

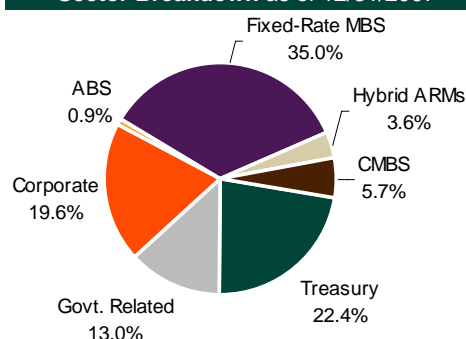
U.S. Aggregate Index



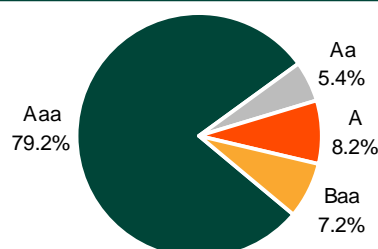
Overview

The U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. U.S. Agency Hybrid Adjustable Rate Mortgage (ARM) securities were added to the U.S. Aggregate Index on April 1, 2007, but are not eligible for the Global Aggregate Index. The U.S. Aggregate Index is a component of the U.S. Universal Index in its entirety. The index was created in 1986, with index history backfilled to January 1, 1976.

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
<LBUS> <INDEX>

TICKERS

- ◆ Total Return Index Value: LBUSTRUU
- ◆ Since Inception Total Return: LBUSSIUU
- ◆ Month to Date Excess Return: LBUSER
- ◆ Market Value: LBUSMVU
- ◆ Yield to Worst: LBUSYW
- ◆ Mod. Adj. Duration: LBUSMD
- ◆ Returns Mod. Adj. Duration: LBUSRMD
- ◆ Average OAS: LBUOAS

POINT (Portfolio and Index Tool)
Long Name: US Aggregate
Short Name: Agg

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

Pricing and Related Issues

Sources & Frequency

All index-eligible bonds are priced on a daily basis, predominantly by Lehman Brothers traders. Pricing sources by sector:

- ◆ Treasury: Priced by Lehman Brothers traders on a daily basis.
- ◆ Corporate: All bonds are marked by 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.
- ◆ Government-Related: A subset of approximately 200 liquid Agency debentures are priced by Lehman Brothers traders on a daily basis, with the remaining bonds model priced using trader marks and updated curves. All bonds are trader priced at mid month and month end.
- ◆ MBS Fixed Rate: MBS TBA securities are priced by traders on a daily basis, with generic prices derived from these marks
- ◆ Hybrid ARM: OAS updated weekly by traders to generate daily prices using curve and volatility changes.
- ◆ ABS: ABS spreads are marked weekly for autos/credit cards/utilities and monthly or semi-monthly for home equity to generate daily prices using changes in the Treasury and swap curves.
- ◆ CMBS: CMBS spreads are updated as needed, as often as daily.

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 (swap or treasury) and/or changes in the quoted spread.

Timing

3:00 pm (New York time) each day. On early market closes, prices may be taken earlier in the 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 except MBS. MBS are priced for Public Securities Association (PSA) settlement in the following month and discounted back to same-day settlement at the mortgage repurchase rate.

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.

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U.S. Aggregate Index

Rules for Inclusion

Amount Outstanding	<ul style="list-style-type: none"> For Treasury, Government-Related, MBS, and Corporate securities, USD 250 million minimum par amount outstanding. For ABS securities, USD 500 million minimum deal size and USD 25 million tranche size for specific ABS issuers where Lehman Brothers can accurately price the securities. The list of index-eligible issuers is available on www.lehmanlive.com. For CMBS securities, USD 500 million minimum original deal size with at least USD 300 million amount outstanding remaining in the deal; USD 25 million minimum tranche size. 		
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 coupon that converts from fixed to floating-rate, at least 1 year until the conversion date. MBS must have a weighted average maturity of at least 1 year; CMBS and ABS must have a remaining average life of at least 1 year. Perpetual securities are included in the index provided they are callable fixed-to-floating rate structures with a coupon step-up. 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.		
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.		
Currency	Denominated in USD.		
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	<table border="0"> <tr> <td> Included: <ul style="list-style-type: none"> Hybrid ARMs as of April 1, 2007 Fixed-rate bullet, puttable and callable bonds Soft bullets SEC Rule 144A with Registration Rights and Regulation S securities Original issue zero coupon and underwritten MTN Certificates of Deposit (as of January 1, 2006) Fixed-rate and fixed to floating capital securities </td><td> Excluded: <ul style="list-style-type: none"> Bonds with equity-type features (e.g., warrants, convertibility) Private placements Floating-rate issues Strips Inflation-linked bonds Non-ERISA eligible CMBS issues Securities with both Regulation S and SEC Rule 144A without Registration Rights tranches USD 25/ USD 50 par bonds </td></tr> </table>	Included: <ul style="list-style-type: none"> Hybrid ARMs as of April 1, 2007 Fixed-rate bullet, puttable and callable bonds Soft bullets SEC Rule 144A with Registration Rights and Regulation S securities Original issue zero coupon and underwritten MTN Certificates of Deposit (as of January 1, 2006) Fixed-rate and fixed to floating capital securities 	Excluded: <ul style="list-style-type: none"> Bonds with equity-type features (e.g., warrants, convertibility) Private placements Floating-rate issues Strips Inflation-linked bonds Non-ERISA eligible CMBS issues Securities with both Regulation S and SEC Rule 144A without Registration Rights tranches USD 25/ USD 50 par bonds
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Rebalancing

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

Jan 1, 2008	U.S. MBS Fixed-Rate Balloons and U.S. ABS Manufactured Housing removed
April 1, 2007	Agency Hybrid Adjustable Rate Mortgage (ARM) securities added to the index, but not eligible for the Global Aggregate
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/ USD 25 million CMBS tranche size 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	ABS index liquidity constraint raised to USD 500 million for deal size and USD 25 million for tranches. 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. ERISA-eligible CMBS issues added to the index.
January 1, 1998	Removed U.S. TIPS from U.S. Aggregate Index
January 1, 1994	Liquidity constraint raised to USD 100 million from USD 50 million for non-government securities.
January 1, 1992	ABS and MBS balloon issues added to the index. Liquidity constraint increased to USD 50 million from USD 25 million for non-government securities.
January 1, 1990	Liquidity constraint raised to USD 100 million from USD 25 million.
August 1, 1988	U.S. Aggregate Index introduced, with historical data backfilled to January 1976. Liquidity constraint raised to USD 25 million from USD 1 million.
January 1, 1986	

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

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