Walkthrough Template

Entity	Lehman Brothers Holdings Inc.	Workpaper Ref.	**B36.Memo**
Subsidiary or Division	Mortgage Capital	Prepared by	Wally Wych
Financial Statement Date	11/30/2008	Reviewed by	Jackson Cheung

Significant Class of Transactions/Process name: {B36} RWL Price Verification

This template assists in our documentation of walkthroughs under S04 Perform Walkthroughs of the *EY Global Audit Methodology* (*EY GAM*).

S03 Understand Flows of Transactions, WCGWs, and Controls of *EY GAM* requires us to gain an understanding of the flow of transactions within significant processes and the sources and preparation of information in sufficient detail for the purpose of:

- Identifying the types of errors that have the potential to materially affect relevant financial statement assertions related to significant accounts and disclosures
- When appropriate, identifying controls that are effective and sufficiently sensitive to prevent or detect and correct material misstatements in the related relevant financial statement assertion

S04 Perform Walkthroughs of *EY GAM* requires that we perform a walkthrough for each significant class of transactions within significant processes, including the sub-processes of the Financial Statement Close Process ("FSCP") and sources and preparation of information resulting in significant disclosures. The nature and extent of our walkthrough procedures will vary depending on our strategy relating to reliance on controls and the complexity of the process.

We obtain an understanding of and document the significant flows of transactions and sources and preparation of information prior to completing our walkthrough procedures. This documentation may exist in our current year or permanent files and is typically carried forward from year to year and updated as appropriate. If the client has sufficient documentation of the flow of transactions or sources and preparation of information, we examine and, as appropriate, retain copies of the client's documentation in our current year or permanent files rather than preparing our own documentation.

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For all audits regardless of our strategy (Controls Strategy or Substantive Strategy), we perform walkthroughs to achieve the following objectives:

- Confirm our understanding, as identified in our process documentation, of the flow of significant classes of transactions within significant processes or sources and preparation of information resulting in significant disclosures, including how these transactions are initiated, authorized, recorded, processed and reported: and
- Verify that we have identified the appropriate "what could go wrongs" (WCGWs) that have the potential to materially affect relevant financial statement assertions related to significant accounts and disclosures within each significant class of transactions.

Additionally, when we plan to assess control risk below maximum (Controls Strategy), or for significant risks or risks for which substantive procedures alone do not provide sufficient evidence, we perform walkthroughs to achieve each of the objectives noted above, as well as the following objective with respect to the design and implementation of controls:

- Confirm our understanding of:
    - The accuracy of information we have obtained about identified controls over the flow of significant classes of transactions,
    - Whether the controls are effectively designed to prevent, or detect and correct material misstatements on a timely basis, and
    - Whether the controls have been placed into operation.

When performing our walkthrough procedures we focus on the critical path in the process where transactions are initiated, authorized, recorded, processed and ultimately reported in the general ledger (or serve as the basis for disclosures). In particular, we focus attention on the points where data is, or should be captured, transferred, or modified as these are the points where misstatements might be most likely to occur. Our walkthrough includes both the manual and automated steps of the process and we use the same source documents and information technology that client personnel typically would use. When the client's IT environment is complex, we work with TSRS (IT professionals) to the extent necessary to walk through the automated aspects of the flow of transactions or sources and preparation of information and if applicable, related controls.

This template assists in our documentation of walkthroughs and its use is highly encouraged. It is divided into three sections.

Section 1: Walkthrough Procedures

Section 2: Other Matters—Segregation of Incompatible Duties and Management Override of Controls

Section 3: Conclusion

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Section 1: Walkthrough Procedures

Performance Guidance

S04_Perform Walkthroughs of *EY GAM* provides detailed guidance on performing walkthroughs. Teams may find S04_Exhibit 1 Perform Walkthroughs of *EY GAM* particularly helpful when executing our walkthrough procedures.

When we have decided to use the Substantive Strategy (i.e., assess control risk at the maximum), we limit our walkthrough to the relevant processing procedures needed to confirm our understanding of the flow of transactions or the sources and preparation of information resulting in significant disclosures.

For each walkthrough, we are required to document the following items:

- The transaction selected for walkthrough (Substantive and Controls Strategy);
- Individual(s) with whom we confirmed our understanding (Substantive and Controls Strategy);
- Description of the walkthrough procedures performed (Substantive and Controls Strategy); and
- Description of the walkthrough procedures performed to confirm our understanding of the design of the manual, IT-dependent manual and application controls on which we plan to test and rely upon and that such controls have been placed into operation (Controls Strategy only).

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Documentation of Walkthrough Procedures Performed

Transaction selected for walkthrough (Substantive and Controls Strategy):	Residential Whole Loans FHA/VA and Subprime as of 3/31/08
Individual(s) we talked with to confirm our understanding (Substantive and Controls Strategy):	Joe Sapia, VP Product Control

Confirming our Understanding of the Flows of Significant Transactions (Substantive and Controls Strategy)

Describe the walkthrough procedures performed, addressing the points at which the transactions are initiated, authorized, recorded, processed, and ultimately reported in the general ledger (or serve as the basis for disclosures), including both the manual and automated steps of the process. For sources and preparation of information resulting in significant disclosures, describe the procedures performed to confirm our understanding of the process and sources of information management uses to generate significant disclosures. We document whether processing procedures are performed as originally understood and in a timely manner.

While performing the walkthrough, we ask probing questions about the client's processes and procedures and related controls to gain a sufficient understanding to be able to identify important points at which a necessary control is missing or not designed effectively. For example, our follow-up inquiries might include asking personnel what they do when they encounter errors, the types of errors they have encountered, what happened as a result of finding errors, and how the errors were resolved. We might also question client personnel as to whether they have ever been asked to override the process or controls, and if so, to describe the situation, why it occurred, and what happened. Our inquiries also should include follow-up questions that could help identify the abuse or override of controls, or indicators of fraud.

EY auditors met with Joseph Sapia, Mortgage Product Control, to update our understanding of the price verification process for Residential Whole Loans. [Please note that monthly procedures for the pricing are detailed in the Mortgage Pricing Policy & Procedures at **B36.A**).

Price transparency does not exist for whole loans. The exit strategy of the whole loans purchased by Lehman is securitization, agency delivery and sales. Stemming from this concept, the whole loans in inventory is price verified using a few different methodologies which include Mock Securitization, Agency Conforming, and recent sales prices.

(**Note:** Due to the recent market and credit conditions in FY 2008, EY noted that in the test of control procedures in Q2 2008, the price verification methodologies on Residential Whole Loans mainly stems on recent sale prices instead of the mock securitization methodology as outlined below. This is consistent with our understanding as there are minimal securitization activities since Q1 2008. Despite the different methodology used, the key processes and controls remain to be the same, as such, no additional walkthrough was performed on the Q2 2008 files.)

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Mock Securitization

The Mock Securitization model can be run using two pricing methodologies. The first is the **PnL** experience of the last securitization. The second is using the **Levels** approach where average inventory bond prices are applied to a subordination structure.

The RWL price verification steps are outlined below:

1. RWL positions in Quest are reconciled to Whole Loan Tracking (WLT) for completeness of pricing population. (**B36.1**)
2. Product Control prepares the pricing files for each Collateral Type. (**B36.2,3**)
3. List of recently closed Lehman shelf deals is obtained. Deal P&L sheet for the most recent deals to be used in the model are obtained from Middle Office.
4. Product Control price tests the securitizable inventory using the Mock Model, Levels Model, Agency Conforming, or Sales Approach.
5. Product Control price tests Foreclosures & REO using appraised values less foreclosure costs (**B36.2**).
6. Product Control price tests non-securitizable products (SBA, repurchased, etc) using a haircut market price (**B36.2**).
7. Product Control follows up with Front Office to discuss/consider pricing variances over tolerances. Product Control summarizes all findings as a result of price verification procedures and prepares a pricing package which is reviewed by senior management on a quarterly basis. (**B36.6**).

Step 1 - RWL positions in Quest are reconciled to Whole Loan Tracking (WLT) for completeness of pricing population.

The price verification for residential whole loans ("RWL") starts with a download of all RWL positions from Quest. **{B36} The population of positions in the pricing file is reconciled to Quest to ensure completeness of the positions being price verified**. Any differences are resolved appropriately.

Step 2. Product Control prepares the pricing files for each Collateral Type (EY chose two collateral types for walkthrough purposes* - B36.2 -B36.3*)

Creating the Pricing File

Product control creates Whole Loans Population file by copying and pasting the "Whole Loans" tab of the "Pricing file" into a new file called "Whole Loan Population." The record count, total UPB and total MV are checked against the Pricing File to ensure completeness and accuracy of the Whole Loan Population file.

Under the Mock Securitization Model, the whole loan population is split into the following categories based on the whole loan's characteristics (which is identified through their respective profit centers and trader information). Each type is tested based on the applicable Securitization

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Shelf Names indicated for each category.

Categories	Securitization Shelf Name
FHA/VA	**SASCO Year - #RF**
High LTV	**SASCO Year - #H**
Home Express	**Discontinued securitization as exit strategy**
Neg Am – Negative Amort	**LXS Year - #N**
Prime Fixed	**LXS Year - #**
Prime Hybrid Arms	**SARM Year - #**
Reverse Mortgage	**SASCO Year – RM#**
SBF – Small Business Finance	**LBSBC Year - #**
SBA Non-performing	**Not securitized**
Scratch & Dent	**SASCO Year – GEL#**
Sub Prime	**SAIL Year - #**
Sub Prime Seconds	**SAIL: Year - #S**
Pipelines	***variety of deal structures listed above***

Pipelines are price verified separately; see workpapers **B40** related to pipelines for further details.

Each collateral class has a specific deal structure or Lehman shelf securitization. Year indicates the calendar year of issuance and # indicates the chronological order of deal issued off that shelf during the calendar year. All categories listed above, except for SBA Non-performing and Home Express, are tested via the Mock Securitization model. (As mentioned in a Note above, not all shelves are price verified using the mock securitization model anymore due to the current market conditions.) A file for each type listed above is created.

Essential to the price verification of whole loans, is the categorization of its performance. A file containing loan level performance information for each MTS code is provided by Aurora Loan Servicing (ALS) and aging information is provided by the Business Support and Analysis group. This information is divided into three categories, 1) legal status, 2) days delinquent, and 3) days aged. Legal status indicates if a loan is in bankruptcy, foreclosure or REO. In addition current appraisal information is also received from ALS. This information is pasted as a tab labeled "MTS" into the Whole Loan Population file. Product Control also obtains an estimate of the costs related to foreclosures and REO, this information is "FC-REO" and lists the estimated foreclosure/REO costs depending on which state the collateral is located.

After preparing the respective files for each of the whole loan category mentioned earlier, a "Summary" file is created linking the data from the spreadsheet for each type to ensure that the total UPB and Market Value of the whole loan population were included in the tested analysis.

Not all whole loans meet the requirements of a securitization. In order to identify the whole loan inventory deemed securitizable, whole loans that can not be securitized must be identified. These non-securitizable loans include foreclosures, REO and delinquent loans. The VLookup

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function in Excel is utilized to populate the appropriate performance data from MTS to the positions in each whole loan type. The whole loans are then divided by legal status, performance, status and age.
Once this data has been updated, algorithms in the Excel spreadsheet total the positions up into one of these categories and the loans are price tested as follows:

Non-Securitizable – Loans are tested using the average appraisal values of those loans in foreclosure and/or REO which are less than 100% of the loan balance. If there are no foreclosed or REO loans in the specific population being tested, the average appraisal value under 100% of a similar collateral type will be used (Prime, Neg AM, Prime Hybrid ARMs could utilize the same value). Please note the non-securitizable loans under FHA/VA are priced differently. Please refer to Step 5 below for further details.

The Securitizable positions are price tested using the Mock Model.

Step 3- List of recently closed Lehman shelf deals is obtained. Deal P&L sheet for the most recent deals to be used in the model are obtained from Middle Office.

In preparation for the monthly price verification, during the last week of the month, Product Control begins to compile the Deal P&L Sheets for those deals that are closing for the valuation period (generally from the first day of the current quarter to the current mark date) (i.e. for the 4/30 valuation, deals that closed from 3/1 to 4/30 will be listed.) The Deal P&L Sheets are utilized by the P&L Management group as an aid in the reconciliation of flashed deal P&L and are incorporated into the price verification process for whole loans. The compilation of the Deal P&L Sheets ensures that the exit spread that will be utilized for whole loan testing is a reasonable measure, since it has been validated by a variety of support systems and to Lehman's books and records. Product Control uses the data from the most recent deal in the list in Deal P&L sheet in its current period valuation.

The Deal P&L sheets consist of a description of the securities created with relevant information such as tranche type, current face, market price, unpaid balance (UPB), number of loans in deal, weighted average coupon, cost of loans, trapped interest and any other expenses. Since the Deal Sheets are utilized to reconcile deal reserves and P&L flashed, transaction specific deal information is traced back to Whole Loan Tracking, MTS and Gquest. The tracing of this data is evidenced by saving print screens from appropriate systems to support price testing done on the Deal P&L Sheets. These print screens include a copy of the wire into the issuing trust of the Whole Loan, copies of MTS trade detail of any securities that sold prior to closing as support of the market price and copies of inventory mark as per Gquest for those tranches without a sale price.

In addition to the information listed above, a copy of the mid office deal P&L estimate work sheet (referred to as "Mid-Office Sheet") is also pasted into the Deal P&L Sheet.
Based on the type of whole loans being tested, a copy of the applicable Deal PnL Sheet is pasted as a tab into each type file. Generally, the most recent securitization is utilized. In some cases

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Deal PnL Sheets from securitizations that closed a year ago could be used. This may be the best estimate available for testing.

Step 4 - Product Control price tests the securitizable inventory using the Mock Model or Levels approach.

The **Mock Model** Approach:

The concept behind the Mock Model is to price test the positions utilizing the PnL from the last securitization and adjusting for the change in the WAC and Duration from the securitization date to valuation date.

In order to calculate the WAC and Duration adjustments the Model is updated with the treasury rate and corresponding PV01 amount for the applicable valuation period. This information is obtained from the USD_Close_Text1 spreadsheet that is e-mailed to FID NY Close from the Fixed Income - Interest Rate Products - Derivatives Trading Desk on a daily basis.

Where applicable, the "FNMA 30Yr Hedge Ratio" for 4.5, 5, 5.5, 6 and 6.5 coupons is updated. The hedge ratios are obtained by running the Fixed Rate TBA report from the Pricing Report section of the US MBS page found on LehmanLive.

Securitizable Population:
Using SBF Pricing File (**B36.5**) as reference, this section explains how the securitizable population is price verified via the mock model. Note that the recent sales approach was used in this model for 3/31/08 procedures, and is mentioned here only for explanation purposes, as the mock securitization tab is included from a prior month.

For the 3/31/08 Price Verification procedures, the PnL sheet from LBSBC 2007-1 was used (**1/** "MOCK"). Product Control performs the analysis on **2/**, entitled "SBF."
On the "SBF" tab, PC uses the exit price from the comparable deal, and then adjusts for the Price Impact of WAC Difference and Duration adjustment, to arrive at the Adjusted Mock Securitization Exit Price. Both adjustments are calculated as follows:

The **"Price Impact of WAC difference"** :

(WAC Difference / 100) * (PV01 * Interpolated Hedge ratio)

WAC Difference – This is the difference between the WAC from the Deal P&L Sheet (benchmark WAC used based on prior deals) and the WAC of the securitizable population (WAC from current inventory population). The WAC difference is converted and expressed into a price by multiplying it to the appropriate PV01 factor as adjusted by the interpolated hedge ratio.

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PV01 - This information is obtained from the **USD_Close_Text1** spreadsheet that is e-mailed to FID NY Close from the Fixed Income - Interest Rate Products - Derivatives Trading Desk on a daily basis.

Interpolated Hedge Ratio – The hedge ratios are obtained by running the Fixed Rate TBA report from the Pricing Report section of the US MBS page found on LehmanLive. Per Joseph Sapia, this ratio compares the value of Lehman's position protected via a hedge with the size of the entire position itself. This ratio is important to Lehman as it helps to identify and minimize basis risks. Applying the slope/Y intercept formulas to the hedge ratios produces the interpolated hedge ratio. This ratio is published by the Lehman Research Group which also works independent of Front Office.

The "**Interest rate Duration Adjustment**":

(PV01) * (Change in Note / 100)

PV01 – See above for definition.

Change in Note – This is the difference in the treasury rate yield from the last pricing/valuation date. The change in the two rates is calculated and expressed in basis points. (NOTE: If a securitization was done during the valuation period no duration adjustment is necessary). The treasury rate yield is also obtained from the rom the **USD_Close_Text1** spreadsheet.

The Original Securitizable WL Population Price is calculated by dividing the Securitizable Population Inventory Value by the UPB of that same population, multiplied by 100.

The Estimated Market Price for this particular analysis is input by PC based on a recent transaction involving Park National Bank 2008-1 on 2/28/08. Usually, the Estimated Market Price is calculated by adjusting the Original Securitizable WL Population Price by the Variance between the PnL on the last deal and the current deal divided by 100.

The variance in BPS is then calculated by subtracting the Gain/Loss on Securitizable Inventory (calculated on the MOCK tab using the current population) by the Gain/Loss on the Last Deal (already calculated on the MOCK tab pertaining to the SASCO 2007-GEL2 deal).

The variances in Securitzable, Foreclosed, REO, and Non-Securitizable Inventory are then calculated by the difference between the Inventory Value and the Price Tested Market Value {(UPB of the specific inventory type * Estimated Market Price)/100}.

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The **Levels** Approach:

The Levels model (**B36.3**) utilizes a subordination structure similar to that used by the rating agencies. Based on the specific collateral type a structure is created to determine what the percentage of each rating category (AAA to Residual and Servicing) would result if a securitization was created.

The average inventory marks are used to value each rating category. The average marks are collateral specific and are calculated using the Balance Sheet Matrix.

Agency Conforming/Deliverable:

Due to recent agency sales and deliverable loans to third parties, Product Control also analyzes the populations to determine if any of the loans are Agency Confirming or Deliverable.
The population is sent to the Mortgage Transaction Management Team and they run it through the Agency Conforming model. They return the file to Product Control updated with loan specific conforming and deliverability indicators that highlight the eligibility of each loan. Those loans are carved out and priced based on the last agency delivery price. In addition, whole loan sales are reviewed and any loans that fit the criteria of a recent sale are priced using the sales price. This price is then used as the Estimated Market Price in the Model.

Step 5: Product Control price tests Foreclosures & REO using appraised values less foreclosure costs

Price testing for whole loans that are for foreclosure or REOs is performed by taking the difference between the Foreclosed Inventory Market Value and the Price Tested Market Value. Except for the FHA/VHA category, foreclosures/REO are marked at appraised value provided by ALS less REO expenses. Whole loans categorized as FHA/VHA type are typically marked using a pricing range of 97 to par.

Step 6: Product Control price tests non-securitizable products (SBA, repurchased, etc) using a haircut market price

The Non-Securitizable (which excludes Foreclosed and REO) population is price verified based on a haircut adjustment. The UPB of the population is categorized according to Days Delinquent. The Estimated Market Price calculated (or in this case input) above is adjusted for a haircut before being applied to the UPB of the specific category.

The total market value calculated by Product Control (securitizable plus non non-securitizable) is compared to the inventory values and prices and the variances in both are calculated.

Generally, Product Control is comfortable using a default amount of plus or minus 3.0 percent variance. In some instances the testing of whole loans may exceed this tolerance magnitude. Market conditions drive what the tolerance levels are for whole loans. The whole loan testing

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as a whole is reviewed with senior management to determine if any next steps need to be taken with the traders.

Step 7 - Product Control follows up with Front Office to discuss/consider pricing variances over tolerances. Product Control summarizes all findings as a result of price verification procedures and prepares a pricing package which is reviewed by senior management. (B36.6).

Once the verification is completed, the results of the testing are categorized and are reflected in the "Tolerance" column of the Summary tab of the Whole Loan Pricing File. Any remaining NPA positions will be reviewed and alternative testing is determined. Research is performed for those positions that are deemed to have "Failed" the testing. Product Control will then contact the trader to discuss the pricing of the position and a determination will be made as to re-marking.

Given the collateral type and exit strategy of the whole loans, the tolerance level has been set at the default amount of plus or minus 3.0 percent variance. In some instances the testing of whole loans may exceed this tolerance magnitude.

In the instances where the pricing variance is outside of the tolerable range, the issue is raised to the trader who owns the position. Trading and Product Control will review the different marks along with the methodologies and assumptions used to obtain. As a result of this discovery process Product Control can either revise its mark based on information the Trader has provided, withdraw his request for a remark (tolerances outside of the acceptable range are explained and footnoted in the WL Summary File), or request that the trader remark his position. If the Trader does not accept Product Control's conclusion that a position be remarked then the issue will be raised to senior Product Control and Trading management.

Per Product Control, the results of Product Control's Price Verification valuations may produce variances between inventory marks and price verified marks that are not taken as mark to market adjustments because the trigger event has not taken place yet. The trigger event for recognition of mark-up of the loans for P&L occurs when loans have been actually securitized. (Note that current pricing methodology or mock securitization only represents the forecasted securitization gain/loss that would be recognized today if the loans were securitized at their current carrying value as of the pricing date). Instead, variances between traders' marks and Product Control are caused by judgmental differences and do not necessarily mean that the marks resulting from Product Control price verification impacts the book value of RWL in Quest.

Product Controls use of the last securitization deal for a given asset category is considered indicative of the current inventory for the following reasons:

1. Similar Collateral - While the composition of loans (LTV, FICO, documentation type), may not match exactly, in general the loans are purchased or underwritten to the same Lehman product guidelines.

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2. The deals of the same collateral type will be issued from the same registration shelf and placed in the same deal series. To investors, this signals that the deals are of the same type or brand and thus investors look at the deals in a similar fashion.

3. The prior deal's execution is an observable, verifiable market event that sets a precedent to market levels for a given branded offering.

Also as part of the monthly review process, Product Control ensures that the potential P&L effect from the securitization of deal is within reasonable range of the spreads from prior securitization deals and 3 month average.

As part of the walkthrough, EY obtained monthly pricing package which details entire whole loan population that is price verified by Product Control, and selected two collateral types to walkthrough the process.

Confirming our Understanding of Controls (Controls Strategy)

Describe the walkthrough procedures to confirm our understanding of the design of the controls and that they have been placed into operation. As we walkthrough the prescribed procedures and controls, we should ask personnel to describe their understanding of the control activities and demonstrate how they are performed. We keep in mind that controls may be manual, automated, or a combination of both. Application controls are fully automated controls that apply to the processing of individual transactions. IT-dependent manual controls are dependent upon complete and accurate IT processing to be fully effective.

{B36} - Population of positions in pricing file is reconciled to Quest to ensure completeness of positions being price verified.	
• Select one security and agree from the pricing file to an independent Quest download	**B36.3 5/** Subprime Pricing
{B36} RWL - Product Control performs monthly price verification procedures for whole loans population.	
• Obtain pricing file and tie out individual security tabs to the pricing summary for each type of price verification method (Mock Securitization, Levels, Sales). • Recalculate market value and variances between trader's price and Product Control Price.	**B36.1** RWL Pricing Summary 3-31-2008 **B36.2** FHA/VA Pricing 3/31/08 **B36.3** Subprime Pricing 3/31/08 **B36.3a** Subprime Mock Structure Intex Support **B36.4** Balance Sheet Matrix 3-31-08 **B36.5** SBF Pricing 3/31/08
{B36} – Product Control summarizes all findings as a result of price verification procedures and prepares a pricing package which is reviewed by senior management	

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• Obtain Product Control's Quarterly FID Pricing Package that is presented to Sr. Management.	**B36.6** May 2008 – FID Pricing Package

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Section 2: Other Matters—Segregation of Incompatible Duties and Management Override of Controls

Segregation of Incompatible Duties

S03 Understand Flows of Transactions and WCGWs of *EY GAM* requires that we assess the extent to which significant weaknesses in the proper segregation of incompatible duties could increase the likelihood of material misstatements in account balances. Inadequate segregation of incompatible duties also may reduce or eliminate the design effectiveness of a control. Accordingly, we consider whether those individuals performing the procedures and controls observed as part of our walkthrough procedures have any conflicting duties and whether any potential conflicting duties have been addressed in the design of the procedures and controls.

Our considerations related to segregation of duties as part of our walkthrough procedures are documented below:

<table>
<tr><td>Was anything noted in our walkthrough procedures that would indicate there are incompatible duties?</td><td colspan="2">Yes/No
No</td></tr>
<tr><td rowspan="2">If we answered "Yes" to the above:
• Do the incompatible duties represent a deficiency in the design of controls that is not sufficiently mitigated by other management actions or controls that have been identified (Substantive and Controls Strategy) and tested (Controls Strategy)?</td><td>Yes/No</td><td>Additional Observations</td></tr>
<tr><td>n/a</td><td></td></tr>
<tr><td>If we answered "Yes" to both of the above questions, provide further documentation and the related effect on our audit strategy.</td><td colspan="2">n/a</td></tr>
</table>

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Management Override of Controls

S04_Perform Walkthroughs of *EY GAM* requires that we consider whether the results of our inquiries or other evidence obtained during our walkthroughs provides information regarding the possibility of management override of controls or indicators of fraud. The potential for management override of controls is one of the factors that can influence our evaluation of controls, including the effectiveness of internal control at the entity level.

Our considerations related to management override of controls as part of our walkthrough procedures are documented below:

<table>
<tr><td>Was anything noted in our walkthrough of controls that indicate the potential for management override of controls or that such override may have occurred?</td><td colspan="2">Yes/No
No</td></tr>
<tr><td rowspan="2">If we answered “Yes” to the above:
• Does the potential for management override of controls represent a deficiency in the design of controls that is not sufficiently mitigated by management actions or controls that have been identified (Substantive and Controls Strategy) and tested (Controls Strategy)?</td><td>Yes/No</td><td>Additional Observations</td></tr>
<tr><td>n/a</td><td></td></tr>
<tr><td>If we answered “Yes” to both of the above questions, provide further documentation and the related effect on our audit strategy.</td><td colspan="2">n/a</td></tr>
</table>

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Section 3: Conclusion

At the completion of our walkthrough procedures, we reach a conclusion on whether our results confirmed our understanding of the flow of transactions or sources and preparation of information. Additionally, if we planned to assess control risk at less than the maximum, we are performing an integrated audit, or the class of transactions contains a significant risk, we reach a conclusion on whether our results confirmed our understanding of whether the controls have been implemented and whether the controls have been designed effectively to prevent or detect and correct material misstatements on a timely basis.

If we are unable to conclude that controls are effectively designed and have been implemented, we may need to reassess our strategy decision (i.e., Controls Strategy v. Substantive Strategy) at the significant class of transactions level and reassess our evaluation of controls. For integrated audits, we determine whether the missing or ineffective control(s) represent one or more control deficiencies that we include on the Summary of Control Deficiencies (EY Form U220).

Our conclusions are documented below or in GAMx (Perform Walkthroughs screen):[1]

	Yes/No	Additional Observations
Did our walkthrough procedures confirm our understanding of the flow of significant classes of transactions within significant processes or sources and preparation of information resulting in significant disclosures (Substantive and Controls Strategy)?	Yes	Please see GAMx for conclusion on the Residential Whole Loan Price Verification process.
Did our walkthrough procedures confirm that the identified WCGWs represent the points within the flow of significant classes of transactions, or sources and preparation of information in significant disclosures, where material misstatements could occur (Substantive and Controls Strategy)?	Yes	Please see GAMx for conclusion on the Residential Whole Loan Price Verification process.
Did our walkthrough procedures confirm that the controls have been effectively designed and placed into operation (Controls Strategy)?	Yes	Please see GAMx for conclusion on the Residential Whole Loan Price Verification process.

[1] If any of the situations are noted, we further describe the issues that were noted, and update our process documentation and GAMx file accordingly.

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