

The Depository Trust Company
IMPORTANT
EXECUTIVE IMPORTANT NOTICE

B#: 1256
DATE: January 23, 2001
TO: DTC PARTICIPANTS, PLEDGEE BANKS AND MBS PARTICIPANTS
CATEGORY: Finance
FROM: Richard Macek, Managing Director & Chief Financial Officer
ATTENTION: Operations Manager/Managing Partner/Officer
SUBJECT: YEAREND GENERAL REFUND FOR 2000

It is DTC's policy to limit profits and return to its users such revenues as the Board of Directors believes exceed the funds required for the depository's operations.

At its December meeting, the Board approved the retention of approximately \$0.7 million after tax for the payment of a preferred stock dividend and the refund to users of DTC's remaining excess revenues. At this time, it is estimated that the preliminary general refund will be approximately \$21.3 million, about 4.3% of fees paid to DTC for the year 2000. The refund is largely due to transaction volumes in most trading-related services exceeding budget, reflecting record trading volumes and investment income resulting from a greater amount of cash available for investment. This general refund, together with the monthly dividend, interest and reorganization investment income refunds of some \$43.6 million, will bring total 2000 refunds to DTC users to about \$64.9 million. Each DTC Participant's and Pledgee Bank's share of the refund will be proportional to its share of total service fees (exclusive of pass-through charges for the Participant Terminal System terminals and lines, transfer agent fees and reject fees) paid by all Participants and Pledgee Banks during the year. A final distribution for 2000 will be made upon completion of the annual audit.

Under the terms of the PTC merger, it was agreed that rebates generated from excess revenues from service revenues would be separately paid to MBS Division Participants through September 30, 2000. Interest income earned from the investment of principal and interest under the GNMA I program would continue to be paid to MBS Division Participants for 2000 and future periods consistent with prior practice.

It is estimated that the MBS Division will have a refund of about \$23.0 million for 2000. This amount consists of \$7.1 million of excess earnings generated from service revenues and \$15.9 million of interest income earned from the investment of principal and interest received under the GNMA I program.

Each MBS Participant's share of the refund of excess earnings from service revenues will be proportional to its share of total fees paid for service during the refund period. Excluded as in the past from the calculation of the refund will be interest, penalties and pass-through charges. With respect to the refund of net interest earned from the investment of principal and interest, each Participant's share of the refund will be proportional to its share of total GNMA I allocations to Participants during the year 2000.

Refunds will be made during the week of January 22, 2001.

If you have any questions, you can contact your Participant Services representative or Edmund Schemitsch, Vice President, Finance, at (212) 855-3420.