

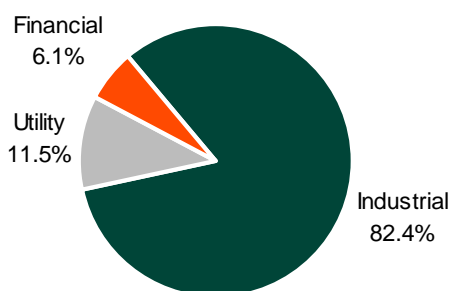
# U.S. Corporate HY - 2% Issuer Capped



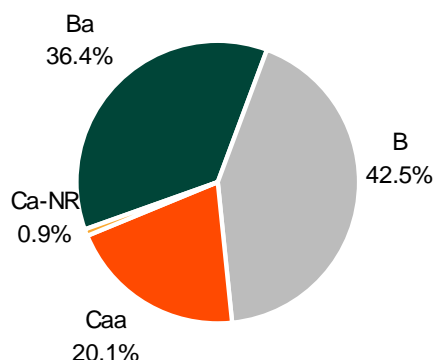
## Overview

The U.S. Corporate High-Yield 2% Issuer Capped Index is an issuer-constrained version of the U.S. Corporate High-Yield Index that covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. The U.S. HY 2% Issuer Capped Index follows the same index construction rules as the uncapped index but limits issuer exposures to a maximum 2% and redistributes the excess market value index-wide on a pro-rata basis. The index was inceptioned in 2004 with history from January 1, 1993.

### Sector Breakdown as of 12/31/2007



### Quality Breakdown as of 12/31/2007



### Access to the Index

**LehmanLive Website**  
[www.lehmanlive.com](http://www.lehmanlive.com)

#### KEY FEATURES

- ◆ Daily index returns and statistics
- ◆ Historical index time series downloadable into Excel
- ◆ Standardized market structure reports
- ◆ Fully customizable views
- ◆ Index primers and shelf reference documents
- ◆ Latest index and portfolio strategies research publications

**Bloomberg Index Page <LEHM> <15>**  
**Key statistics and returns**  
**<LF89> <INDEX>**

#### TICKERS

- ◆ Total Return Index Value: LF89TRUU
- ◆ Since Inception Total Return: LF89SIUU
- ◆ Month to Date Excess Return: LF89ER
- ◆ Market Value: LF89MVU
- ◆ Yield to Worst: LF89YW
- ◆ Mod. Adj. Duration: LF89MD
- ◆ Returns Mod. Adj. Duration: LF89RMD
- ◆ Average OAS: LF89OAS
- ◆ Maturity: LF89MAT

**POINT (Portfolio and Index Tool)**  
**Long Name: US HY 2% Capped**

#### KEY FEATURES

- ◆ Index level returns and statistics
- ◆ Historical index constituents
- ◆ Fully customizable market structure reports
- ◆ Index dynamics and turnover reports
- ◆ Portfolio upload/analysis
- ◆ Multi-factor Global Risk Model
- ◆ Portfolio performance attribution
- ◆ Automated batch processing

### Pricing and Related Issues

<b>Sources &amp; Frequency</b>	All bonds are priced by either Lehman Brothers traders or FT Interactive Data (IDC) on a daily basis.
<b>Pricing Quotes</b>	Bonds can be quoted in a variety of ways including nominal spreads over benchmark securities/treasuries, spreads over swap curves, or direct price quotes as a percentage of par. In some instances the quote type used is a spread measure that results in daily security price changes from the movement of the underlying curve and/or changes in the quoted spread.
<b>Timing</b>	3:00 pm (New York time) each day. If the last business day of the month is a public holiday in the U.S. market, prices from the previous business day are used.
<b>Bid or Offer Side</b>	Bonds in the index are priced on the bid side. The initial price for newly issued corporate bonds entering the index is the offer side; after that, the bid side price is used. Fallen angels use the bid side prices.
<b>Settlement Assumptions</b>	T+1 settlement basis
<b>Verification</b>	Multi-contributor verification: The primary price for each security is analyzed and compared to other third-party pricing sources through both statistical routines and scrutiny by the research staff. Significant discrepancies are researched and corrected, as necessary. On occasion, index users may also challenge price levels, which are then reviewed by the pricing team. Prices are then updated as needed using input from the trading desk.

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# U.S. Corporate HY - 2% Issuer Capped Index

Global Family of Indices

Rules for Inclusion	
<b>Amount Outstanding</b>	Minimum outstanding par value of at least USD 150 million.
<b>Quality</b>	<p>Must be rated high-yield (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&amp;P, and Fitch, respectively (before July 1, 2005, the lower of Moody's and S&amp;P was used).</p> <ul style="list-style-type: none"> <li>◆ When a rating from only two agencies is available, the lower ("most conservative") of the two is used.</li> <li>◆ When a rating from only one agency is available, that rating is used to determine index eligibility.</li> <li>◆ A small number of unrated bonds is included in the index; to be eligible they must have previously held a high-yield rating or have been associated with a high-yield issuer, and must trade accordingly.</li> </ul>
<b>Maturity</b>	At least 1 year until final maturity, regardless of optionality.
<b>Seniority of Debt</b>	Senior and subordinated issues are included.
<b>Coupon</b>	Fixed-rate. Original issue zero coupon bonds, step-up coupons, and coupons that change according to a predetermined schedule are also included.
<b>Currency</b>	Denominated in USD.
<b>Market of Issue</b>	SEC-registered, fully taxable issues or SEC Rule 144A securities (with and without Registration Rights).
<b>Security Types</b>	<div> <b>Included:</b> <ul style="list-style-type: none"> <li>◆ Corporate bonds</li> <li>◆ Fixed-rate bullet, puttable and callable bonds</li> <li>◆ SEC Rule 144A securities</li> <li>◆ Original issue zeros</li> </ul> </div> <div> <b>Excluded:</b> <ul style="list-style-type: none"> <li>◆ Non-corporate bonds</li> <li>◆ Structured notes with embedded swaps or other special features</li> <li>◆ Private placements</li> <li>◆ Bonds with equity-type features (e.g., warrants, convertibility)</li> <li>◆ Floating-rate issues</li> <li>◆ Eurobonds</li> <li>◆ Defaulted bonds</li> <li>◆ Emerging market bonds (sovereign rating of Baa1/BBB+ and below using the middle of Moody's, S&amp;P, and Fitch)</li> <li>◆ Pay-in-kind (PIK) bonds</li> </ul> </div>
Rebalancing & Issuer Capping Method	
<b>Issuer Capping Methodology</b>	All issuers (viewed at the parent company level) that exceed 2% of the market value of the uncapped U.S. HY Index are limited at 2%. The excess market value over the 2% cap will be redistributed on a pro-rata basis to all other issuers' bonds in the index that are under the 2% cap. This process is repeated until no issuer exceeds the 2% limit. For example, an issuer that represents 3.5% of the uncapped index will have 1.5% of the index's market value redistributed to each bond from all issuers under the 2% cap on a pro-rata basis.
<b>Frequency</b>	The composition of the Returns Universe is rebalanced monthly at each month end and represents the set of bonds on which index returns are calculated. The Statistics Universe changes daily to reflect issues dropping out and entering the index, but is not used for return calculation. On the last business day of the month, the composition of the latest Statistics Universe becomes the Returns Universe for the following month. Fallen angels do not enter the index until the next monthly reset.
<b>Index Changes</b>	During the month, indicative changes to securities (maturity, credit rating change, sector reclassification, amount outstanding) are reflected in both the Statistics and Returns Universe of the index on a daily basis. These changes may cause bonds to enter or fall out of the Statistics Universe of the index on a daily basis, but will affect the composition of the Returns Universe only at month-end when the index is rebalanced.
<b>Reinvestment of Cash flows</b>	Interest and principal payments earned by the Returns Universe are held in the index without a reinvestment return until month-end when it is removed from the index.
<b>New Issues</b>	Qualifying securities issued, but not necessarily settled, on or before the month-end rebalancing date qualify for inclusion in the following month's Returns Universe.
Other Issuer-Capped Indices	
<b>U.S. HY</b>	1%, 2%, 3%, and 4% Issuer-Capped Indices
<b>U.S. HY Ba/B</b>	1%, 2%, 3%, and 4% Issuer-Capped Indices
<b>U.S. HY Ba</b>	1%, 2%, 3%, and 4% Issuer-Capped Indices
<b>U.S. HY B</b>	1%, 2%, 3%, and 4% Issuer-Capped Indices
<b>Pan Euro HY</b>	2%, 2.5%, 3%, 4%, and 5% Issuer-Capped Indices
<b>Euro HY</b>	2%, 3%, 4%, and 5% Issuer-Capped Indices

Indices are unmanaged and cannot accommodate direct investments. Past performance is not indicative of future results.

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