

The Depository Trust Company

Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

The Depository Trust Company
Table of Contents
For the years ended December 31, 2008 and 2007

Report of Independent Auditors	1
Consolidated Balance Sheets	2
Consolidated Statements of Income and Retained Earnings	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5

Report of Independent Auditors

To the Board of Directors and Shareholders of
The Depository Trust Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of The Depository Trust Company and its subsidiaries (the "Company") at December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 25, 2009

Consolidated Balance Sheets

(IN THOUSANDS, EXCEPT SHARE DATA)

December 31,	2008	2007
Assets		
Cash and cash equivalents	\$2,908,843	\$2,830,606
Accounts receivable	97,484	253,975
Fixed assets, less accumulated depreciation and amortization of \$299,652 and \$264,003 at December 31, 2008 and 2007, respectively	139,326	153,485
Deferred income taxes, net	137,398	96,934
Other assets	242,615	243,052
Total assets	\$3,525,666	\$3,578,052
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and other liabilities	\$315,099	\$256,120
Payable to participants	1,866,264	1,957,137
Long-term debt and other borrowings	248,575	282,773
Participants' fund cash deposits	932,362	907,022
Total liabilities	3,362,300	3,403,052
Commitments and contingent liabilities (Note 10)		
Shareholders' equity:		
Preferred stock, Series A, \$100 par value - 1,250,000 shares authorized, issued and outstanding	125,000	125,000
Common stock, \$100 par value - 18,500 shares authorized, issued and outstanding	1,850	1,850
Paid in capital	950	950
Retained earnings	35,566	47,200
Total shareholders' equity	163,366	175,000
Total liabilities and shareholders' equity	\$3,525,666	\$3,578,052

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

Consolidated Statements of Income and Retained Earnings

(IN THOUSANDS)

For the Year Ended December 31,

2008

2007

	2008	2007
Revenues:		
Trading services	\$158,731	\$185,466
Custody services	233,785	230,290
Network services	10,702	44,533
Other services	20,990	20,405
Interest income	58,238	134,312
Total revenues	482,446	615,006
Discounts and other refunds to participants	(51,363)	(320,344)
Net revenues	431,083	294,662
Expenses:		
Employee compensation and related benefits	297,266	150,747
Information technology	22,823	22,353
Professional and other services	75,287	60,445
Occupancy	21,542	23,757
Interest expense	19,819	21,027
Other general and administrative	10,681	8,757
Total expenses	447,418	287,086
(Loss) income before income taxes	(16,335)	7,576
(Benefit) provision for income taxes	(6,103)	3,389
Net (loss) income	(10,232)	4,187
Retained earnings, beginning of year	47,200	47,200
Dividends on preferred stock	(1,402)	(4,187)
Retained earnings, end of year	\$35,566	\$47,200

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

Consolidated Statements of Cash Flows

	<i>(IN THOUSANDS)</i>	
For the Year Ended December 31,	2008	2007
Cash flows from operating activities:		
Net (loss) income	(\$10,232)	\$4,187
Adjustments to reconcile net (loss) income to net cash provided by (used in) by operating activities:		
Depreciation and amortization of fixed assets	40,014	34,246
Impairment of Internally developed software	11,490	-
Loss on fixed asset disposals	736	1,610
Deferred income taxes	(40,464)	13,743
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	156,491	(54,123)
Decrease (increase) in other assets	437	(5,661)
Increase (decrease) in accounts payable and other liabilities	58,979	(52,406)
Decrease in payable to participants	(90,873)	(343,967)
Increase in participants' fund cash deposits	25,340	75,191
Net cash provided by (used in) operating activities	151,918	(327,180)
Cash flows from investing activities - purchases of fixed assets	(38,081)	(40,947)
Cash flows from financing activities:		
Capitalized leases	-	8,222
Principal payments on debt and capital lease obligations	(34,198)	(20,830)
Dividends paid on preferred stock	(1,402)	(4,187)
Net cash used in financing activities	(35,600)	(16,795)
Net increase (decrease) in cash and cash equivalents	78,237	(384,922)
Cash and cash equivalents, beginning of year	2,830,606	3,215,528
Cash and cash equivalents, end of year	\$2,908,843	\$2,830,606
Supplemental disclosure:		
Income taxes paid, net of refunds	(\$5,217)	\$8,893
Interest paid	\$19,786	\$19,702

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

NOTE 1 BUSINESS AND OWNERSHIP

The Depository Trust Company (DTC) is a limited purpose trust company providing central securities depository, settlement and related services to members of the securities, banking and other financial industries (participants).

DTC is a consolidated subsidiary of The Depository Trust & Clearing Corporation (DTCC). The other principal operating subsidiaries of DTCC are National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), DTCC Deriv/SERV LLC, DTCC Solutions LLC, and European Central Counterparty Limited (EuroCCP).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The consolidated financial statements include the accounts of DTC and its wholly-owned subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents: Cash and cash equivalents include deposits with financial institutions, overnight reverse repurchase agreements and money market accounts which are considered cash equivalents. Reverse repurchase agreements provide for DTC's delivery of cash in exchange for securities having a market value which is at least 102% of the amount of the agreements. Custodians designated by DTC that are participants take possession of the securities. Overnight reverse repurchase agreements are recorded at the contract amounts and totaled \$1,147,880,000 and \$1,252,377,000 at December 31, 2008 and 2007, respectively. At December 31, 2008, the counterparties to these agreements were four major financial institutions that are also participants.

Money market accounts with participants are used to sweep any remaining funds available. At December 31, 2008, the money market balance was with one participant. Overnight investments made in money market accounts totaling \$1,755,169,000 and \$1,565,944,000 are also included in cash equivalents at December 31, 2008 and 2007, respectively.

Accounts Receivable: Accounts receivable consist of the following at December 31, 2008 and 2007:

(Dollars in thousands)	2008	2007
Due from the participants for services	\$34,630	\$34,084
Cash dividends, interest and related receivables	57,356	192,141
Receivable from affiliates and other	5,498	27,750
Total	\$97,484	\$253,975

Stock dividends receivable are not recorded in the consolidated financial statements.

Securities on Deposit: Securities held in custody by DTC for participants are not reported in the consolidated financial statements. Cash dividends and interest received by DTC or due on such securities and in the process of distribution or awaiting claim are included in payable to participants. Short positions occasionally exist in participants' securities balances. Such short positions are valued and collateralized daily by participants' cash aggregating 130% of the short position. DTC's obligation to return such amounts to participants is also reflected in payable to participants. At December 31, 2008 and 2007, short positions amounted to \$34,715,000 and \$3,766,000, respectively.

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Fixed Assets: Fixed assets consist of the following at December 31, 2008 and 2007:

(Dollars in thousands)	2008	2007
Leasehold improvements	139,359	\$140,145
Furniture and equipment	123,662	113,482
Software	131,472	124,272
Leased property under capital leases	28,993	25,630
Building and improvements	12,986	11,483
Land	2,506	2,506
Total cost	438,978	417,518
Less accumulated depreciation and amortization	299,652	264,033
Net book value	\$139,326	\$153,485

Leasehold improvements are amortized using the straight-line method over their useful lives or the remaining term of the related lease, whichever is shorter. Furniture and equipment are depreciated over estimated useful lives ranging from five to seven years, using accelerated methods. Software is amortized using the straight-line method over an estimated useful life of three years. Building and improvements are primarily amortized over 39 years using the straight-line method.

DTC capitalized costs related to software that was developed for internal use or purchased totaling \$8,857,000 and \$22,496,000 in 2008 and 2007, respectively. The amortization of capitalized software costs was \$14,142,000 in 2008 and \$10,477,000 in 2007. The depreciation of other assets was \$25,872,000 in 2008 and \$23,769,000 in 2007.

During 2008, fixed asset disposals resulted in a charge of \$737,000 and the removal of \$5,132,000 and \$4,395,000, respectively, from the related cost and accumulated depreciation and amortization accounts. The comparable amounts in 2007 were \$1,610,000, \$4,399,000 and \$2,789,000, respectively.

In 2008, DTC recognized a \$11,500,000 pre-tax impairment charge on internally developed software.

Income Taxes: Deferred tax assets and liabilities represent the expected future tax consequences of temporary differences between the carrying amount and tax basis of assets and liabilities. The net deferred tax asset is expected to be fully realized and, accordingly, no valuation allowance was established.

Discounts and Other Refunds to Participants: DTC returns as a discount to its participants each year all revenues in excess of the amount of earnings to be retained in a given year with due regard to current and anticipated needs, as determined by the Board of Directors. Such discounts amounted to \$16,476,000 in 2008 and \$235,353,000 in 2007. Further, there is a policy to provide participants a monthly refund of interest earned from the overnight investment of unallocated cash dividends, interest and reorganization funds payable to participants. Such monthly refunds totaled \$20,334,000 in 2008 and \$42,382,000 in 2007.

DTC invests available participants' fund cash deposits in overnight reverse repurchase agreements. The earnings on these investments are passed through to participants and are included in interest income and discounts and other refunds to participants. In 2008 and 2007, such earnings totaled \$14,553,000 and \$42,609,000, respectively.

Revenue Recognition: Revenue is recognized as services are rendered. Activities are captured daily and billed on a monthly basis.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

Expense Allocations: Substantially all expenses are recorded at DTCC and are allocated to its subsidiaries based upon their use of such goods or services as determined by applicable allocation factors.

Financial Instruments: Management believes that the carrying value of all financial instruments which are short-term in nature approximates current market value. Due to the fixed term nature of long-term debt, if the company was to seek the same financing at December 31, 2008, the fixed rates assigned to these loans would be current borrowing rates available to companies with similar credit ratings.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 PARTICIPANTS' FUND

DTC's participants are required to maintain deposits related to their activities in the depository. The deposits are available to secure participants' obligations and certain liabilities of DTC, should they occur. The deposits, which are all in cash and cash equivalents, totaled \$932,362,000 at December 31, 2008, including excess deposits of \$275,361,000. At December 31, 2007, the comparable amounts were \$907,022,000 and \$311,952,000, respectively.

NOTE 4 TRANSACTIONS WITH RELATED PARTIES

DTC has an agreement with DTCC whereby DTCC disburses substantially all funds required to sustain the operations of DTC. The related expenses are allocated to DTC based upon DTC's use of such goods or services. Further, the agreement provides that DTCC performs credit and quantitative risk services, and certain other services for DTC including administrative, internal audit, finance and legal services. In 2008 and 2007, the billing for these services was determined as 102% of total allocated expenses excluding pass through charges and the impact of capitalized software. The fee representing the amount over actual cost included in professional and other services expense was \$6,157,000 in 2008 and \$5,773,000 in 2007. At December 31, 2008 and 2007, the net payable to DTCC included in accounts payable and other liabilities totaled approximately \$230,850,000 and \$132,608,000, respectively.

On January 1, 2007, DTC entered into an agreement with DTCC Solutions LLC whereby validation services performed by DTCC Solutions LLC on behalf of DTC in connection with DTC's corporate action data information are billed at cost. Charges under this agreement totaled \$23,019,000 in 2008 and \$23,038,000 in 2007 and are included in professional and other services expense. The amounts payable to DTCC Solutions LLC at December 31, 2008 and 2007 were \$2,084,000 and \$2,107,000, respectively.

NOTE 5 PAYABLE TO PARTICIPANTS

DTC receives cash and stock dividends, interest and reorganization and redemption proceeds on securities registered in the name of its nominee and interest and redemption proceeds on bearer securities which it distributes to its participants. Amounts received on registered securities withdrawn before the record date but not transferred from the name of DTC's nominee cannot be distributed unless claimed by the owners of the securities through a participant or other financial institution. Cash dividends, interest, reorganization and redemption payables of \$1,814,735,000 at December 31, 2008 and \$1,718,012,000 at December 31, 2007 are included in payable to participants. Payable to participants also includes \$16,814,000 of discounts and \$34,715,000 of short position collateral (\$235,360,000 and \$3,765,000 in 2007, respectively). Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws. Stock dividends payable and unclaimed are not reported in the consolidated financial statements.

NOTE 6 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

All eligible employees of DTC participate in DTCC's trustee, noncontributory defined benefit pension plan. In addition, DTC participates in DTCC's noncontributory supplemental executive retirement and benefit restoration plans which provide for certain benefits to eligible executives of DTC upon retirement. Further, DTC participates in DTCC's life insurance program, which provides payment of death benefits to beneficiaries of eligible retired employees, and DTCC's healthcare program which provides benefits to eligible retired employees. DTCC's costs for these plans aggregated \$50,325,000 in 2008 and \$52,397,000 in 2007.

In accordance with Financial Accounting Standards Board Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," DTCC recorded a charge of \$233,484,000 on a pre-tax basis offset by a deferred tax benefit of \$92,664,000 resulting in a net charge of \$140,820,000 to the accumulated other comprehensive loss account to report the funded status of the defined benefit pension and other postretirement benefit plans, thereby decreasing shareholders' equity in 2008. The increase in the obligation was primarily the result of a decrease in the value of the plans' assets and a decrease in the interest rate used to discount the projected benefit obligation to its present settlement amount. The net charge in shareholders' equity represents an amount not yet recognized as pension expense.

The effect of this standard in 2007 was a credit of \$45,613,000 on a pre-tax basis offset by a deferred tax reversal of \$18,547,000 resulting in a net credit of \$27,066,000 to the accumulated other comprehensive loss account, thereby increasing shareholders' equity. The reduction in the obligation was primarily the result of an increase in the interest rate used to discount the projected benefit obligation to its present settlement amount. The net charge in shareholders' equity represents an amount not yet recognized as a pension expense.

DTC's share of the periodic charges and accumulated other comprehensive loss was a charge of \$113,281,000 in 2008. Such amount is included in employee compensation and related benefits. The equivalent amount for 2007 was a credit of \$8,879,000. Charges are based primarily upon the proportion of DTC's salary costs to aggregate salary costs for DTCC and its subsidiaries and credits are determined on a first-in-first-out basis.

Disclosures of pension and other post-retirement benefit obligations, expense components and actuarial assumptions for the DTCC plans are included in DTCC's consolidated financial statements.

Notes to Consolidated Financial Statements December 31, 2008 and 2007

NOTE 7 INCOME TAXES

DTC is included in DTCC's consolidated federal and unitary California and Illinois tax returns. DTC files other state and local returns separately. The (benefit) provision for income taxes calculated on a separate company basis for the years ended December 31, 2008 and 2007 consists of the following:

(Dollars in thousands)	2008	2007
Current income taxes (benefit):		
Federal	\$22,287	(\$8,282)
State and local	12,074	(2,072)
Deferred income tax (benefit):		
Federal	(27,512)	9,344
State and local	(12,952)	4,399
(Benefit) provision for income taxes	(\$6,103)	\$3,389

The 2008 provision for income taxes is mostly due to pension and other employee related benefits. The effective tax rate is greater than the 35% federal statutory rate primarily due to the rate differential applied to the increase in deferred taxes primarily related to pension and other employee benefits.

The major temporary differences that give rise to the deferred tax assets (liabilities) at December 31, 2008 and 2007 are as follows:

(Dollars in thousands)	2008	2007
Employee benefit related	\$140,402	\$94,057
Rent	6,463	7,406
Depreciation and amortization	14,813	14,520
Lease abandonment costs	-	2,936
Capitalization of software developed for internal use	(9,265)	(13,368)
Sale and leaseback costs	(16,117)	(10,753)
Other	1,102	2,136
Net deferred income tax asset	\$137,398	\$96,934

On December 30, 2008, the Financial Accounting Standards Board issued a Staff position permitting all non-public companies to defer implementing Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," until the fiscal years beginning after December 15, 2008. FIN 48 establishes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The impact of applying this interpretation beginning in 2009 is not expected to have a material effect on the financial condition, results of operations and cash flows of the company.

NOTE 8 LONG-TERM DEBT AND LINES OF CREDIT

Long-term debt at December 31, 2008 and 2007 consists of the following:

(Dollars in thousands)	2008	2007
Industrial Development Agency bonds	\$205,302	\$205,302
Sale-leaseback obligation	19,440	45,808
Notes payable	17,763	18,948
Capital lease obligations	6,070	12,715
Total	\$248,575	\$282,773

As of December 31, 2008 and 2007, DTC had a payable to the New York City Industrial Development Agency (“IDA”) and a matching investment in IDA bonds included in other assets on the consolidated balance sheets. Interest expense related to the IDA payable was \$15,398,000 in both 2008 and 2007. These bonds mature in 2012.

In March 2003, DTC entered into a sale-leaseback transaction covering certain assets aggregating \$61,600,000. The company treated this transaction as a financing arrangement and depreciates the assets using its normal depreciation policy. Payments under this arrangement are due in installments from 2004 to 2011. During 2008, DTC exercised an early payment option on \$24,031,000 of its obligation, bringing total principal payments to \$42,160,000. At December 31, 2008, DTC’s sale-leaseback obligation was \$19,440,000. DTC has an early payment option on the remainder of its obligation in 2009.

At December 31, 2008, notes payable consisted of unsecured borrowings totaling \$17,763,000 from an insurance company to finance the acquisition of real estate, at a fixed rate of 5.03%. Principal payments are due annually on December 15 of each year through 2023. Interest payments are due semiannually on June 15 and December 15 of each year, through the same period. Interest expense related to these notes totaled \$950,000 in 2008 and \$1,010,000 in 2007.

Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. At December 31, 2008, future minimum payments including interest, which are due through 2010, totaled \$6,563,000. Payments over the next two years are \$6,139,000 and \$424,000, respectively.

At December 31, 2008, DTC maintained a committed line of credit of \$1,900,000,000 with 22 major banks that are primarily participants to support settlement. In addition, to support processing of principal and income payments, DTC maintains a \$50,000,000 committed line of credit with a participant. DTC also maintains credit lines totaling CAD 250,000,000 to support Canadian settlement. Further, a \$50,000,000 shared credit line with NSCC and DTCC is maintained with a participant to support potential short-term operating cash requirements. During 2008, there were no borrowings under any of these credit facilities.

NOTE 9 SHAREHOLDERS' EQUITY

(Dollars in thousands)	Preferred Stock	Common stock	Paid in Capital	Retained Earnings
Balance at December 31, 2006	\$125,000	\$1,850	\$950	\$47,200
Net income 2007	-	-	-	4,187
Dividends on preferred stock	-	-	-	(4,187)
Balance at December 31, 2007	125,000	1,850	950	47,200
Net Loss 2008	-	-	-	(10,232)
Dividends on preferred stock	-	-	-	(1,402)
Balance at December 31, 2008	\$125,000	\$1,850	\$950	\$35,566

On October 20, 2000, DTC issued 750,000 shares of series A preferred stock at the par value of \$100 per share, increasing capital by \$75 million under a plan adopted by its Board of Directors. On December 29, 2006, DTC issued an additional 500,000 shares of series A preferred stock at the par value of \$100 per share, thereby increasing the amount of preferred stock to \$125 million. Pursuant to this plan, which does not reduce the funds available in the event of a participant's failure to settle, each participant was required to purchase shares of this preferred stock. Dividends are paid quarterly based on the earnings of these funds.

As of December 31, 2008, DTC's Tier 1 Capital ratio was approximately 2%. Since this is below the 3% minimum level, management initiated corrective measures to replenish Tier 1 Capital. These actions include issuing an additional \$25 million of DTC Series A Preferred Stock and arranging for an additional capital contribution from DTCC of approximately \$10 million. As a result of these actions DTC's Tier 1 Capital ratio would satisfy the 3% minimum.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

DTC leases office space and data processing and other equipment. The leases for office space provide for rent escalations subsequent to 2008. Rent expense under these leases was \$14,737,000 in 2008 and \$17,075,000 in 2007.

At December 31, 2008, future minimum rental payments under all non-cancelable leases are as follows:

(Dollars in thousands)	
2009	20,625
2010	16,343
2011	16,083
2012	16,384
2013	2,208
Thereafter	6,928
Total minimum rental payments	\$78,571

DTC is involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation is not expected to have a material effect on DTC's consolidated financial position.

NOTE 11 OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

All trading activities handled by DTC are settled through its end-of-day net settlement process. If a participant fails to fulfill its settlement obligation, DTC is exposed to credit risk.

DTC mitigates its exposure to credit risk by requiring participants to meet established DTC financial standards for membership, monitoring their compliance with other financial standards established by DTC and requiring participants to provide deposits in the form of cash (see Note 3).

Collateralization controls and net debit caps are employed by DTC to protect participants against the inability of one or more participants to pay for their settlement obligations.

DTC's collateralization controls prevent the completion of transactions that would cause a participant's net debit to exceed the total available collateral in its account. This assures that a participant that fails to pay for its settlement obligation will have sufficient collateral in its account to liquidate in the event it were insolvent. DTC's net debit cap controls limit the net settlement debit that each participant can incur to an amount, based upon activity levels, which is less than DTC's total liquidity. This helps ensure that DTC will have sufficient liquidity to complete settlement should any single participant fail to settle.

DTC has entered into a netting contract and limited cross-guaranty agreement with NSCC which includes certain arrangements and financial guarantees to ensure that securities delivered by DTC to NSCC to cover CNS allocations are fully collateralized. DTC has also entered into a multilateral netting contract and limited cross-guaranty agreement with NSCC, FICC and The Options Clearing Corporation under which these clearing agencies have agreed to make payment to each other for any remaining unsatisfied obligations of a common defaulting participant to the extent that they have excess resources of the defaulting participant.

As discussed in Note 1, DTC provides central securities depository and related services to members of the financial community. As such, DTC has a significant group concentration of credit risk since its participants may be impacted by economic conditions affecting the securities, banking and other financial industries. As described above, such risk is mitigated in a number of ways.

NOTE 12 OTHER MATTERS

At December 31, 2008, DTC incurred certain relocation and severance expenses totaling \$4,448,000 that are included in employee compensation and related benefits. In 2007, there was a similar provision of \$2,759,000.

On September 19, 2008, a Trustee was appointed, under the Securities Investor Protection Act ("SIPA"), to administer and liquidate the business of Lehman Brothers Inc. ("LBI"). As part of the liquidation of LBI, certain of its assets were sold to Barclays Capital Inc. ("Barclays"), which assets did not, however, include the accounts that LBI maintained at National Securities Clearing Corporation ("NSCC"), Fixed Income Clearing Corporation ("FICC") and The Depository Trust Company ("DTC").

Notes to Consolidated Financial Statements December 31, 2008 and 2007

As a result, the Trustee, Barclays and DTCC, on behalf and for the benefit of NSCC, FICC and DTC (collectively, the “Clearing Agency Subsidiaries”) entered into an agreement that provided for the Clearing Agency Subsidiaries to wind down their respective LBI accounts, including the close out of pending transactions and the use of the proceeds in accordance with their respective rules and procedures, in the same manner in which they close out positions of participants for whom they cease to act. On September 24, 2008, the Clearing Agency Subsidiaries formally ceased to act for LBI.

In addition, Barclays agreed to guaranty, indemnify and hold harmless DTCC, each of NSCC, FICC and DTC, and their officers, directors, employees, owners, agents and representatives against any and all losses, claims, damages, expenses (including legal fees) or liabilities that any of them may incur as a result of winding down and closing out the respective accounts, which guaranty is limited to a \$250,000,000 cash deposit (the “Cash Deposit”) it provided for that purpose.

Any losses will first be satisfied from the Cash Deposit. If there are losses in excess of the Cash Deposit, they will be satisfied in accordance with the rules and procedures of NSCC, FICC and DTC, respectively (including through application of LBI’s Clearing or Participant Fund deposits and any Clearing Agency cross guaranty agreements). If any portion of such funds remain after the closeout of the LBI Accounts and satisfaction of all obligations of NSCC, FICC, and DTC, they will be remitted to the Trustee.

The Cash Deposit is held at DTCC to facilitate its investment pending application against losses or its turnover to the Trustee.

At year-end, DTCC and its subsidiaries held aggregate funds of \$1,707,230,000 and securities of \$149,093,000 including the Cash Deposit, Clearing and Participant Fund balances, and proceeds from winding down and closing out the respective accounts. Payments of \$1,749,825,000 have already been remitted to the Trustee.

At present, management is not expecting to need to assess losses against retained earnings or to the participants of the Clearing Agency Subsidiaries as a result of the liquidation of the LBI accounts.