

## National Securities Clearing Corporation

### Consolidated Balance Sheets

(unaudited)

	2007	September 30, 2006
	(in thousands, except share data)	
<b>ASSETS</b>		
Cash and cash equivalents	\$4,833,380	\$2,996,541
U.S. Treasury securities	200,009	139,228
Accounts receivable	2,395	6,571
Clearing fund	321,585	327,661
Fixed assets, less accumulated depreciation and amortization of \$71,687,000 and \$66,331,000 at September 30, 2007 and 2006, respectively	38,614	35,089
Other assets	24,986	15,417
Total assets	\$5,420,969	\$3,520,507
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Liabilities:		
Accounts payable and other liabilities	\$60,641	\$50,196
Payable to participants	379,030	248,209
Long-term debt	19,038	22,614
Clearing fund:		
Cash deposits	4,590,675	2,821,827
Other deposits	321,585	327,661
Total liabilities	5,370,969	3,470,507
Contingent liabilities		
Shareholder's equity:		
Common stock, \$.50 par value: 30,000 shares authorized, 20,000 shares issued and outstanding	10	10
Paid in capital	590	590
Retained earnings	49,400	49,400
Total shareholder's equity	50,000	50,000
Total liabilities and shareholder's equity	\$5,420,969	\$3,520,507

The accompanying notes are an integral part of these consolidated financial statements.

**National Securities Clearing Corporation**  
**Consolidated Statements of Income and Retained Earnings**  
(unaudited)

	For the Nine Months Ended September 30,	
	2007	2006
	(in thousands)	
<b>Revenues:</b>		
Clearing services	\$176,792	\$151,544
Distribution and other services	70,886	68,007
Interest income	179,214	119,829
<b>Total revenues</b>	<b>426,892</b>	<b>339,380</b>
Discounts and other refunds to participants	(317,812)	(230,867)
<b>Net revenues</b>	<b>109,080</b>	<b>108,513</b>
<b>Expenses:</b>		
Employee compensation and related benefits	69,684	74,055
Information technology	12,960	10,008
Professional and other services	14,546	11,362
Occupancy	8,326	9,622
Other general and administrative	3,568	3,546
Reimbursement from affiliates	(4)	(80)
<b>Total expenses</b>	<b>109,080</b>	<b>108,513</b>
Income before income taxes	-	-
Provision for income taxes	-	-
<b>Net income</b>	<b>-</b>	<b>-</b>
Retained earnings, beginning of period	49,400	49,400
<b>Retained earnings, end of period</b>	<b>\$49,400</b>	<b>\$49,400</b>

The accompanying notes are an integral part of these consolidated financial statements.

**National Securities Clearing Corporation**  
**Consolidated Statements of Income and Retained Earnings**  
(unaudited)

	For the Three Months Ended September 30,	
	2007	2006
	(in thousands)	
<b>Revenues:</b>		
Clearing services	\$62,672	\$49,466
Distribution and other services	23,372	22,427
Interest income	67,164	42,053
Total revenues	153,208	113,946
Discounts and other refunds to participants	(116,638)	(78,935)
Net revenues	36,570	35,011
<b>Expenses:</b>		
Employee compensation and related benefits	23,378	24,533
Information technology	4,295	1,225
Professional and other services	5,228	4,257
Occupancy	2,546	3,769
Other general and administrative	1,124	1,254
Reimbursement from affiliates	(1)	(27)
Total expenses	36,570	35,011
Income before income taxes	-	-
Provision for income taxes	-	-
Net income	-	-
Retained earnings, beginning of period	49,400	49,400
Retained earnings, end of period	\$49,400	\$49,400

The accompanying notes are an integral part of these consolidated financial statements.

# National Securities Clearing Corporation

## Consolidated Statements of Cash Flows

(unaudited)

	For the Nine Months Ended September 30,	
	2007	2006
	(in thousands)	
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Cash flows from operating activities:		
Net income	\$ -	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	7,998	8,956
Gain on fixed asset disposals	(1)	-
Net discount accreted on securities owned	(675)	(1,337)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	2,963	4,894
(Increase) decrease in other assets	(541)	84
Decrease in accounts payable and other liabilities	(24,190)	(43,773)
Increase (decrease) in payable to participants	103,772	(10,324)
Increase in clearing fund cash deposits	2,085,884	533,060
Net cash provided by operating activities	2,175,210	491,560
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Cash flows from investing activities:		
Maturities of investments in U.S. Treasury securities	100,000	75,000
Purchases of investments in U.S. Treasury securities	(179,817)	(98,656)
Purchases of fixed assets	(10,137)	(6,294)
Net cash used in investing activities	(89,954)	(29,950)
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Cash flows from financing activities:		
Capital leases	-	1,501
Principal payments on debt and capital lease obligations	(2,649)	(2,747)
Net cash used in financing activities	(2,649)	(1,246)
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Net increase in cash and cash equivalents	2,082,607	460,364
Cash and cash equivalents, beginning of period	2,750,773	2,536,177
Cash and cash equivalents, end of period	\$4,833,380	\$2,996,541
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Supplemental disclosure:		
Income taxes paid, net of refunds	\$940	\$2,793
Interest paid	\$669	\$836

The accompanying notes are an integral part of these consolidated financial statements.

## National Securities Clearing Corporation

### Notes to Consolidated Financial Statements (unaudited)

September 30, 2007

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**Note 1 -** National Securities Clearing Corporation (NSCC) is a clearing agency registered with the U.S. Securities and Exchange Commission that provides various services to members of the financial community, consisting principally of securities trade comparison, clearance and settlement. The quarterly financial statements of NSCC, which have been prepared in accordance with accounting principles generally accepted in the United States of America, should be read in conjunction with the annual financial statements as of December 31, 2006. NSCC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation.

**Note 2 -** NSCC's rules require certain participants to maintain clearing fund deposits based on calculated requirements, which at September 30, 2007 totaled \$3,728,870,000. The clearing fund is available to secure participants' obligations and certain liabilities of NSCC, should they occur. All clearing fund cash and securities deposits are recorded on the balance sheet. A summary of the total deposits held at September 30, 2007, including \$1,239,301,000 in excess of calculated requirements, follows:

Cash	\$4,590,675,000
Securities issued or guaranteed by the U.S. Government, at market	<u>377,496,000</u>
Total	<u><u>\$4,968,171,000</u></u>

**Note 3 -** Certain reclassifications of 2006 amounts have been made in the accompanying financial statements to conform to the 2007 presentation.