

Report Prepared On: 08/06/13

Structured Product Details

Name	Principal At Risk Buffered Return Enhanced Notes linked to S&P 500 Index
Issue Size	\$501,000
Issue Price	\$1,000
Term	15 Months
Annualized Coupon	0.00%
Pricing Date	September 24, 2007
Issue Date	September 27, 2007
Valuation Date	December 23, 2008
Maturity Date	December 29, 2008
Issuer	Lehman Brothers
CDS Rate	63.47 bps
Swap Rate	4.80%
Reference Asset	the S&P 500 Index
Initial Level	1,517.73
Dividend Rate	1.81%
Implied Volatility	19.10%
Delta¹	0.56
Fair Price at Issue	\$979.60
Maturity Payoff	\$0.00
CUSIP	52517P5V9
SEC Link	www.sec.gov/Archives/edgar/ data/806085/000119312507207922/d424b2.htm

**Principal At Risk Buffered Return
 Enhanced Notes linked to S&P 500 Index**

Description

Lehman Brothers issued \$501,000 of Principal At Risk Buffered Return Enhanced Notes linked to S&P 500 Index on September 27, 2007 at \$1,000 per note.

These notes are Lehman Brothers-branded Buffered PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on the final level of the S&P 500 Index.

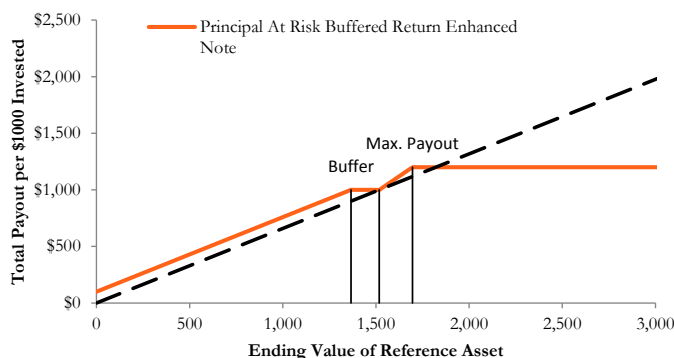
If on December 23, 2008 the S&P 500 Index level is higher than 1,517.73, but lower than 1,696.29, the notes pay a return equal to the percentage increase in the S&P 500 Index multiplied by 1.7, up to a cap of 20.00%. If on December 23, 2008 the refe is below 1,517.73 but not below 1365.96, investors receive \$1,000 face value per note. If the S&P 500 Index level on December 23, 2008 is lower than 1365.96, investors receive face value per note reduced by the amount the reference asset is below 1365.96 as a percent of the initial level, 1,517.73.

Valuation

This product can be valued as a combination of a note from Lehman Brothers, one short out-of-the-money put option, 1.7 long at-the-money call options, and 1.7 short out-of-the-money call options. For reasonable valuation inputs this note was worth \$979.60 when it was issued on September 27, 2007 because the value of the options investors gave Lehman Brothers plus the interest investors would have received on Lehman Brothers's straight debt was worth \$20.40 more than the options investors received from Lehman Brothers.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

Payoff Curve at Maturity



The payoff diagram shows the final payoff of this note given the S&P 500 Index level (horizontal axis). For comparison, the dashed line shows the payoff if you invested in the S&P 500 Index directly.

Related Research

Research Papers:
www.slcg.com/research.php

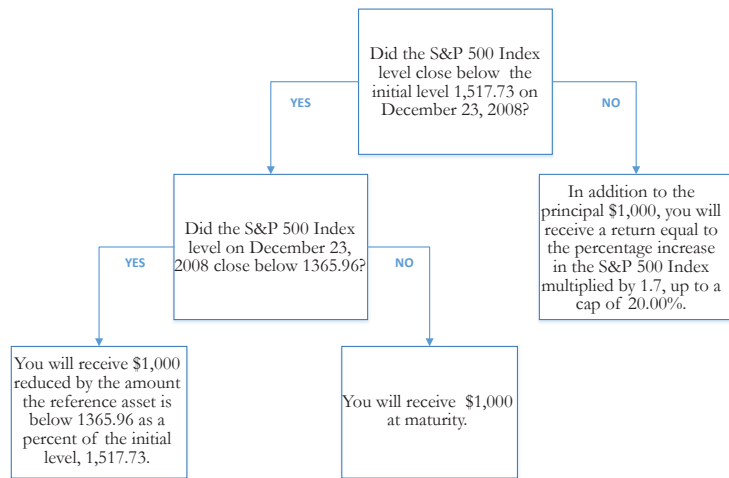
- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

Tim Husson, Ph.D.,
 Senior Financial Economist, SLCG
 (+1) 703.890.0743
TimHusson@slcg.com

Principal Payback Table

The S&P 500 Index	Note Payoff
0.00	\$100.00
151.77	\$200.00
303.55	\$300.00
455.32	\$400.00
607.09	\$500.00
758.87	\$600.00
910.64	\$700.00
1,062.41	\$800.00
1,214.18	\$900.00
1,365.96	\$1,000.00
1,517.73	\$1,000.00
1,669.50	\$1,170.00
1,821.28	\$1,200.00
1,973.05	\$1,200.00
2,124.82	\$1,200.00
2,276.60	\$1,200.00

Maturity Payoff Diagram

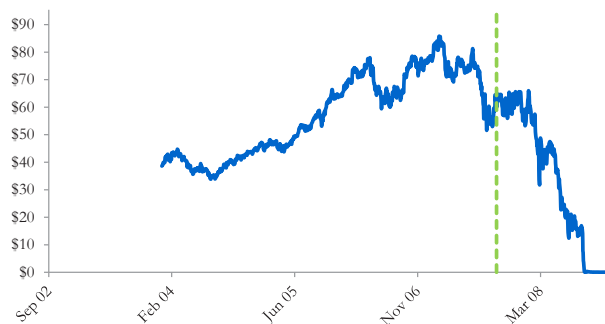


The contingent payoffs of this Principal At Risk Buffered Return Enhanced Note.

Analysis

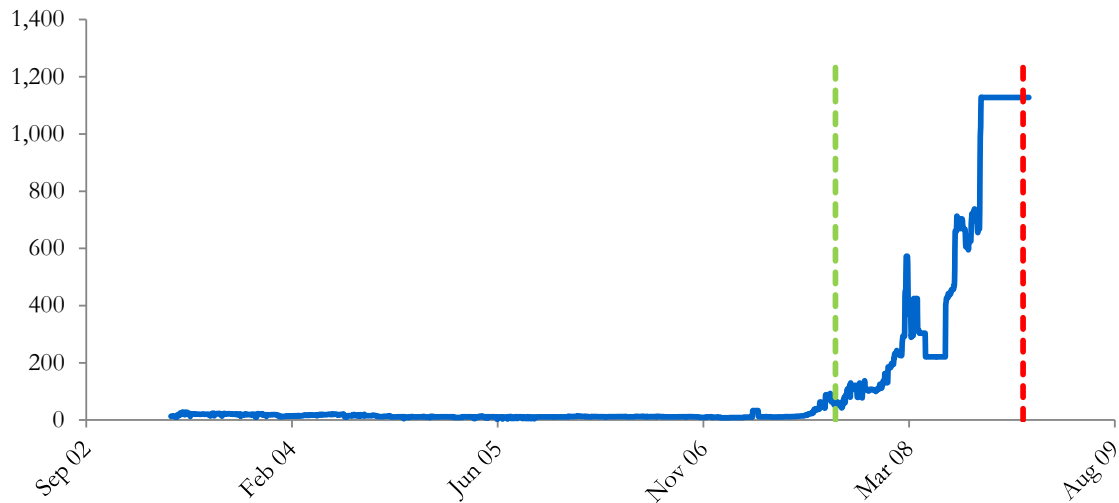
This Principal At Risk Buffered Return Enhanced Note pays investors the increase in the S&P 500 Index multiplied by 1.7 capped at 20.00%, but if the S&P 500 Index declines over the term of the note, investors will suffer losses equal to the percentage decline in the S&P 500 Index. In addition, investors bear the credit risk of Lehman Brothers. Investors purchasing this Principal At Risk Buffered Return Enhanced Note effectively sell at-the-money put and out-of-the-money call options to Lehman Brothers, buy at-the-money call options, and a zero-coupon note from Lehman Brothers. This Principal At Risk Buffered Return Enhanced Note is fairly priced if and only if the market value of the options investors received from Lehman Brothers equals the market value of the options investors gave Lehman Brothers plus the interest investors would have received on Lehman Brothers’s straight debt.

Lehman Brothers’s Stock Price



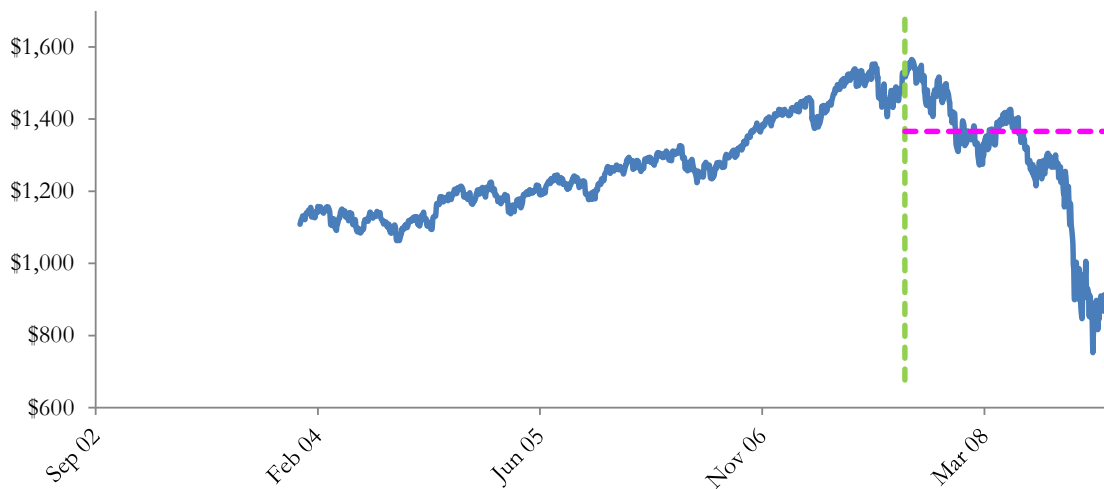
The graph above shows the adjusted closing price of the issuer Lehman Brothers for the past several years. The stock price of the issuer is an indication of the financial strength of Lehman Brothers. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

Lehman Brothers's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as Lehman Brothers. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of Lehman Brothers's debt, including outstanding Principal At Risk Buffered Return Enhanced Note. Fluctuations in Lehman Brothers's CDS rate impact the market value of the notes in the secondary market.

The S&P 500 Index Level

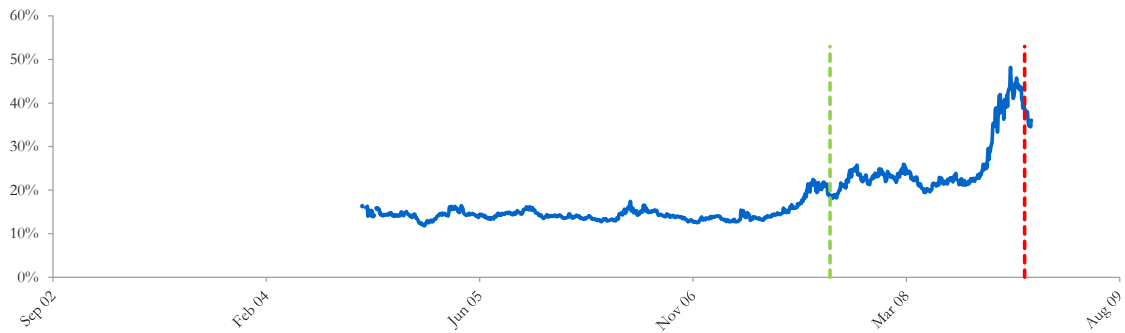


The graph above shows the historical levels of the S&P 500 Index for the past several years. The final payoff of this note is determined by the S&P 500 Index level at maturity. Higher fluctuations in the S&P 500 Index level correspond to a greater uncertainty in the final payout of this Principal At Risk Buffered Return Enhanced Note.

Realized Payoff

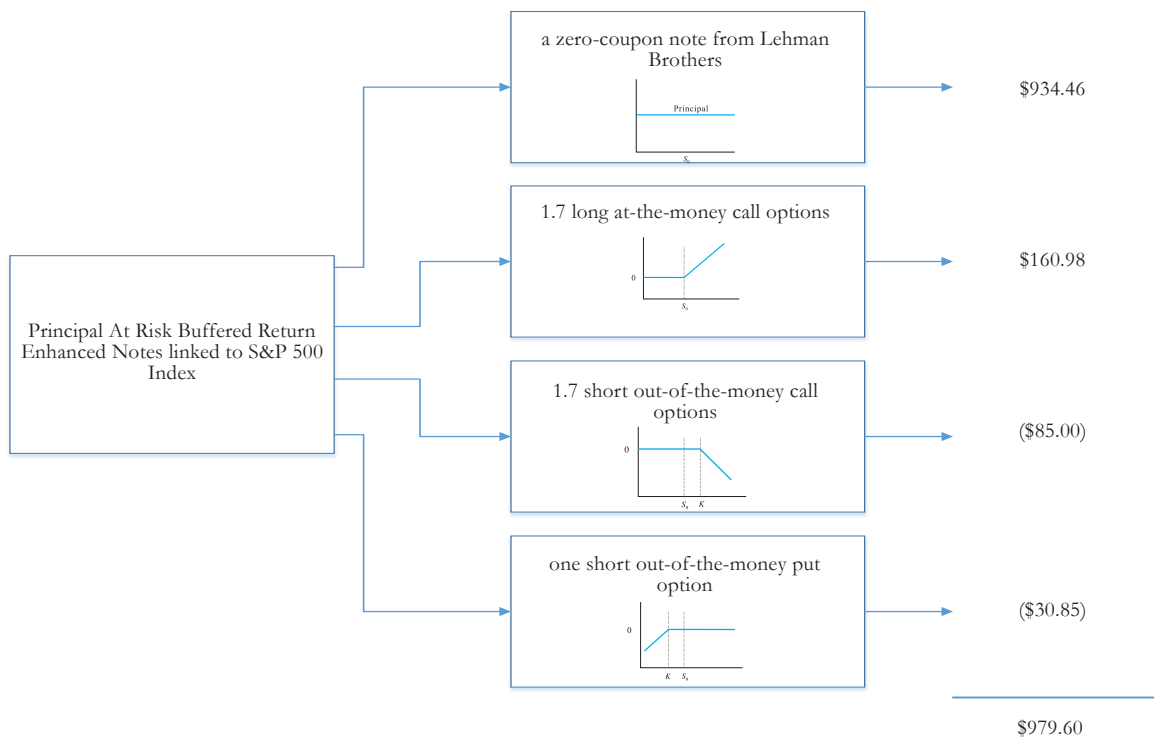
Lehman Brother filed for Chapter 11 bankruptcy protection on September 15, 2008. The notes paid nothing when it matured on December 29, 2008.

Reference Asset The S&P 500 Index's Implied Volatility



The annualized implied volatility of the S&P 500 Index on September 24, 2007 was 19.10%, meaning that options contracts on the S&P 500 Index were trading at prices that reflect an expected annual volatility of 19.10%. The higher the implied volatility, the larger the expected fluctuations of the S&P 500 Index level and of the Note's market value during the life of the Notes.

Decomposition of this Principal At Risk Buffered Return Enhanced Note



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Principal At Risk Buffered Return Enhanced Note.

1. Delta measures the sensitivity of the price of the note to the the S&P 500 Index level on September 24, 2007.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the the S&P 500 Index on September 24, 2007.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.