

	A	B	C	D	E	F	G	
1	B32.A2							
2	Lehman Brothers				<p>Note: EY noted that CRE PC in the B-Notes/Mezz Loans model includes within the NPV calculation versus using a risk free rate plus a spread. EY each rated loan is further broken down into tranches, with Moody's determination would be broken down into each tranche (refer to B32.A3). Lehman uses the REFI/CMA (Discount Matrix in pricing file) floating rates to calculate the other words the discount rate for each rated loan is calculated as the sum of Moodys times the respective floating rate defined by REFI/CMA at 2/29/08 discount rate for our walkthrough sample below noting no difference with "Analysis" in pricing file reasonable at 2/29/08.</p>			
3	B-Notes Discount Rate Example							
4	PBEY							
5								
6		Example 1:						
7		<i>MTS ID</i>	WH8944					
8		<i>Description</i>	1133 WESTCHESTER ACQUISITION B					
9		<i>Security Type</i>	Office					
10		<i>Rate</i>	ARM					
11		<i>Property Value</i>	113,250,000					
12								
13			Balance	LTV		Rating	Percentage of Loan	
14		<i>A Note Balance</i>	65,000,000	57.40%		A2	84.4183%	<p>1. EY noted that the whole Loan LTV is the whole</p>
15		<i>B Note Balance</i>	11,997,561	67.99%	Ba2	15.5817%		
16			76,997,561					
17								
18			←	Aaa	Aa2	A2	Baa2	
19		75%	Ba2	51%	11%	11%	11%	
20				43,318,125.00	9,343,125.00	9,343,125.00	9,343,125.00	
21								
22								
23								
24			A Note Balances	B Note Balances	Discount Rates	Weighted Avg Discount Rate		
25		Portion Aaa	43,318,125.00					
26		Portion Aa2	9,343,125.00					
27		Portion A2	9,343,125.00					
28		Portion Baa2	2,995,625.00	6,347,500.00	9.11%	578,295.34	4.82%	
29		Portion Baa3		3,397,500.00	9.86%	335,013.89	2.79%	
30		Portion Ba2		2,252,561.00	11.11%	250,273.04	2.09%	
31			65,000,000.00	11,997,561.00			9.70%	
32							9.70%	
33							0.00%	
34	<p>2. EY noted that the B-note balance of the loan is partially split between tranches Baa2 through Ba2. Note that per the above \$43 million of the loan is attributable to Aaa tranche, \$9 million to Aa2 and A2 tranches, and \$3 million to Baa2. As the A-note balance of the whole loan is \$65 million, this A-note balance then becomes the Aaa, Aa2, A2 and a portion of the Baa2 tranche. Therefore, the B-note is allocated to the remaining portion of the Baa2 tranche and the Baa3 through Ba2 tranches.</p>							
35								<p>3. EY noted that the relative tranche values are based on the above per tranche NPV model.</p>
36								
37								
38								
39								

	H	I	J	K	L	M	N	O	P	Q	R
1											
2	hyper tranching rate as a discount rate noted that hyper tranching is where lining the percentage of that loan which these percentages to adjust the discount rate of each rated loan. In of each tranche percentage defined by EY recalculated the weighted average PC. EY deems "Discount Rate										
3			Loan LTV	Loan Rating	Aaa	Aa2	A2	Baa2	Baa3	Ba2	B2
4			46%	Aaa	100%						
5			53%	Aa2	85%	15%					
6			60%	A2	73%	14%	13%				
7			65%	Baa2	63%	13%	12%	12%			
8			67%	Baa3	60%	12%	12%	12%	4%		
9			75%	Ba2	51%	11%	11%	11%	4%	12%	
10			85%	B2	41%	9%	9%	9%	4%	12%	16%
11											
12											
13	ted that the Property Value multiplied by the V times the rate per tranche equals the portion of loan for each tranche.										
14											
15											
16											
17											
18	Baa3	Ba2									
19	4%	12%									
20	3,397,500.00	10,192,500.00									
21											
22											
23											
24											
25											
26											
27											
28											
29											
30											
31	Weighted Avg Disc Rate										
32	Per Pricing File										
33	Difference										
34											
35	e floating rates per Discount Matrix by rating are then taken and multiplied by portion. This balance is then divided by the total B-note balance. The sum of h becomes the weighted average discount rate used within NPV calculation of										
36											
37											
38											
39											