

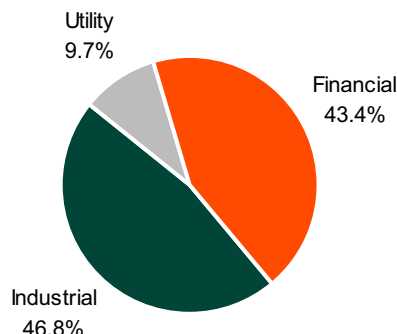
U.S. Corporate Index



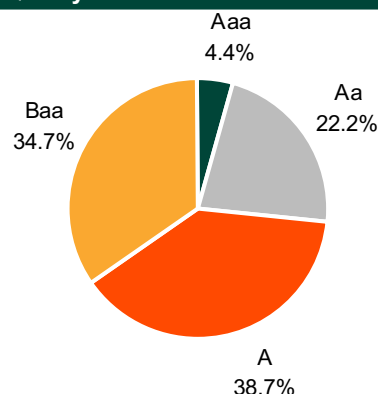
Overview

The U.S. Corporate Index covers USD-denominated, investment-grade, fixed-rate, taxable securities sold by industrial, utility and financial issuers. It includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Securities in the index roll up to the U.S. Credit and U.S. Aggregate indices. The U.S. Corporate Index was launched on January 1, 1973.

Sector Breakdown as of 12/31/2007



Quality Breakdown as of 12/31/2007



Access to the Index

LehmanLive Website
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> <12>
Key statistics and returns
<LUAC> <INDEX>

TICKERS

- ◆ Total Return Index Value: LUACTRUU
- ◆ Since Inception Total Return: LUACSIUU
- ◆ Month to Date Excess Return: LUAUCER
- ◆ Market Value: LUACMVU
- ◆ Yield to Worst: LUACYW
- ◆ Mod. Adj. Duration: LUACMD
- ◆ Returns Mod. Adj. Duration: LUACRMD
- ◆ Average OAS: LUACOAS
- ◆ Maturity: LUACMAT

POINT (Portfolio and Index Tool)
Long Name: US Credit Corp
Short Name: uscorp

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

Sources & Frequency	All bonds are marked by Lehman Brothers traders at mid month and month end. Up to 1,000 actively traded benchmark corporate securities continue to be priced by traders on a daily basis. Less liquid bonds are model/ matrix priced daily using these actively traded benchmark securities to generate issuer pricing curves and populate a spread matrix algorithm that accounts for changes in the yield and swap curves.
Pricing Quotes	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 most 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.
Timing	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.
Bid or Offer Side	Bonds in the index are priced on the bid side. The initial price for new corporate issues entering the index is the offer side; after that, the bid side price is used.
Settlement Assumptions	T+1 settlement basis for all bonds
Verification	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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Rules for Inclusion

Amount Outstanding	USD 250 million minimum par amount outstanding.	
Quality	<p>Must be rated investment grade (Baa3/BBB-/BBB- or above) using the middle rating of Moody's, S&P, and Fitch, respectively.</p> <ul style="list-style-type: none"> ◆ When all three agencies rate an issue, a median or "two out of three" rating is used to determine index eligibility by dropping the highest and lowest rating. ◆ When a rating from only two agencies is available, the lower ("most conservative") of the two is used. ◆ When a rating from only one agency is available, that rating is used to determine index eligibility. 	
Maturity	<ul style="list-style-type: none"> ◆ At least 1 year until final maturity, regardless of optionality. For securities with coupons that converts from fixed to floating-rate, at least 1 year until the conversion date. ◆ Perpetual securities are included in the index provided they are callable or their coupons switch from fixed to variable rate. These are included until one year before their first call date, providing they meet all other index criteria. 	
Seniority of Debt	Senior and subordinated issues are included.	
Currency	Denominated in USD.	
Coupon	Fixed-rate. Step-up coupons and coupons that change according to a predetermined schedule are also included. Capital securities with coupons that convert from fixed to floating-rate are index-eligible, given that they are currently fixed-rate; the maturity date then equals the conversion date. Fixed-to-floating rate perpetual capital securities that do not have coupon rate step-ups on their first call date will remain index eligible for their fixed-rate term provided that they meet all other index inclusion rules and exit the index one year prior to their conversion to floating coupon securities (refer to <i>Global Capital Securities Index Fact Sheet</i>).	
Market of Issue	SEC-registered, fully taxable issues. SEC Rule 144A securities with Registration Rights are included; a security with both SEC Regulation S and SEC Rule 144A tranches is treated as one security. To prevent double-counting, we include the 144A tranche and exclude the Reg-S tranche; Issues with global market of issue are included.	
Security Types	Included: <ul style="list-style-type: none"> ◆ Fixed-rate bullet, puttable and callable bonds and sinking funds ◆ Original issue zero coupon and underwritten MTN ◆ Certificates of Deposit (as of 1/1/2006) ◆ SEC Rule 144A with registration rights and Regulation S securities ◆ Fixed-rate and fixed to floating capital securities 	Excluded: <ul style="list-style-type: none"> ◆ Bonds with equity-type features (e.g., warrants, convertibility to equity) ◆ Private placements ◆ Floating-rate issues ◆ Structured notes with embedded swaps

Rebalancing Rules

Frequency	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.
Index Changes	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.
Reinvestment of Cash Flows	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.
New Issues	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.

Index History

July 1, 2005	Fitch ratings added to Moody's and S&P to determine index eligibility.
January 1, 2005	Sector re-classification into Treasury, Government-Related, Corporate, and Securitized.
July 1, 2004	Liquidity constraint raised to USD 250 million from USD 200 million.
October 1, 2003	Liquidity constraint raised to USD 200 million from USD 150 million. Started using the most conservative rating of Moody's and S&P to determine index eligibility instead of Moody's only for split-rated securities.
July 1, 2000	Absorbed all Yankee Corporates into their respective industry and sector classification.
July 1, 1999	Liquidity constraint raised to USD 150 million from USD 100 million.
January 1, 1994	Liquidity constraint raised to USD 100 million from USD 50 million.
January 1, 1992	Liquidity constraint increased to USD 50 million from USD 25 million.
August 1, 1988	Liquidity constraint raised to USD 25 million from USD 1 million.
January 1, 1979	U.S. Government/Credit Index introduced, with historical data backfilled to 1973.
January 1, 1973	Data time series begins for U.S. Corporate Index.

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

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