they wish to obtain a loan they are not eligible for under prime lending guidelines.

ONE P&L

One P&L Global Summary

Summary Results - FY 2005, FY 2006 & 2007 Budget

Global

(\$ in 000s)	Americas			Europe			Asia			Global		
	FY 2005	FY 2006	2007 Bud	FY 2005	FY 2006	2007 Bud	FY 2005	FY 2006	2007 Bud	FY 2005	FY 2006	2007 Bud
Net Revenue	1,505,600	809,251	1,094,229	329,434	421,472	318,600	-	8,100	41,060	1,835,034	1,238,823	1,453,889
Compensation & Benefits	648,823	515,940	621,024	104,055	133,406	140,043	2,505	12,795	19,296	755,383	662,140	780,363
Non-Personnel Expenses	151,703	159,120	212,868	63,945	83,698	89,899	2,171	11,285	17,724	217,818	254,103	320,491
MCD Admin Expenses	44,504	51,686	36,900	13,845	11,288	10,500	-	1,499	7,200	58,349	64,473	54,600
Allocations	118,593	185,019	185,019	17,721	18,858	18,858	1,786	1,735	1,735	138,100	205,612	205,612
Total Expenses	963,622	911,765	1,055,811	199,566	247,249	259,300	6,461	27,314	45,954	1,169,649	1,186,328	1,361,065
Pre Tax Income	541,978	(102,513)	38,418	129,869	174,223	59,300	(6,461)	(19,214)	(4,894)	665,385	52,495	92,824
Pre Tax Margin	36.00%	-12.67%	3.51%	39.42%	41.34%	18.61%	0.00%	-237.21%	-11.92%	36.26%	4.24%	6.38%

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Footnotes:

1) 2005 actual expenses are allocated from the trading desk into One P&L using the 2006 time allocation methodology.

Global Revenue Summary – Weekly

One P&L
(\$ in 000s)

Global Weekly Revenue Summary

For the Week Ending 01/11/07

		Originations		Servicing		Master Servicing		Total One P&L	
		Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
One P&L (A + B)	Aurora Loans Services	3,506	7,889	1,253	1,589	1,179	1,147	5,938	10,625
	BNC Mortgages	2,348	5,786	-	-	-	-	2,348	5,786
	Small Business Finance	1,193	2,553	-	85	-	-	1,193	2,638
	Campus Door	674	736	-	-	-	-	674	736
	Capital Crossing	-	1,329	-	-	-	-	-	1,329
	Total Americas	7,722	18,294	1,253	1,674	1,179	1,147	10,153	21,116
	UK Platforms	693	4,714	-	718	-	-	693	5,433
	ELQ	-	889	-	-	-	-	-	889
	Total Europe	693	5,603	-	718	-	-	693	6,321
	Libertus	62	473	-	(14)	-	-	62	459
KCM	9	351	-	5	-	-	9	356	
Total Asia	72	824	-	(9)	-	-	72	815	
Total	8,486	24,721	1,253	2,383	1,179	1,147	10,918	28,252	
Operating Company (A)	Aurora Loans Services	4,209	5,686	1,253	1,589	1,179	1,147	6,640	8,423
	BNC Mortgages	2,442	5,072	-	-	-	-	2,442	5,072
	Small Business Finance	1,206	2,474	-	85	-	-	1,206	2,559
	Campus Door	564	736	-	-	-	-	564	736
	Capital Crossing	-	1,329	-	-	-	-	-	1,329
	Total Americas	8,420	15,298	1,253	1,674	1,179	1,147	10,852	18,120
	UK Platforms	693	4,437	-	718	-	-	693	5,155
	ELQ	-	889	-	-	-	-	-	889
	Total Europe	693	5,325	-	718	-	-	693	6,044
	Libertus	62	473	-	(14)	-	-	62	459
KCM	9	351	-	5	-	-	9	356	
Total Asia	72	824	-	(9)	-	-	72	815	
Total	9,185	21,447	1,253	2,383	1,179	1,147	11,616	24,978	
Trading Desk (B)	Aurora Loans Services	(702)	2,202	-	-	-	-	(702)	2,202
	BNC Mortgages	(93)	714	-	-	-	-	(93)	714
	Small Business Finance	(13)	79	-	-	-	-	(13)	79
	Campus Door	110	-	-	-	-	-	110	-
	Capital Crossing	-	-	-	-	-	-	-	-
	Total Americas	(699)	2,996	-	-	-	-	(699)	2,996
	UK Platforms	-	278	-	-	-	-	-	278
	ELQ	-	-	-	-	-	-	-	-
	Total Europe	-	278	-	-	-	-	-	278
	Libertus	-	-	-	-	-	-	-	-
KCM	-	-	-	-	-	-	-	-	
Total Asia	-	-	-	-	-	-	-	-	
Total	(699)	3,274	-	-	-	-	(699)	3,274	

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Global Revenue Summary – Year to Date

One P&L
(\$ in 000s)

Global Year to Date Revenue Summary

January YTD

One P&L (A + B)		Originations		Servicing		Master Servicing		Total One P&L	
		Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	Aurora Loans Services	20,402	44,176	7,530	8,898	6,461	6,426	34,393	59,500
	BNC Mortgages	12,300	32,404	-	-	-	-	12,300	32,404
	Small Business Finance	7,058	14,297	-	478	-	-	7,058	14,775
	Campus Door	1,941	4,124	-	-	-	-	1,941	4,124
	Capital Crossing	-	7,444	-	-	-	-	-	7,444
	Total Americas	41,701	102,446	7,530	9,376	6,461	6,426	55,692	118,248
	UK Platforms	8,206	26,400	1,401	4,022	-	-	9,607	30,422
	ELQ	-	4,978	-	-	-	-	-	4,978
	Total Europe	8,206	31,378	1,401	4,022	-	-	9,607	35,400
	Libertus	476	2,650	-	(79)	-	-	476	2,571
	KCM	(342)	1,963	-	28	-	-	(342)	1,991
	Total Asia	134	4,613	-	(51)	-	-	134	4,562
	Total	50,040	138,438	8,931	13,347	6,461	6,426	65,432	158,210
Operating Company (A)	Aurora Loans Services	23,067	31,843	6,865	8,898	6,461	6,426	36,393	47,167
	BNC Mortgages	6,169	28,404	-	-	-	-	6,169	28,404
	Small Business Finance	7,121	13,853	-	478	-	-	7,121	14,331
	Campus Door	1,539	4,124	-	-	-	-	1,539	4,124
	Capital Crossing	-	7,444	-	-	-	-	-	7,444
	Total Americas	37,896	85,669	6,865	9,376	6,461	6,426	51,222	101,470
	UK Platforms	8,206	24,844	1,401	4,022	-	-	9,607	28,867
	ELQ	-	4,978	-	-	-	-	-	4,978
	Total Europe	8,206	29,822	1,401	4,022	-	-	9,607	33,844
	Libertus	476	2,650	-	(79)	-	-	476	2,571
	KCM	(342)	1,963	-	28	-	-	(342)	1,991
	Total Asia	134	4,613	-	(51)	-	-	134	4,562
	Total Operating Company	46,235	120,104	8,266	13,347	6,461	6,426	60,963	139,877
Trading Desk (B)	Aurora Loans Services	(2,665)	12,333	665	-	-	-	(2,000)	12,333
	BNC Mortgages	6,131	4,000	-	-	-	-	6,131	4,000
	Small Business Finance	(63)	444	-	-	-	-	(63)	444
	Campus Door	402	-	-	-	-	-	402	-
	Capital Crossing	-	-	-	-	-	-	-	-
	Total Americas	3,805	16,778	665	-	-	-	4,470	16,778
	UK Platforms	-	1,556	-	-	-	-	-	1,556
	ELQ	-	-	-	-	-	-	-	-
	Total Europe	-	1,556	-	-	-	-	-	1,556
	Libertus	-	-	-	-	-	-	-	-
	KCM	-	-	-	-	-	-	-	-
	Total Asia	-	-	-	-	-	-	-	-
	Total Trading Desk	3,805	18,333	665	-	-	-	4,470	18,333

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