

The Depository Trust Company

Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

The Depository Trust Company
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of The Depository Trust Company and subsidiaries (the "Company") as of December 31, 2009 and the related consolidated statement of income and retained earnings, and consolidated statement of cash flows for the year then ended. 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 audit. The financial statements of the Company for the year ended December 31, 2008 were audited by other auditors whose report, dated February 27, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2009 consolidated financial statements present fairly, in all material respects, the financial position of The Depository Trust Company and subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP
February 26, 2010

Consolidated Balance Sheets

(IN THOUSANDS, EXCEPT SHARE DATA)

December 31,	2009	2008
Assets		
Cash and cash equivalents	\$3,261,709	\$2,908,843
Accounts receivable	67,256	97,484
Fixed assets, less accumulated depreciation and amortization of \$342,778 and \$299,652 at December 31, 2009 and 2008, respectively	135,924	139,326
Deferred income taxes, net	120,802	137,398
Other assets	246,920	242,615
Total assets	3,832,611	3,525,666
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and other liabilities	236,646	315,099
Payable to participants	1,245,954	1,866,264
Long-term debt and other borrowings	372,897	248,575
Participants' fund cash deposits	1,718,747	932,362
Total liabilities	3,574,244	3,362,300
Commitments and contingent liabilities (Note 10)		
Shareholders' equity:		
Preferred stock, Series A, \$100 par value - 1,500,000 shares authorized, 1,500,000 and 1,250,000 shares issued and outstanding as of December 31, 2009 and 2008, respectively	150,000	125,000
Common stock, \$100 par value - 18,500 shares authorized, issued and outstanding	1,850	1,850
Paid in capital	11,182	950
Retained earnings	95,335	35,566
Total shareholders' equity	258,367	163,366
Total liabilities and shareholders' equity	\$3,832,611	\$3,525,666

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

Consolidated Statements of Income and Retained Earnings

	<i>(IN THOUSANDS)</i>	
For the Year Ended December 31,	2009	2008
Revenues:		
Trading services	\$122,605	\$158,731
Custody services	196,197	233,785
Network services	10,367	10,702
Other services	21,174	20,990
Interest income	20,628	58,238
Total revenues	370,971	482,446
Discounts and other refunds to participants	(4,513)	(51,363)
Net revenues	366,458	431,083
Expenses:		
Employee compensation and related benefits	128,113	297,266
Information technology	22,375	22,823
Professional and other services	64,457	75,287
Occupancy	21,178	21,542
Interest expense	23,014	19,819
Other general and administrative	10,640	10,681
Total expenses	269,777	447,418
Income (loss) before income taxes	96,681	(16,335)
Provision (benefit) for income taxes	36,666	(6,103)
Net income (loss)	60,015	(10,232)
Retained earnings, beginning of year	35,566	47,200
Dividends on preferred stock	(246)	(1,402)
Retained earnings, end of year	\$95,335	\$35,566

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,	2009	2008
Cash flows from operating activities:		
Net income (loss)	\$60,015	(\$10,232)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	43,126	40,014
Deferred income taxes	16,596	(40,464)
Impairment of Internally developed software	-	11,490
Loss on fixed asset disposals	-	736
Changes in operating assets and liabilities:		
Decrease in accounts receivable	30,228	156,491
(Increase) decrease in other assets	(4,305)	437
(Decrease) increase in accounts payable and other liabilities	(78,453)	58,979
(Decrease) in payable to participants	(620,310)	(90,873)
Increase in participants' fund cash deposits	786,385	25,340
Net cash provided by operating activities	233,282	151,918
Cash flows from investing activities - purchases of fixed assets	(39,724)	(38,081)
Cash flows from financing activities:		
Issuance of preferred stock	25,000	-
Capital contribution	10,232	-
Capitalized leases and other borrowings	161,326	(34,198)
Principal payments on debt and capitalized lease obligations	(37,004)	(1,402)
Dividends on preferred stock	(246)	-
Net cash provided by (used in) financing activities	159,308	(35,600)
Net increase in cash and cash equivalents	352,866	78,237
Cash and cash equivalents, beginning of year	2,908,843	2,830,606
Cash and cash equivalents, end of year	\$3,261,709	\$2,908,843
Supplemental disclosures:		
Income taxes paid, net of refunds	\$32,987	(\$5,217)
Interest paid	\$23,958	\$19,786

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). The principal subsidiary of DTC is DTC Limited Funding Corporation.

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. Reverse repurchase agreements provide for DTC's delivery of cash in exchange for securities having a fair 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 which approximate fair value and totaled \$170,482,000 and \$1,147,880,000 at December 31, 2009 and 2008, respectively. At December 31, 2009, the counterparties to these agreements were two major financial institutions that are also participants.

Money market accounts with participants are used to sweep any remaining funds available and are stated at amounts that approximate fair value. Overnight investments in money market accounts totaled \$1,177,941,000 and \$1,755,169,000 at December 31, 2009 and 2008, respectively. At December 31, 2009, the money market balance was with one participant.

Accounts Receivable: Accounts receivable consist of the following at December 31, 2009 and 2008:

(Dollars in thousands)	2009	2008
Due from the participants for services	\$31,001	\$34,630
Cash dividends, interest and related receivables	27,104	57,356
Receivable from affiliates and other	9,151	5,498
Total	\$67,256	\$97,484

Other Assets: Other assets include the Company's investment in IDA bonds, totaling \$205,302,000 at December 31, 2009 and 2008. These securities are carried at cost and classified as held-to-maturity. The market value of the IDA bonds was approximately \$217,721,000 at December 31, 2009.

Securities on Deposit: Securities held in custody by DTC for participants and related stock dividends receivable 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.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

Fixed Assets: Fixed assets consist of the following at December 31, 2009 and 2008:

(Dollars in thousands)	2009	2008
Leasehold improvements	\$140,371	\$139,359
Furniture and equipment	145,159	123,662
Software	145,749	131,472
Leased property under capital leases	31,931	28,993
Building and improvements	12,986	12,986
Land	2,506	2,506
Total cost	478,702	438,978
Less accumulated depreciation and amortization	342,778	299,652
Net book value	\$135,924	\$139,326

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 double declining 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 \$14,276,000 and \$8,857,000 in 2009 and 2008, respectively. The amortization of capitalized software costs was \$16,952,000 in 2009 and \$14,142,000 in 2008. The depreciation of other fixed assets was \$26,174,000 in 2009 and \$25,872,000 in 2008.

There were no disposals in 2009. 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. In 2008, DTC also recognized an \$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 amounts and tax bases of assets and liabilities. Valuation allowances are recognized if, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. The net deferred tax asset is expected to be fully realized and, accordingly, no valuation allowance was established. It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by the tax authorities.

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. No such discounts were given in 2009. In 2008, discounts amounted to \$16,476,000. 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 \$976,000 in 2009 and \$20,334,000 in 2008.

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. Such earnings totaled \$3,567,000 and \$14,553,000 in 2009 and 2008, respectively.

Revenue Recognition: Revenue is generally recognized as services are rendered. Activities are captured daily and billed on a monthly basis. Interest income is recorded on an accrual basis.

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.

Notes to Consolidated Financial Statements December 31, 2009 and 2008

Fair Value Measurements: FASB Statement No. 157, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three-tier hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value under FASB Statement No. 157 are described as follows:

- Level 1 – Financial assets and liabilities whose values are based on unadjusted, quoted prices for identical assets or liabilities in an active market.
- Level 2 – Financial assets and liabilities whose values are based on quoted prices in inactive markets, or whose values are based on models - but the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:
 - a) Quoted prices for similar assets or liabilities in active markets.
 - b) Quoted prices for identical or similar assets or liabilities in non-active markets.
 - c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.
 - d) Pricing models whose inputs are derived principally from or corroborated by observable market data by correlation or other means for substantially the full term of the asset or liability.
- Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of financial assets and liabilities are presented in accordance with established guidelines.

Management believes that the carrying value of all financial instruments which are short-term in nature approximates fair value.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Management makes estimates regarding the valuations of assets and liabilities, allowances for credit losses, the outcome of litigation, the realization of deferred taxes, the recognition of uncertain tax positions, and other matters that affect the reported amounts. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

FASB Accounting Standards Codification: In July 2009, the FASB issued accounting guidance to establish the FASB Accounting Standards Codification (ASC or Codification) to become the source of authoritative U.S. generally accepted accounting principles (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities. All other accounting literature not included in the Codification will be considered non-authoritative. The Codification does not change current U.S. GAAP. References to authoritative U.S. GAAP literature in the Company's consolidated financial statements and the notes thereto in this report have been updated to include the new Codification.

Uncertain Tax Positions: In September 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-06 Income Taxes (Topic 740) – Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities which amended ASC Subtopic 740-10, Income Taxes – Overall (formerly FIN 48). The revised guidance is effective for periods ending after September 15, 2009. As discussed in Note 7 to the consolidated financial statements, such adoption did not have a material impact on the consolidated financial statements.

Subsequent Events: In May 2009, the FASB issued guidance to establish general standards of accounting for and the disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date – that is, whether that date represents the date the financial statements were issued or were available to be issued. This guidance was adopted by the Company in 2009 and did not have a material impact on the Company's financial statements. Appropriate disclosures are presented in Note 13.

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 \$1,718,747,000 at December 31, 2009 and included deposits in excess of the requirements totaling \$403,134,000. At December 31, 2008, the comparable amounts were \$932,362,000 and \$275,361,000, 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 2009, the billing for these services was determined as 104% of total allocated expenses excluding pass through charges and the impact of capitalized software. The billing in 2008 was at 102%. The fee representing the amount over actual cost included in professional and other services expense was \$11,812,000 in 2009 and \$6,157,000 in 2008. At December 31, 2009 and 2008, the net payable to DTCC included in accounts payable and other liabilities totaled approximately \$153,320,000 and \$230,850,000, respectively.

DTC has 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 \$23,793,000 in 2009 and \$23,019,000 in 2008 and are included in professional and other services expense. The amounts payable to DTCC Solutions LLC at December 31, 2009 and 2008 were \$2,036,000 and \$2,084,000, 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 \$1,212,634,000 at December 31, 2009 and \$1,814,735,000 at December 31, 2008 are included in payable to participants. Payable to participants also includes \$369,000 of rebates and \$32,951,000 of short position collateral (\$16,814,000 and \$34,715,000 in 2008, 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 \$53,710,000 in 2009 and \$50,325,000 in 2008.

In accordance with FASB guidance on employers' accounting for defined benefit pension and other postretirement plans, DTCC recorded a credit of \$110,909,000 on a pre-tax basis offset by a deferred tax benefit of \$47,922,000 resulting in a net credit of \$62,987,000 to the accumulated other comprehensive loss account to report the funded status of the defined benefit pension and other postretirement benefit plans, thereby increasing shareholders' equity in 2009. The decrease in the obligation was mainly due to an increase in the value of the plan's assets, partially offset by the impact of a decrease in the interest rate used to discount the projected benefit obligation to its present settlement amount. The decrease also reflects a plan change to limit the impact of inflation on postretirement medical costs. The net decrease in shareholders' equity represents an amount not yet recognized as pension expense.

The effect of this standard in 2008 was 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, thereby decreasing shareholders' equity. The increase in the obligation was primarily the result of a decrease in the value of the plan's assets and a decrease in the interest rate used to discount the projected benefit obligation to its present settlement amount.

DTC's share of the periodic charges and accumulated other comprehensive loss was a credit of \$45,818,120 in 2009. Such amount is included in employee compensation and related benefits. The equivalent amount for 2008 was a charge of \$113,281,000. 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.

NOTE 7 INCOME TAXES

DTC is included in DTCC's consolidated federal and unitary California, Massachusetts, and Illinois tax returns. DTC files other state and local returns separately. The provision (benefit) for income taxes calculated on a separate company basis for the years ended December 31, 2009 and 2008 consists of the following:

(Dollars in thousands)	2009	2008
Current income tax (benefit):		
Federal	\$13,602	\$22,287
State and local	6,468	12,074
Deferred income tax (benefit):		
Federal	9,199	(27,512)
State and local	7,397	(12,952)
Provision (benefit) for income taxes	\$36,666	(\$6,103)

Pursuant to a tax sharing agreement between DTCC and DTC, DTC is liable for its allocable share of federal and state tax liabilities that are paid by DTCC.

Approximately \$7.7 million of current income taxes receivable and \$3.1 million of current income taxes payable are reflected in the consolidated balance sheets as of December 31, 2009. In 2008, there was a net payable of \$13.9 million.

The 2009 effective tax rate is greater than the 35% federal statutory rate primarily due to state and local taxes and other permanent differences. Deferred tax assets have been adjusted during 2009 to reflect changes in effective rates of tax in various jurisdictions. The 2009 state and local provision for income taxes includes the effect of such changes as well as the effect of certain other changes in filing positions.

The major temporary differences that give rise to the deferred tax assets (liabilities) at December 31, 2009 and 2008 are as follows:

(Dollars in thousands)	2009	2008
Employee benefit related	\$118,483	\$140,402
Rent	5,658	6,463
Depreciation and amortization	17,130	14,813
Capitalization of software developed for internal use	(9,441)	(9,265)
Sale and leaseback costs and other	(11,028)	(15,015)
Net deferred income tax asset	\$120,802	\$137,398

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

On January 1, 2009, DTCC adopted FASB-issued Financial Interpretation 48 (FIN 48) "Accounting for Uncertainty in Income Taxes," (codified primarily in FASB ASC Topic 740, Income Taxes). FIN 48 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Upon the initial adoption of FIN 48 effective January 1, 2009, the Company did not recognize any reduction to its retained earnings for unrecognized tax benefits ("UTBs").

The Company classifies interest related to UTBs, and penalties, if incurred, in tax expense in its consolidated statement of operations. The Company accrued interest related to its UTBs of \$.3 million during 2009.

The Company is currently under examination by the tax authorities in New York State for certain income tax returns for the years ended December 31, 2005 through 2007. The Company estimates that it is reasonably possible that the balance of UTBs will increase or decrease in the next twelve months. As the Company is unable to predict the timing of the conclusion of this audit, or any other audit that may arise in the near future, the Company is unable to estimate the amount of reasonably possible changes at this time. Furthermore, the statute of limitations will expire in various jurisdictions, the impact of which cannot be estimated at this time. However, the Company believes that it has adequately provided for all open tax years by taxing jurisdiction under FIN 48.

The Company is subject to taxation in the U.S. and various state and local jurisdictions. As of December 31, 2009, tax years still open to examination in material jurisdictions are federal (2006-2008), New York State (2005-2008) and New York City (2006-2008).

NOTE 8 LONG-TERM DEBT AND LINES OF CREDIT

Long-term debt at December 31, 2009 and 2008 consists of the following:

(Dollars in thousands)	2009	2008
Industrial Development Agency bonds	\$205,302	\$205,302
Sale-leaseback obligation	-	19,440
Notes payable	159,078	17,763
Capital lease obligations	8,517	6,070
Total	\$372,897	\$248,575

As of December 31, 2009 and 2008, 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 2009 and 2008. These bonds mature in 2012.

In March 2003, DTC entered into a sale-leaseback transaction covering certain assets aggregating \$61,600,000. During 2008, DTC exercised an early payment option on \$24,031,000 of its obligation, bringing total principal payments to \$42,160,000 and leaving a remaining obligation of \$19,440,000. During 2009, DTC exercised a final early payment option on \$14,905,000 of its obligation and made scheduled payments of \$4,535,000, bringing total principal payments to \$63,400,000, thereby completing the transaction.

At December 31, 2009, notes payable consisted of unsecured and secured borrowings in the amount \$107,705,000 and \$51,373,000 respectively. The unsecured borrowings were from two institutions. The first unsecured loan is 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. A second unsecured loan, structured as a private placement, was completed in April 2009 with two investment institutions, at fixed rates of 5.59% and 5.63%. Interest payments are due semiannually on April 15 and October 15 each year, with principal due at maturity on April 15, 2016. The secured loan was taken from an international bank in June 2009 for operational and expansion purposes, at a fixed rate of 4.94%. Certain equipment was pledged to collateralize the loan. Interest and principal payments are due semiannually on June 30 and December 31 each year until maturity on June 28, 2013. Interest expense related to outstanding borrowings totaled \$5,038,000 in 2009 and \$950,000 in 2008.

Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. At December 31, 2009, future minimum payments including interest, which are due through 2011, totaled \$8,918,000. Payments over the next two years are \$4,671,000 and \$4,247,000, respectively.

Long term debt is carried at the remaining principal balance of the obligations. If the Company was to seek similar financing for the remaining terms of the long term debt obligations as of December 31, 2009, the principal value would exceed the market value by approximately \$13,654,000. However, \$12,419,000 of this difference corresponds to the payable to the IDA which is offset by a similar excess in the market value of the Company’s investment in IDA bonds over the carrying value.

At December 31, 2009, DTC maintained a committed line of credit of \$1,900,000,000 with 19 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 100,000,000 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 2009, 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, 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
Issuance	25,000	-	-	
Capital contribution from DTCC	-	-	10,232	
Net income 2009	-	-	-	60,015
Dividends on preferred stock	-	-	-	(246)
Balance at December 31, 2009	\$150,000	\$1,850	\$11,182	\$95,335

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. DTC issued additional 500,000 and 250,000 shares of series A preferred stock at the par value of \$100 per share in December 2006 and March 2009, respectively, thereby increasing the amount of preferred stock to \$150 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 accrued monthly based on the earnings of these funds.

DTC is a limited-purpose trust company regulated by the New York State Banking Department and the Federal Reserve Bank of New York. The Company is required to maintain a Tier 1 capital ratio of 3%. As of December 31, 2008, DTC's Tier 1 Capital ratio was approximately 2%. Since this was below the 3% minimum level, management initiated corrective measures to replenish Tier 1 Capital. During the first quarter of 2009, DTC issued an additional \$25 million of its Series A Preferred Stock and received an additional capital contribution from DTCC of approximately \$10.2 million. As a result of these actions, DTC's Tier 1 Capital ratio satisfied the 3% minimum. As of December 31, 2009, DTC's Tier 1 Capital ratio was approximately 6.2%

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 2009. Rent expense under these leases was \$14,249,000 in 2009 and \$14,737,000 in 2008.

At December 31, 2009, future minimum rental payments under all non-cancelable leases are as follows:

(Dollars in thousands)	
2010	20,590
2011	20,330
2012	16,384
2013	2,208
2014	2,259
Thereafter	4,669
Total minimum rental payments	\$66,440

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 Participants Fund 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, 2009, DTC incurred certain relocation and severance expenses totaling \$5,511,000 that are included in employee compensation and related benefits. In 2008, there was a similar provision of \$4,448,000.

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").

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 \$638,620,000 and securities of \$157,576,000 including the Cash Deposit, Clearing and Participant Fund balances, and proceeds from winding down and closing out the respective accounts. Payments of \$3,641,761,000 have already been remitted to the Trustee.

Management is not currently 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.

NOTE 13 SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after December 31, 2009 through February 26, 2010 for potential recognition or disclosure in these financial statements. No further recognition or disclosures were required.