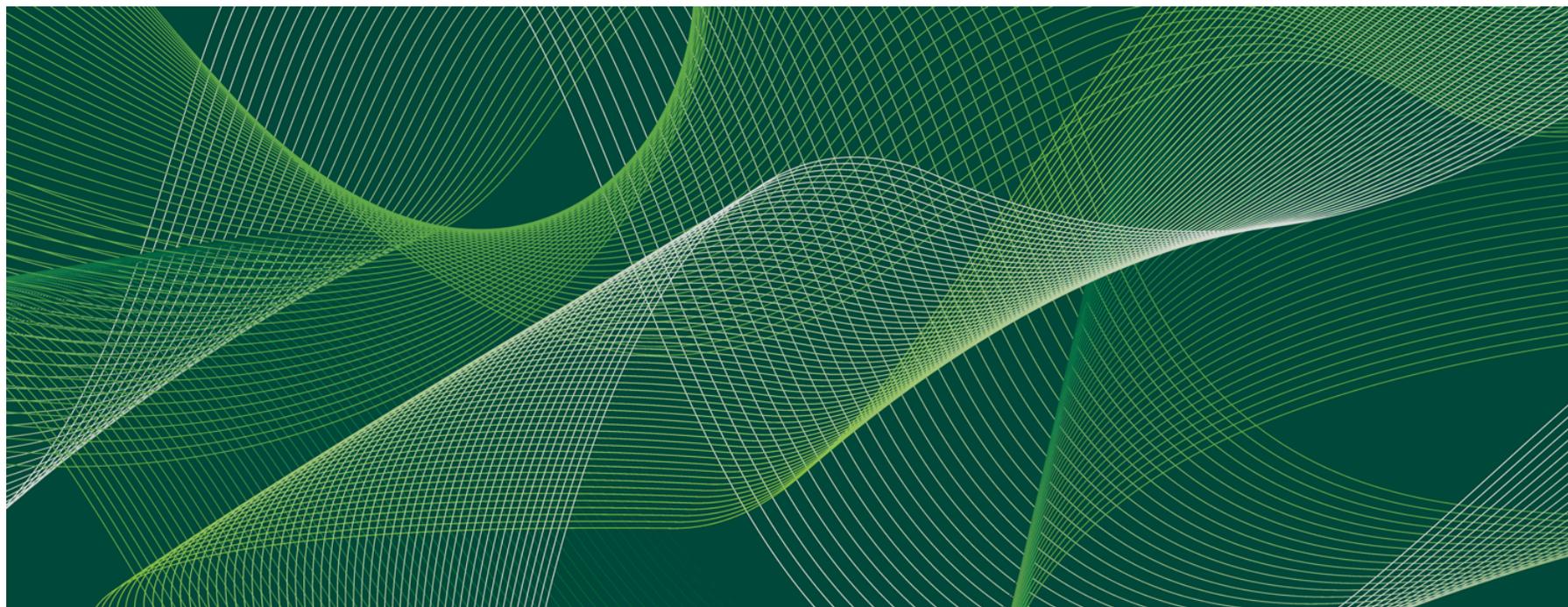


15c3 Lockup



Confidential Presentation

Introduction

- ◆ Rule 15c3-3 of the SEC (Customer Protection Reserves and Custody of Securities) requires broker dealers that hold customer securities to obtain and maintain possession and control of fully paid and excess margin securities they hold for customers. In addition, the rule requires broker dealers that hold customer funds to make a weekly computation to determine whether certain customer funds need to be segregated in a special reserve bank account for the exclusive benefit of the firm's customers.

 - ◆ In practice, the amount segregated is the sum of:
 - Excess of customer payables (customer free credits) over customer receivables (margin debits)
 - Cushions against failed trades and overdrafts

 - ◆ Lock up is segregated in the form of cash and securities (Treasuries and GNMA securities) in specifically designated segregated accounts, which are not part of the bankruptcy proceedings because they are held for the benefits of customers.

 - ◆ We last calculated the 15c3 lockup on Wednesday, September 17. The amounts segregated on that date were \$1.769 billion for the customers and \$492 million for the PAIB. During this weekend, we recalculated the lockup as of Friday, September 19. The amounts to be segregated as of Friday were \$1.011 billion for the customers and \$97 million for the PAIB – i.e., a reduction of \$1.123 billion, which can be immediately transferred to Barclays.
 - Reduction for the customer segregation primarily driven by foreign securities related to the liquidation of our European broker dealer and by non-security related Fx and commodity trades, which the SEC has allowed us to exclude from the calculation.
 - Reduction for the PAIB driven by the clearing of intercompany payables and receivables between LBI and LOTC, Lehman's "broker dealer lite"
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\$X.X bn Cushion Against Failed Trades

- ◆ Out of the \$1.0 billion reserve held for the protection of customers as of last Friday, only \$200 million (approximately) is held for the benefit of customers transferring to Barclays (e.g., PIM (high net worth) customers).
- ◆ Although the excess of customer payables over customer receivables represents real customer claims that cannot be returned to Lehman Brothers / Barclays in a transfer scenario, the cushion against failed trades related to customers transferring to Barclays should be seen as a future source of cash for Barclays as the backlog of fails (both fails to deliver and fails to receive) clear up and the reserve gets released.
 - Assessment of this future benefit is in progress