

Balance Sheets

(Unaudited)

(IN THOUSANDS, EXCEPT SHARE DATA)

September 30.

2010

2009

| Assets | | |
|--|---------------------|--------------|
| Cash and cash equivalents | \$6,417,652 | \$13,275,117 |
| Investments in marketable securities | 242,207 | 25,286 |
| Accounts receivable | 12,674 | 11,583 |
| Clearing fund | 14,016,221 | 25,826,578 |
| Fixed assets, less accumulated depreciation and amortization of \$68,081 and \$57,039 at September 30, 2010 and 2009, respectively | 19,579 | 22,730 |
| Deferred Income taxes | 15,566 | 16,333 |
| Total assets | \$20,723,899 | \$39,177,627 |
| Liabilities and Shareholder's Equity | | |
| Liabilities: | | |
| Accounts payable and other liabilities | \$71,696 | \$82,802 |
| Payable to participants | - | 17,311 |
| Clearing fund: | | |
| Cash deposits | 6,549,994 | 13,200,936 |
| Other deposits | 14,016,221 | 25,826,578 |
| Total liabilities | 20,637,911 | 39,127,627 |
| Commitments and contingent liabilities | | |
| Shareholder's equity: | | |
| Common stock | | |
| Class A, \$.50 par value: 105,000 shares authorized, 20,400 shares issued and outstanding | 10 | 10 |
| Paid in capital | 10,394 | 10,395 |
| Retained earnings | 75,584 | 39,595 |
| Total shareholder's equity | 85,988 | 50,000 |
| Total liabilities and shareholder's equity | \$20,723,899 | \$39,177,627 |

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

FIXED INCOME CLEARING CORPORATION

Statements of Income and Retained Earnings

| (Unaudited) | <i>(IN THOUSANDS)</i> | |
|---|-----------------------|-------------|
| For the Nine Months Ended September 30, | 2010 | 2009 |
| Revenues: | | |
| Revenue services | \$107,134 | \$97,692 |
| Interest income | 9,413 | 14,568 |
| Total revenues | 116,547 | 112,260 |
| Discounts and other refunds to participants | (9,323) | (33,508) |
| Net revenues | 107,224 | 78,752 |
| Expenses: | | |
| Employee compensation and related benefits | 46,310 | 45,596 |
| Information technology | 7,586 | 6,464 |
| Professional, clearance and other services | 22,550 | 21,595 |
| Occupancy | 4,232 | 4,117 |
| Other general and administrative | 1,147 | 980 |
| Total expenses | 81,825 | 78,752 |
| Income before income taxes | 25,399 | - |
| Income taxes | 10,160 | - |
| Net income | 15,239 | - |
| Retained earnings, beginning of period | 60,345 | 39,596 |
| Retained earnings, end of year | \$75,584 | \$39,596 |

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

Statements of Income and Retained Earnings

| (Unaudited) | <i>(IN THOUSANDS)</i> | |
|---|-----------------------|-------------|
| For the Three Months Ended September 30, | 2010 | 2009 |
| Revenues: | | |
| Revenue from services | \$38,007 | \$32,122 |
| Interest income | 3,761 | 4,092 |
| Total revenues | 41,768 | 36,214 |
| Discounts and other refunds to participants | (3,597) | (10,684) |
| Net revenues | 38,171 | 25,530 |
| Expenses: | | |
| Employee compensation and related benefits | 15,395 | 14,756 |
| Information technology | 2,600 | 2,115 |
| Professional, clearance and other services | 7,902 | 6,886 |
| Occupancy | 1,447 | 1,378 |
| Other general and administrative | 431 | 395 |
| Total expenses | 27,775 | 25,530 |
| Income before income taxes | 10,396 | - |
| Income taxes | 2,761 | - |
| Net income | 7,635 | - |
| Retained earnings, beginning of period | 67,949 | 39,596 |
| Retained earnings, end of year | \$75,584 | \$39,596 |

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

Statements of Cash Flows

| (Unaudited) | <i>(IN THOUSANDS)</i> | |
|---|-----------------------|--------------|
| For the Nine Months Ended September 30, | 2010 | 2009 |
| Cash flows from operating activities: | | |
| Net income | \$ 15,239 | \$ - |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of fixed assets | 7,939 | 6,080 |
| Net discount accreted on securities owned | 143 | 467 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (881) | (941) |
| Decrease in other assets | (997) | - |
| Decrease in accounts payable and other liabilities | (5,451) | (7,923) |
| Increase in payable to participants | - | 4,432 |
| Increase (decrease) in clearing fund cash deposits | (1,716,284) | 3,404,846 |
| Net cash provided by operating activities | (1,700,292) | 3,406,961 |
| Cash flows from investing activities: | | |
| Maturities of investments in marketable securities | 532,000 | 24,000 |
| Purchases of investments in marketable securities | (241,184) | (18,355) |
| Purchases of fixed assets | (6,199) | (7,636) |
| Net cash used in investing activities | 284,617 | (1,991) |
| Cash flows from financing activities: | | |
| Principal payments on debt and capital lease obligations | - | 1,022 |
| Net cash used in financing activities | - | 1,022 |
| Net increase in cash and cash equivalents | (1,415,675) | 3,405,992 |
| Cash and cash equivalents, beginning of period | 7,833,327 | 9,869,125 |
| Cash and cash equivalents, end of period | \$6,417,652 | \$13,275,117 |
| Supplemental disclosure: | | |
| Income tax payments | \$9,039 | \$8,821 |

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

NOTE 1

Fixed Income Clearing Corporation (FICC), a clearing agency registered with the U.S. Securities and Exchange Commission, provides various services to members of the government and mortgage-backed securities markets (participants), consisting principally of automated real-time trade comparison, netting, settlement, trade confirmation, risk management and electronic pool notification. The quarterly financial statements of FICC, 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, 2009. FICC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (DTCC).

NOTE 2

FICC's rules require its participants to maintain clearing fund deposits based on calculated requirements, which at September 30, 2010 totaled \$15,310,467,000. The clearing fund is available to secure participants' obligations and in certain circumstances to satisfy other losses and liabilities of FICC, should they occur. All clearing fund cash and securities are recorded on the balance sheet. A summary of the total deposits held at September 30, 2010 including \$5,255,748,000 in excess of calculated requirements, follows:

| (Dollars in thousands) | GS Division | MBS Division | Total |
|--|---------------------|--------------------|---------------------|
| Cash | \$2,682,170 | \$3,867,824 | \$6,549,994 |
| U.S. Treasury and Agency securities, at market | 8,141,673 | 5,874,548 | 14,016,221 |
| Total deposits | \$10,823,843 | \$9,742,372 | \$20,566,215 |

NOTE 3

At September 30, 2010, DTCC and its subsidiaries held aggregate funds of \$626,843,000 and securities of \$157,701,000 including the Barclays Cash Deposit, Clearing and Participant Fund balances and proceeds from winding down and closing out the respective Lehman Brothers Inc. (LBI) accounts. As of September 30, 2010, payments totaling \$4,354,761,000 have already been remitted to the Trustee.

Management is not expecting to need to assess losses against retained earnings or to the participants as a result of the liquidation of the LBI accounts.