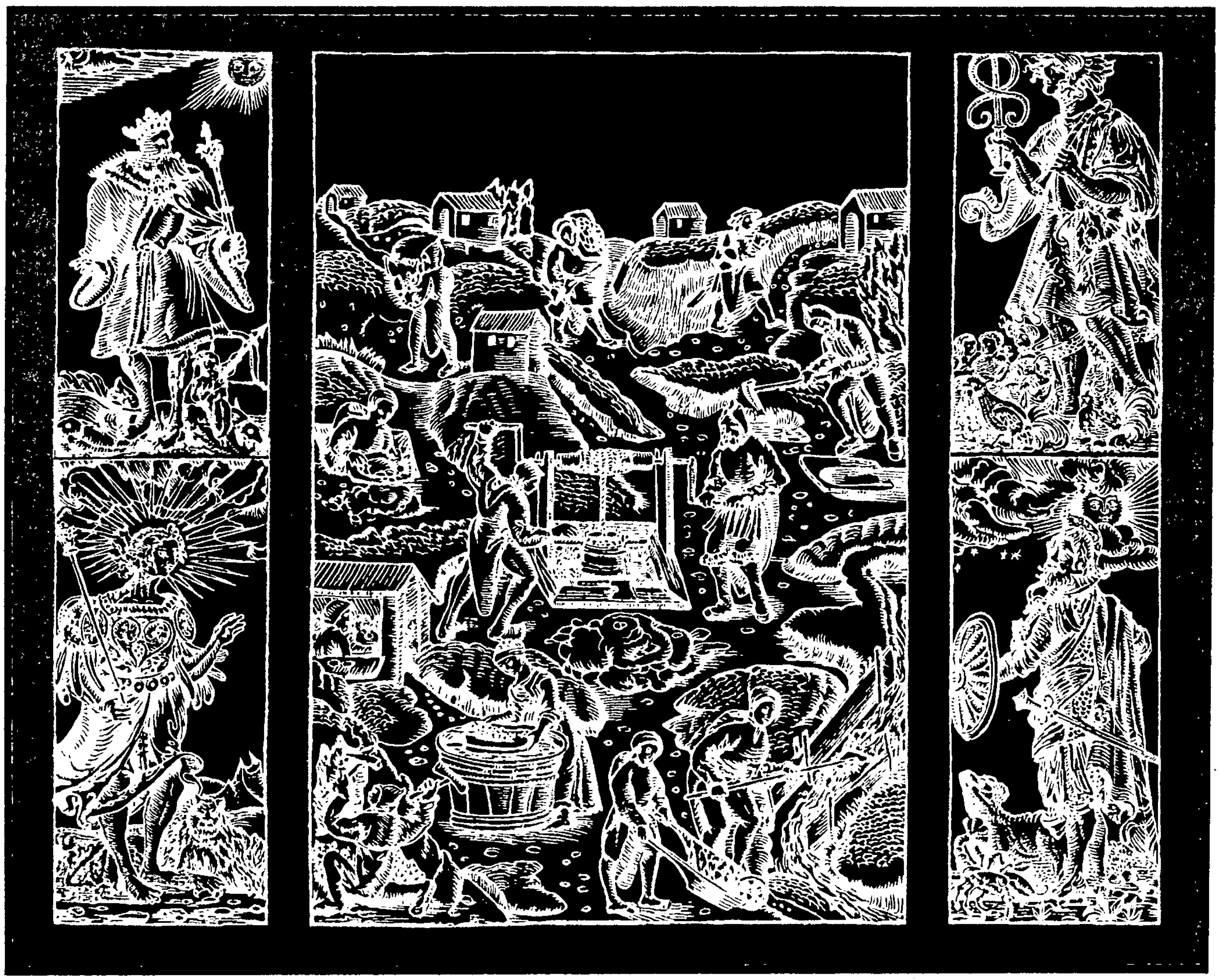
Annual Report 1982



The Depository Trust Company

U.S. securities markets have never been as active as they were in the second half of 1982. Perceived by many as the ultimate symbol of the modern commercial age, these markets are also widely regarded as leading indicators of economic activity to come. Yet the Age of Commerce was already well established long before securities markets came into being, while the search for leading indicators is as old as humankind.

The illustrations in this report depict commercial activity in its infancy, at the dawn of the modern age, centuries ago. Also shown are some of the "leading indicators" of that remote period, when portents, omens and apparitions influenced economic (and other) planning as surely as the market indicators of today.

1982 Annual Report

The Depository Trust Company, 55 Water Street, New York, New York 10041
212-558-8000

Highlights

At the End of the Year:	1982	1981
Participants	**455**	374
Broker-Dealers	**328**	274
Banks	**120**	93
Clearing Agencies	**7**	7
Eligible Security Issues	**36,361**	20,459
	(In Billions)	
Value of Securities on Deposit	**$838**	$560
Banks	**$627**	$418
Broker-Dealers	**$192**	$129
Other Depositories	**$19**	$13
	(In Billions)	
Number of Shares on Deposit	**26.7**	19.0
Banks	**14.3**	11.0
Broker-Dealers	**11.9**	7.6
Other Depositories	**.5**	.4
	(In Billions)	
Principal Amount of Debt Securities on Deposit	**$184.2**	$111.3
Banks	**$139.4**	$94.5
Broker-Dealers	**$39.7**	$16.8*
Other Depositories	**$5.1**	
	(In Billions)	
Value of Securities Pledged for Collateral Loans	**$6.0**	$5.9
Pledgees	**105**	103
Depository Facilities	**34**	33
	(In Billions)	
Value of *FAST* Balance Certificates at Transfer Agents	**$342.1**	$205.5
Total for the Year:	(In Billions)	
Market Value of Book-Entry Deliveries	**$2,280**	$1,650
Cash Dividends and Interest Payments	**$37.2**	$27.9

*Combined principal amount for Broker-Dealers and Other Depositories.

A Message From Management

We are pleased to present this report of 1982 activity to Participants and other present or potential users of The Depository Trust Company's services.

The year 1982 was one of slow growth in the first half, as share trading volume in the major markets was high but transaction volume relatively low, followed by record volume beginning in mid-August.

Highpoints of the year from a performance viewpoint were impressive:

- Computerized book-entry deliveries of securities among Participants rose to almost $2.3 trillion, up 38% over 1981.

- The value of securities in DTC custody rose to $838 billion at yearend, up 50% from a year earlier, aided by the rise of equity prices and a 41% growth in common shares on deposit, to almost 27 billion shares.

- Participation of banks in the depository—both for their own accounts and for their institutional customers—continued to grow strongly. The number of bank Participants rose to 120 from 93 a year earlier, while the number of banks known to be participating indirectly in DTC as correspondents of Participant banks advanced to 429 from 362. Broker-dealer participation also grew strongly, rising to 328 direct Participants at yearend.

- Record high trading volume from mid-August through November demonstrated DTC's contribution to post-trade securities processing, especially under extraordinary conditions. The greatest hurdle cleared then came on a "double settlement" day—when two days of trading are settled on the same day because of a holiday— as DTC experienced its first billion share settlement day.

Despite these operational accomplishments, it was events with both contemporary and future significance which made this year so memorable.

The depository's Institutional Delivery *(ID)* system passed a watershed in 1982. On November 9 the Securities and Exchange Commission approved rule changes by the New York Stock Exchange and other self-regulatory organizations which condition the way institutional securities trades are settled after January 1, 1983. The rules of these organizations, in effect, now require certain of their members and their members' customers to use the facilities of a registered securities depository for the confirmation, affirmation and settlement of trade transactions in depository-eligible securities.

As the effective date of these pending rule changes drew closer, the industry's need to prepare for them and higher trading volume combined to cause a large rise in *ID* usage. The number of *ID* users rose to 431 broker-dealers and 1,781 institutions, and *ID* activity doubled toward yearend from the mid-year rate. Another result of the rules proposals was to encourage other securities depositories to participate in the *ID* system, linking their own institutional delivery capabilities with it.

Unanticipated legislation in 1982 affecting municipal bond issuance also merits mention.

The U.S. Congress initially adopted, and subsequently deferred until July 1, 1983, a requirement that municipal bonds with maturities of more than one year must be in registered rather than bearer form to retain their tax-exempt status. The conclusion of this action coincided with completion of the first full year of DTC's municipal bond program. At yearend 1982, over $13.2 billion in principal amount of 18,700 municipal issues was on deposit in bearer and registered form. Just as the depository served as part of the solution to the "paperwork crisis" for corporate securities in earlier years, it appears that it will do so again during a transition period for the municipal bond industry in which book-entry processing and certificate transfer procedures increasingly replace certificates in bearer form.

Finally, for their professionalism and their help in making the depository's 1982 achievements possible, we wish to thank the members of the depository's staff, the officers of Participants, and the industry committees closely concerned with DTC's work.

William T. Dentzer, Jr.
Chairman & Chief Executive Officer

Conrad F. Ahrens
President & Chief Operating Officer

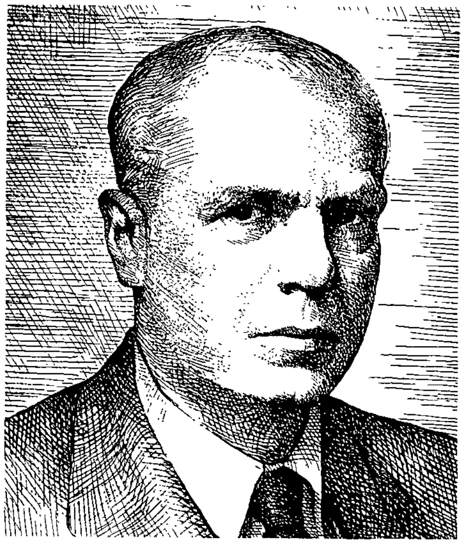
A 10th Anniversary Acknowledgment

On the occasion of The Depository Trust Company's 10th anniversary year, it is fitting to acknowledge the founding work of the Banking and Securities Industry Committee (BASIC) in 1970-72, a unique effort which made the creation of DTC possible.

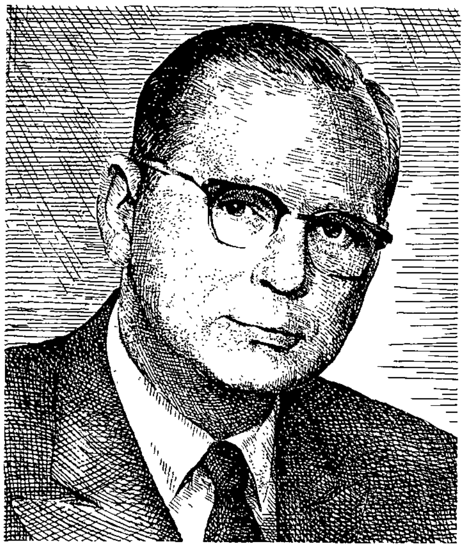
BASIC was an inter-industry response to a serious national problem—the "paperwork crisis" in the processing of securities transactions during the late 1960's. The prime movers in its creation were John M. Meyer, Jr., Chairman of Morgan Guaranty Trust Company and then Chairman of the Clearing House Committee of the New York Clearing House Association, Robert W. Haack, President of the New York Stock Exchange (NYSE), and Ralph S. Saul, President of the American Stock Exchange (Amex). Richard B. Walbert, President of the National Association of Securities Dealers (NASD) soon joined the group, and Herman W. Bevis, retired Senior Partner of Price Waterhouse & Co., agreed to join the Committee and serve full-time as its Executive Director. The remaining members of BASIC were Walter B. Wriston, Chairman of First National City Bank, and William H. Moore, Chairman of Bankers Trust Company.

It was the effort of these chief executive officers, their deputies, and their successors which led to the creation of DTC in 1973 as an inter-industry service organization growing out of the NYSE's Central Certificate Service. Four of BASIC's seven members served from the Committee's inception to the conclusion of its active operation at yearend 1972. Mr. Walbert was replaced by Gordon S. Macklin as President of the NASD in 1970, Mr. Saul by Paul Kolton as President of the Amex in 1971, and Mr. Haack by NYSE Chairman James J. Needham in 1972. In 1974, Gordon T. Wallis, Chairman of Irving Trust Company succeeded Mr. Meyer as BASIC's Chairman, though the latter remained on the Committee. BASIC concluded its existence in 1975 after Congressional adoption of the Securities Acts Amendments of 1975.

In particular, the depository wishes to acknowledge the special contributions of BASIC Chairman John M. Meyer, Jr. and Herman W. Bevis, the Committee's Executive Director. The charter which they and their colleagues on BASIC laid out for the depository has stood the test of time. To them also goes a special debt of gratitude from the management and staff of DTC.



John M. Meyer, Jr.



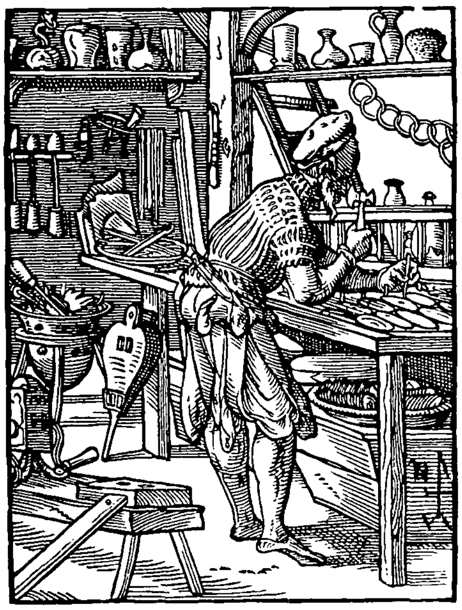
Herman W. Bevis

By the beginning of the 17th Century, many trades recognizable today were already in wide practice. So great was the variety, however, that in 1568 a Book of Trades was published in Nuremberg under the title *Exact Description of All Ranks on Earth.* Woodcuts from that work, together with excerpts from the poems that accompanied them, show a surprising similarity with today's popular sentiments toward the occupations shown.

Right: Blacksmith, coppersmith and glazier are tradesmen recognizable, if not familiar, to modern readers, though the possession of glass was something of a status symbol 300 years ago. "I truly have good drinking glasses," the glazier could proudly announce, "both for beer and also for wine."

Front cover: Mining has always been an economic mainstay, but in the 17th Century, labor unrest became recognized as an ever-present threat. This depiction of surface mining activity was the illustration for a broadside, probably published during a miner's uprising in 1632. The original text contained advice by one mine owner to others concerning the wisdom of treating mine workers humanely—by the standards of the time.

Page 1: The risks of the merchant, far more than the cost of goods sold, determined the price of 17th Century goods. "I import to and export from the land with great care and risk," the Book of Trades admonished, "because misfortune often rides with me."



History, Ownership and Policies

The Depository Trust Company (DTC) was born out of the securities industry's paperwork crisis in the late 1960s, when processing problems caused major disruption in the financial industry. Accordingly, the depository's first and continuing mandate is to provide efficient, secure and accurate post-trade processing services for transactions in U.S. securities markets.

Three functions underlie DTC's effort to carry out this charge. First, the immobilization of its user Participants' securities in the depository reduces the need for Participants to maintain their own certificate safekeeping facilities. Second, a computerized book-entry system—in which changes of ownership interest are recorded in the depository's records—replaces costly, problem-prone physical delivery of securities for settlement. Third, the communications system through which DTC acts for its Participants with transfer agents across the country permits more efficient registration of certificates for those desiring them.

In 1968, the New York Stock Exchange initiated these functions through its Central Certificate Service (CCS), a securities depository established to serve NYSE member firms. Pursuant to plans developed by the *ad hoc* Banking and Securities Industry Committee in 1970-72, DTC was created in early 1973 to acquire the business of CCS and to expand the benefits of the depository approach to other areas of the financial industry, particularly the bank sector.

The initial sale of DTC stock by the NYSE to DTC bank Participants and other self-regulatory organizations representing broker-dealer Participants occurred on October 31, 1975, after various state laws restricting depository ownership had been amended. The stockholder base was broadened in October 1976, when the NYSE acted to give broker-dealers the right to own DTC stock directly. These actions established the present nature of the depository as an organization owned by its users or their representatives.

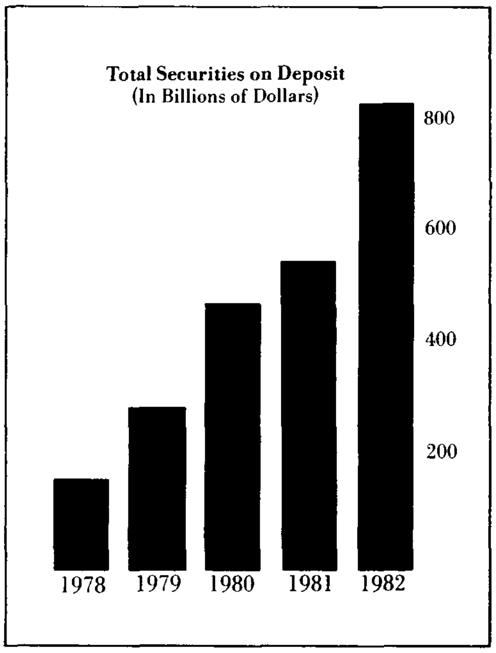
The Governance of the Depository

The procedures for the governance of Depository Trust are carefully framed to reflect the need for objectivity in serving diverse users in the financial community

The right to purchase capital stock of the depository is based on a formula which takes into account each Participant's use of the depository during the preceding calendar year. The calculation of use is based 60% on fees paid to the depository during that year and 40% on the market value of long securities positions in DTC. The purchase price of the DTC stock is based on its book value at yearend.

Each year, the amount of stock each Participant is entitled to purchase is recalculated to reflect annual variations in usage. Participants may purchase any, all, or none of the stock to which they are entitled, as they see fit.

The annual stock reallocation occurs prior to the annual stockholders' meeting in late March so that stockholders will be able to vote newly acquired shares in the election of the Board of Directors, which takes place at that meeting. Elections are



Dentist and barber plied overlapping trades in the 17th Century, both having much in common with the contemporary practice of medicine. "I will also bleed you," the barber offered, as may be seen in the background of the accompanying woodcut. "I can pull it out without pain" was the dentist's boast, to which many modern readers will need no introduction.

conducted under a system of cumulative voting which ensures that no group controlling more than 50% of the stock can elect all Directors. Representation on the Board is thereby made available to users from various sectors of the financial community in proportion to their use of the depository.

At the conclusion of the annual reallocation of DTC stock entitlements in March 1982, elections to purchase entitlements increased the number of stockholders to 66, comprising 34 broker-dealers, 27 banks and 5 self-regulatory organizations and clearing agencies. The 34 broker-dealer stockholder Participants owned approximately 12% of DTC stock. The 27 bank Participants owned approximately 37% of DTC stock. The ownership interests of the self-regulatory organizations, which were required to sell stock to accommodate Participant elections to purchase, declined to approximately 40.5% for the New York Stock Exchange, 5.4% for the American Stock Exchange, and 5.4% for the National Association of Securities Dealers.

It is the depository's policy not to pay dividends to stockholders. This policy is based on the belief that distribution of depository ownership should not be viewed as an investment vehicle, but rather as a means by which diverse users may encourage DTC's responsiveness to their needs through the exercise of their voting rights. The make-up of the depository's Board of Directors reflects this effort to be, and to remain, responsive to user needs.

It is a further policy of DTC to limit profits and return to users, whether or not they are stockholders, such revenues as the Board of Directors believes exceed the funds required for the depository's operation.

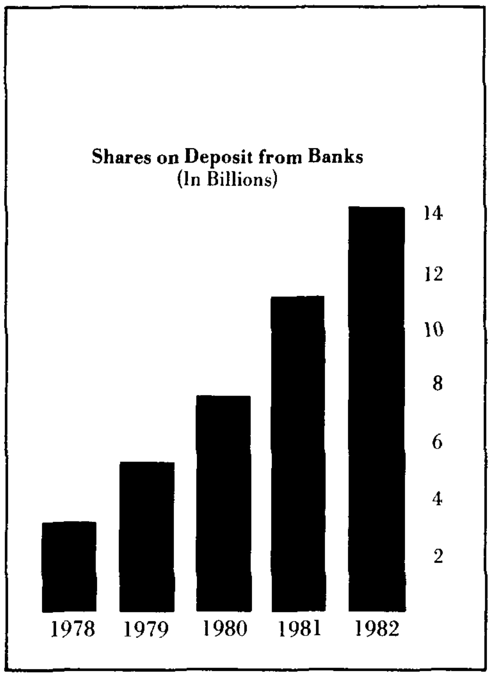
The Depository Trust Company is regulated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. As a member of the Federal Reserve System and a New York State limited purpose trust company, it is also regulated by the Board of Governors of the Federal Reserve System and the New York State Banking Department.

Growth in 1982

Trading activity was extraordinarily heavy in the nation's securities markets after mid-August, leading to a new high in average daily trading volume of 80.4 million shares on the New York Stock Exchange. This trading activity and increased institutional use of Depository Trust were the chief contributors to record activity for DTC as well.

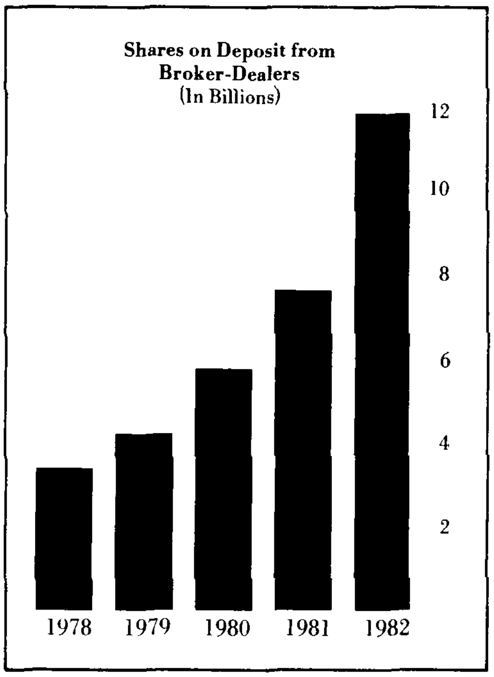
• Helped by an increase in equity prices, the market value of securities on deposit at DTC rose 50% to $838 billion from $560 billion at yearend 1981. But the number of shares on deposit—a better indicator of depository growth since it is not subject to fluctuations of equity prices—increased 41% to 26.7 billion.

• During 1982, DTC processed over 54 million individual transactions in connection with its primary services—deposits, deliveries, pledges and withdrawals—for an average of 216,000 transactions per business day in these services. This record volume represented a 4% rise from the 1981 level.



• Cash dividends and interest paid to DTC on securities held for Participants rose by more than 33% in 1982, to $37.2 billion from $27.9 billion for 1981.

• Volume records were established in other ways as well. Net deposits (deposits minus withdrawals) averaged $873 million per business day for all of 1982.



Cash dividends and interest received for Participants hit a single-day peak of $1.4 billion in December.

• The number of users of DTC's Participant Terminal System *(PTS)*—a cornerstone of the depository's telecommunications network—rose to 303, employing a total of 474 terminals in their various offices, from 220 users and 386 terminals at yearend 1981.

• DTC's Institutional Delivery *(ID)* system grew to include 1,592 full users, up from 669 a year earlier.

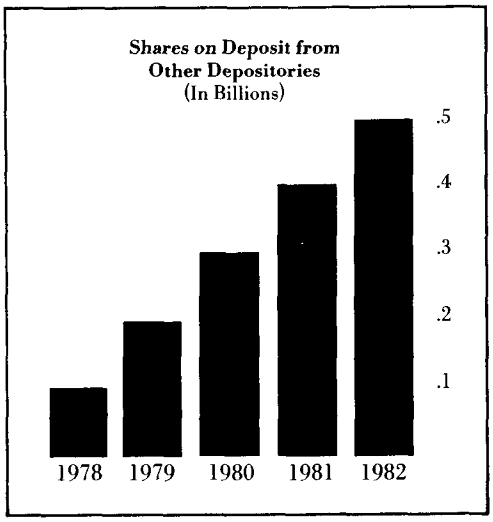
Bank participation remained a significant source of the depository's growth. The addition of 27 banks from 15 states

Doctor and druggist had their 17th Century counterparts in the physician and apothecary shown here. The doctor's social standing is evident from the deliberate symbolism of the woodcut, in which he has agreed to examine a specimen of urine from a typical working class patient of the day. The pharmacist is somewhat less recognizable, despite his diligence with mortar and pestle.

brought the number of direct bank Participants to 120—28 headquartered in New York State and 92 in 29 other states and the District of Columbia. At the same time, the number of banks known to be indirect users of DTC through correspondent relationships with direct bank Participants grew to at least 429 from 362 in 1981.

By yearend 1982, DTC's securities on deposit from banks had grown to include 14.3 billion shares, with a total (equity plus debt) value of over $627 billion, up 30% and 50%, respectively, from a year earlier. Sixty-nine individual bank Participants each had more than $1 billion in securities on deposit. Direct and indirect Participants included 90 of the top 100 U.S. banks, measured by trust assets under management as reported by the Federal Reserve. Six of these banks also participated in another securities depository, as did eight other banks in the top 100.

DTC's broker-dealer participation also contributed to the year's record activity. At yearend 1982, there were 328 broker-dealer Participants in DTC, as against 274 a year earlier. These firms are augmented by a great many others that use DTC through the accounts of correspondent broker-dealer Participants. Broker-dealer securities on deposit included a record 11.9 billion shares, with a total (equity plus debt) value of $192 billion, up 57% and 49%, respectively, from yearend 1981. Of the direct broker-dealer Participants, 163 had their principal bases of operations in New York State; 165 were headquartered in 27 other states and the District of Columbia.



Eligible Issues

The number of issues eligible for DTC services rose to 36,361 by the end of 1982, an increase of 15,902 from yearend 1981. The expansion was part of DTC's plan to bring the benefits of book-entry delivery and certificate immobilization to an increasing portion of the securities held by Participants.

The 36,361 issues eligible at the end of 1982 comprised 3,326 common and preferred stocks listed on the New York, American and other stock exchanges; 6,148 equity issues traded over-the-counter; 5,075 issues of listed and unlisted corporate debt securities; 18,697 municipal bond issues; 465 U.S. Treasury and Federal Agency issues; 342 warrants; 494 issues represented by American Depositary Receipts; 1,662 unit investment trusts (UITs); and 152 unit issues.

Municipal Bond Program

In 1981, DTC instituted a major municipal bond immobilization program in which the benefits of book-entry, depository custody and the Institutional Delivery *(ID)* system are made available to broker-dealers, banks and institutions involved in the clearance and settlement of municipal securities transactions. Approximately 1.5 million municipal issues with assigned CUSIP numbers, valued at more than $400 billion, are currently outstanding—the great bulk in bearer form. Depository Trust Participants underwrite and hold a high percentage of these amounts.

Under this program, the deposits and withdrawals of bearer and registered bonds are made directly at DTC, with the securities eligible for all other depository services as well. The program offers a number of attractive benefits to users.

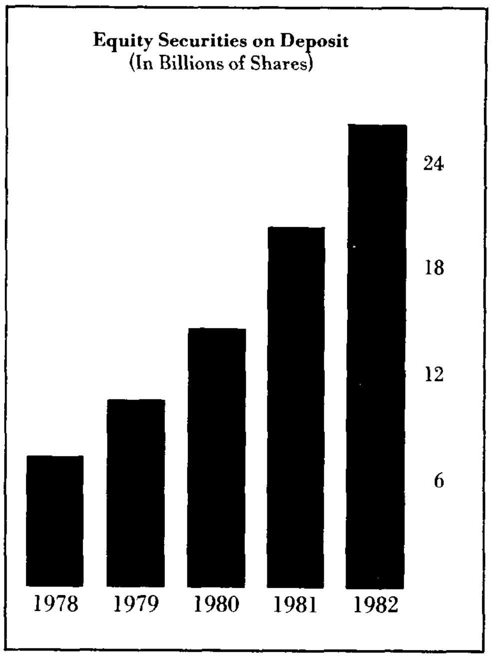
- Book-entry delivery reduces fails and cuts delivery time, thereby trimming financing costs.

- Depository eligibility allows the National Securities Clearing Corporation (NSCC) to include DTC-eligible munis in its continuous net settlement system, generating a number of efficiencies for users of that system.

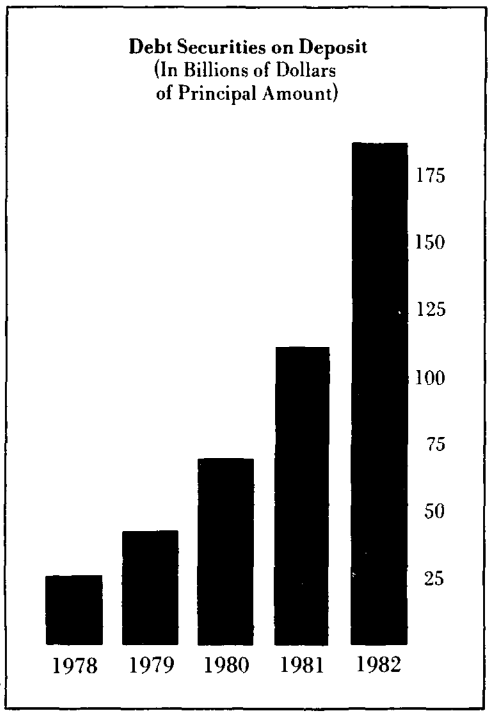
- The risk of loss to Participants during the handling and shipping of bearer bonds is sharply diminished.

- Labor-intensive operations of all types associated with the processing of munis are reduced, together with the costs related to those activities.

- Bonds can be immobilized substantially at the outset when an underwriting is being effected.



During 1982, underwriters distributed through DTC $13.2 billion principal amount of 200 new issues. By yearend, 18,697 municipal issues had been made eligible for depository services and some $13.2 billion in face amount was on deposit. Included were 905 registered bonds totaling $1.6 billion principal



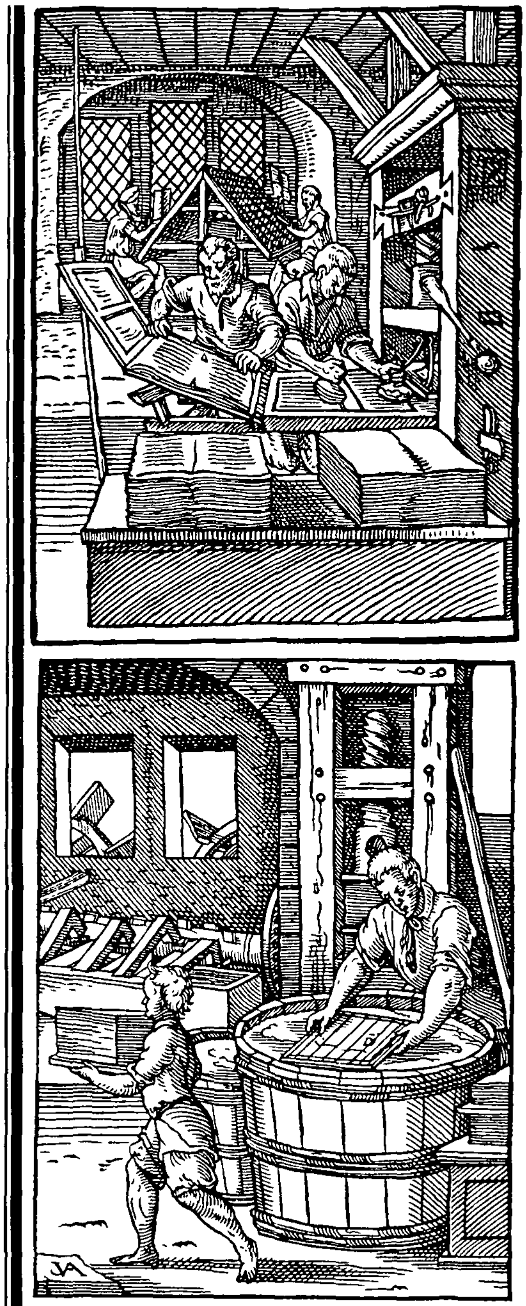
amount. These bearer and registered issues represent 50 states and the Commonwealth of Puerto Rico; California leads in the number of eligible issues, followed by New York and Texas in that order. Around yearend, average daily activity was running at about 2,600 book-entry deliveries and pledges, deposits and withdrawals.

Interest in the use of this service will be further encouraged by the planned addition of about 20,000 issues during 1983. A minimum of 75,000 eligible issues is projected by the end of 1984. Even greater interest will stem from the July 1, 1983 requirement that tax-exempt bonds must be in registered form if they have a maturity of more than one year.

Depository Services for Units

DTC's program to provide Participants with depository services for units got under way in August 1981. A unit is a combination of two or more component securities (such as a stock and a warrant) initially sold and transferred as though they were one; after a period determined by the issuer and underwriters, the components can be sold and transferred separately.

In 1982, 196 Participants submitted 8,532 Unit "Swingover" book-entry instructions to combine 111.2 million component shares already on deposit in their accounts into 43.7 million units and 5,442 instructions to separate 20.2 million units into 53.6 million component shares. The resulting units and components immediately became eligible for the full range of DTC book-entry services, the Institutional Delivery *(ID)* system, and continuous net settlement. By the end of the year, 152 unit issues had been included in the program.



Printer and papermaker worked closely together, especially when the arts of both were still relatively young. "Snow white and smooth, that's how one likes it" was the papermaker's boast, while the printer could still marvel at the power of the press: "So much art comes to light this way, which one can easily obtain."

Institutional Use of Securities Depositories

The Institutional Market

As banks have become more familiar with depository usage and book-entry operations, they have become increasingly active in encouraging their institutional customers to authorize the deposit of their assets into the system. At the same time, an increasing number of institutional investors have initiated the deposit of their assets by so instructing their custodian banks. Accordingly, bank deposits of their own and other institutional assets into DTC increased by $209 billion in 1982. Further growth is projected for the period ahead, augmented by an increased number of banks participating in DTC's system.

The potential institutional depository market is a very large one. The amount of such assets currently in the depository system is estimated at $720 billion. These assets, over $627 billion of which are on deposit with DTC and the balance distributed throughout the rest of the depository system, are in the accounts of approximately 580 U.S. banks (98 of them among the top 100 in managed trust assets) that participate in depositories directly or indirectly.

The nature of the effort required to bring more institutional assets into the system varies from category to category. For example, in the categories of life insurance companies, property-liability insurance companies and state and local retirement funds, it is often necessary to deal with state laws and regulations which, having been developed long before there was such a thing as a depository system, contain provisions inconsistent with effective depository usage by institutions domiciled in those states. Various efforts are under way to resolve these problems.

A major continuing need is to acquaint the appropriate institutional and regulatory personnel with the benefits of depository participation—lower costs, reduced errors, increased flexibility, and simplified operations. DTC's efforts in this direction have been focused on three institutional categories in particular: pension funds, investment companies, and insurance companies, as described below.

- **Deposit of Pension Fund Assets**

DTC bank Participants continued to deposit private pension fund assets into their accounts throughout 1982; it is believed that a large percentage of such assets has already been placed in the depository system by bank Participants.

The situation is otherwise for state and municipal retirement systems. A major obstacle to depository usage by state and municipal pension funds arises from the fact that these pension funds are state regulated, with each state imposing its own restrictions. Most of these restrictions were enacted long before the depository system was developed and have to be modified to permit depository usage.

Significant strides were made in 1982 to overcome these restrictions so that state and municipal retirement system assets can be placed in a depository, and a number of states authorized the deposit of their funds during the year. DTC is continuing to acquaint appropriate state personnel with the benefits of depository participation for state pension systems.

The nailmaker and the wagonwright are no longer with us, though the machine-made descendants of their handcrafted products are very much in evidence.

There are currently 38 states that iave no regulatory or statutory bars to he use of book-entry systems and/or he depository system by state pension 'unds. Indeed, 35 of these states are known to have all or part of the state pension fund assets on deposit or in the process of being deposited at DTC, indi-·ectly through their custodian banks. Another 5 states and the District of Columbia permit depository usage by state pension funds at the discretion of appropriate officials. The remaining 7 states require that pension fund assets be physically domiciled within their state boundaries or be kept in the form of physical certificates wherever they may be domiciled. DTC's efforts are directed at helping eliminate such restrictions.

• Deposit of Investment Company Assets

During 1982, the number of mutual funds with the eligible portions of their portfolios deposited into DTC through their custodian banks increased by 199, bringing to 399 the number of mutual funds reported to have done so and to $43 billion the total value of the securities believed to have been so deposited. These figures represent increases of 100% and 54%, respectively, from the comparable yearend 1981 figures of 200 funds with a value of $28 billion.

Several additional funds laid the groundwork for 1983 depository usage by preparing proposals for action by their Boards of Directors. Accordingly, DTC expects continued growth of mutual fund deposits during the year ahead.

• Deposit of Insurance Company Assets

The total value of insurance company assets on deposit at DTC continued to increase in 1982. Nevertheless, the dollar value remains relatively small, both in comparison to the assets on deposit from other sectors of the institutional market and in relation to the total value of depository-eligible securities held by insurance companies throughout the United States.

As in the case of public pension funds, the major obstacle to depository custody of insurance company owned securities is the framework of statutes and regulations in the various states. Many states permit depository usage at the discretion of the state insurance commissioners, but have not yet established the necessary guidelines for supervisory review. In a number of other states the problem is statutory—frequently in the form of a requirement that the assets be physically domiciled within the state, or that they be kept in the form of physical certificates wherever domiciled.

State barriers have made the insurance sector of the financial industry the slowest to adapt to depositories. Nevertheless, 370 insurers were reported to be using at least some depository services indirectly through their agent banks at yearend, versus a total of 315 at yearend 1981. (Among the 1981 users, 224 actually had assets on deposit at DTC and 91 were participants in the depository's Institutional Delivery *(ID)* system.) These 370 companies have assets on deposit totaling approximately $47.5 billion in market value, up from $32.1 billion for the 224 companies a year earlier.

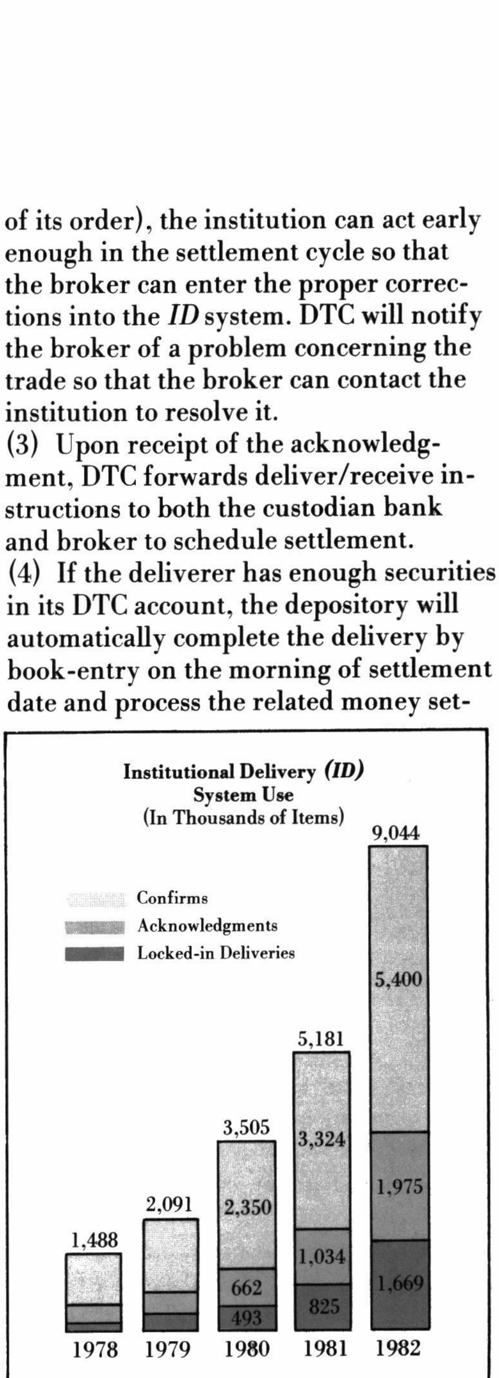
Institutional Delivery *(ID)* System

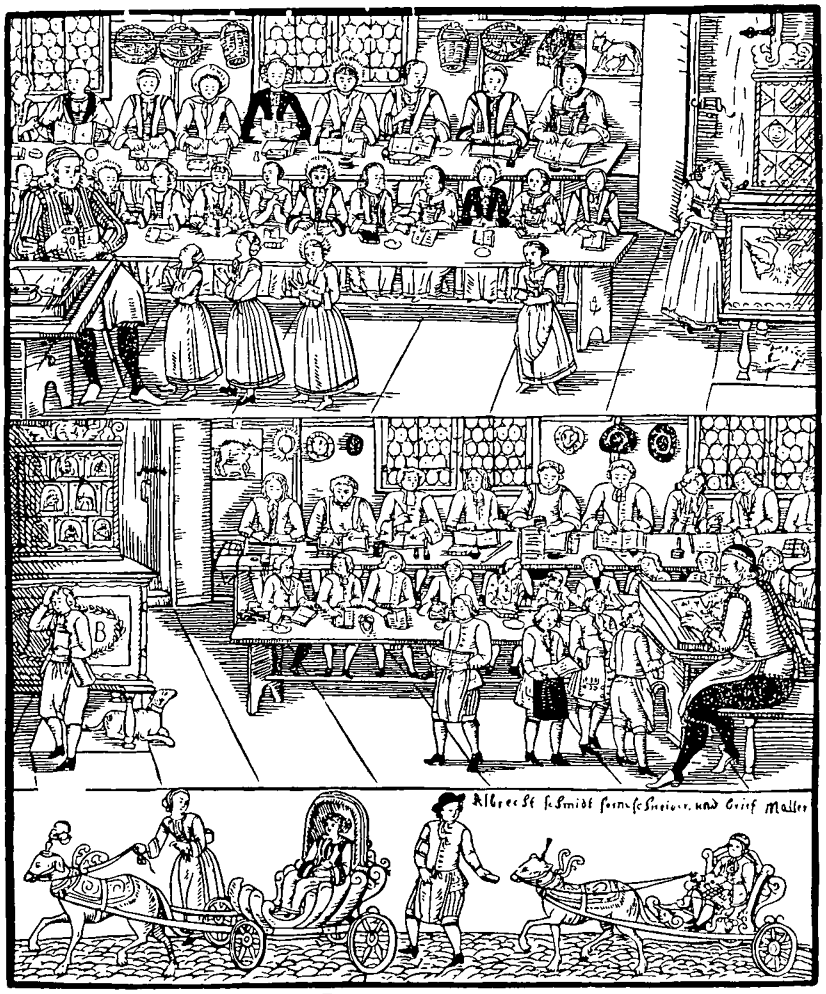
The Institutional Delivery *(ID)* system is a method for clearing and settling trades initiated by institutions in a manner which reduces cost and increases certainty of timely settlement. Its most important features are that it introduces a single entity to coordinate all settlement activity among brokers, institutions and custodian banks, and that it offers convenient electronic, automated methods to accomplish this.

- It coordinates the many steps that have to be taken by brokers, custodian banks and investment managers from trade confirmations through final settlement, helping to insure that each party takes the right action at the right time.
- It can eliminate redundant paperwork and the delivery "fails" that lead to repeat paperwork.
- It is simple and inexpensive to phase into, and even simpler and less expensive to use.

Briefly stated, the system works as follows:

(1) A broker executing an institutional trade furnishes DTC with the trade data (price, quantity, date, etc.), which the depository then passes on to the broker's customer, the institution, in a form that is recognized as a legal confirmation.
(2) If the confirmation accurately reflects the institution's order, the institution sends an acknowledgment to DTC. If the confirmation is faulty (i.e., does not agree with the institution's records of its order), the institution can act early enough in the settlement cycle so that the broker can enter the proper corrections into the *ID* system. DTC will notify the broker of a problem concerning the trade so that the broker can contact the institution to resolve it.
(3) Upon receipt of the acknowledgment, DTC forwards deliver/receive instructions to both the custodian bank and broker to schedule settlement.
(4) If the deliverer has enough securities in its DTC account, the depository will automatically complete the delivery by book-entry on the morning of settlement date and process the related money set-





School was as much a concern of the 17th Century student as of the modern youngster. perhaps more so, since education was not universal. This *School for Boys and Girls* was signed "Albrecht Schmidt, form-cutter and briefmaker": the subject matter is self-evident.

tlement as directed. *No physical delivery activity by any party to the trade is required.*

(5) If the deliverer does not have enough securities in its DTC account, it will be notified by DTC early in the morning on settlement date. The deliverer still has the opportunity to provide securities for delivery later on settlement date.

(6) If the security is not DTC-eligible (i.e., one of over 36,361 for which DTC provides book-entry services), deliverer and receiver may use specially prepared *ID* instructions to settle the transaction outside the depository system. In such cases, though delivery must be by physical means rather than book-entry, DTC's role as a clearinghouse for instructions can help insure that delivery and payment will be successfully completed on the first attempt.

A primary goal of the *ID* system is to increase user efficiency by eliminating most of the error and delay associated with traditional settlement methods, thereby reducing the personnel and time required by users to conduct their operations.

- Institutions may no longer have to send letters of authorization to their custodians to authorize each trade for settlement. The *ID* acknowledgment to one central source—DTC—eliminates the time-consuming effort of preparing individual authorizations and communicating them, through the mails or electronically or both, to multiple custodians. (In some instances, custodians may require letters of authorization subsequently, for file copy purposes only.)

- A greater certainty of trade settlement enables institutions and custodian banks to better manage their cash balances, providing early notice of funds needed and available.

- All of the labor associated with reprocessing uncompleted deliveries can be eliminated, which not only reduces the costs, but also improves the quality of service *ID* users can offer their own customers.

For these reasons and others, over 2,200 institutional investors, custodian banks and broker-dealers have begun full or partial use of the *ID* system and institutional investors increasingly require its use to settle their securities transactions.

ID growth was substantial in 1982, especially during the period beginning in mid-August. Average monthly volume of confirmations processed through the system rose to 682,300 for the fourth quarter, up 173% from the comparable 1981 period. At the same time, the number of fully participating institutions increased 138% to 1,592 from a year earlier.

The most important aspect of *ID*'s growth in 1982 reflected the strong backing for system use provided by leading firms and groups in the securities industry. In 1981, a subcommittee of the Securities Industry Association's Operations Committee proposed the amendment of New York Stock Exchange Rule 387 on "COD Orders" and comparable rules of other self-regulatory organizations. Approved by the Securities and Exchange Commission in November 1982, these amendments became effective at the beginning of 1983. Their effect is to deny the deliver-versus-payment privilege which brokers can extend for settlement of trades of institutional customers when the customer or its agent bank is a securities depository user and the depository's facilities are available, but not used, for confirmation, acknowledgment and book-entry settlement of trades in depository-eligible securities. The effect of adoption of these rule changes was to stimulate strong growth in the number of *ID* users in December 1982 and at the outset of 1983. The interfaces constructed between the *ID* system and the institutional delivery systems of the regional securities depositories contributed to the utility of such systems for users.

Apparitions and omens were widely interpreted as portents of the future in 17th Century Europe, filling much the same economic role as the leading financial indicators of today. Which are the more accurate may still be open to debate in some quarters, but the 17th Century indicators are clearly the more picturesque and imaginative, and are far better conversation pieces than their modern counterparts.

The "terrible comet of 1680" caused widespread fears that the world was ending. Whether anyone actually acted on that assumption is not recorded, however.

Basic Services

There are four basic services Depository Trust performs for Participants:

- It accepts *deposits* of securities for custody;
- It makes computerized book-entry *deliveries* of securities which are immobilized in its custody;
- It makes computerized book-entry *pledges* of securities in its custody; and
- It provides for *withdrawals* of securities on a routine or urgent basis.

These services allow a Participant to place securities with DTC for safekeeping, deliver them conveniently to another party on the books of the depository, collect payment from the other party for the securities delivered, and withdraw certificates desired by any of its customers.

It is the massive use of these services by Participants that creates the economies of scale which offer low-cost processing and speed to users without sacrifice of security and accuracy. Participants instructed DTC to execute 54 million of these transactions in 1982, up from 52 million in 1981.

Increasingly, these instructions are in automated form, further reducing labor-intensive work both for Participants and for DTC.

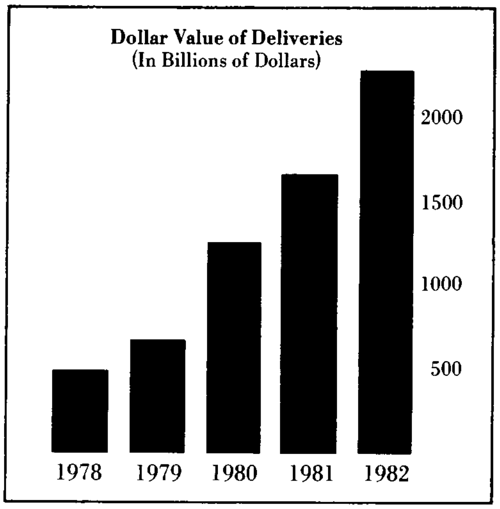
Deposits

Deposits of certificates can be made in any eligible security issue at DTC's office or at various bank and clearing corporation offices across the country which cooperate as DTC Depository Facilities. During 1982, DTC processed daily an average of 26,200 deposits involving 120,500 certificates.

Deliveries

Deliveries in the settlement of securities transactions may be with or without the condition of money payment, depending upon the Participant's instructions. In 1982, DTC processed more than 37 million computer book-entry deliveries among Participants with a settlement value of almost $2.3 trillion, including deliveries between brokers and clearing corporations. This represented an increase from 1981, when about 35 million deliveries were processed with a value of about $1.7 trillion.

DTC provides for the settlement of all deliveries when payment is desired, as well as cash dividends and interest payments distributed to Participants and other payments, through its daily settlement system. The basis of this system is a DTC settlement statement which shows each Participant's total money settlement activity by type of transaction and summarizes all transactions into a net dollar amount owed to DTC or to the Participant and paid daily.



Pledges

This program allows Participants to make book-entry pledges of securities on deposit with DTC to banks and others who have agreed to accept pledges through DTC as collateral for bank loans or to secure letters of credit or for other purposes.

At yearend 1982, the value of outstanding pledges totaled $6.0 billion; 10 banks each had over $100 million in securities pledged to them on DTC's books among the 105 banks participating in this program. These figures do not include some $3.7 billion in additional pledges to The Options Clearing Corporation by brokers and banks, primarily to meet collateralization requirements on CALL option sales.

Certificate Withdrawals

Certificate withdrawals from DTC can be accomplished in either of two ways:

(1) Withdrawal-by-Transfer (WT), in which securities are transferred routinely to the name of a Participant's customer, or any other name. Normally, the newly registered certificates requested by Participants are available to them one week after DTC receives the withdrawal instructions.

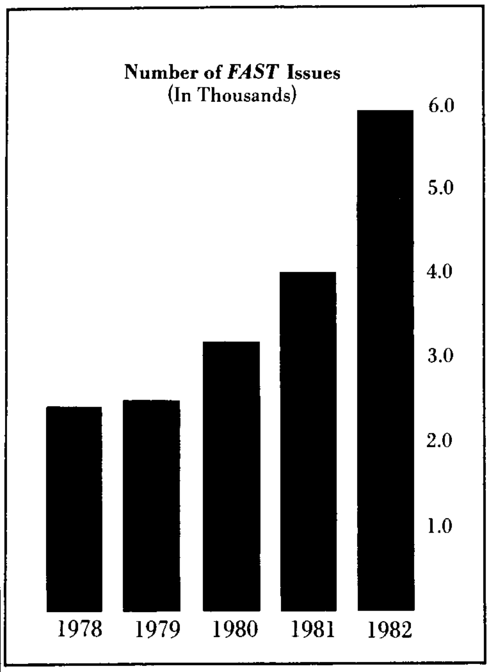
(2) Urgent withdrawals of Certificates-on-Demand (CODs), in which certificates are released to the requesting Participant in three hours.

In 1982, DTC processed an average of 27,800 WTs per day, for total routine withdrawal instructions of 7.0 million, requiring 9.2 million certificates. During the same period, the depository processed an average of 5,200 urgent CODs per day, for a total of 1.3 million requests satisfied by about 3.3 million certificates. Bearer municipal bond withdrawals are processed as urgent CODs.

DTC's Fast Automated Securities Transfer *(FAST)* program provides an alternative, more economical method of processing both types of certificate withdrawals. The *FAST* program is described more fully in the section that follows.

Fast Automated Securities Transfer *(FAST)*

DTC initiated *FAST* to eliminate the cost of unnecessary creation, movement and storage of certificates needed for withdrawals.

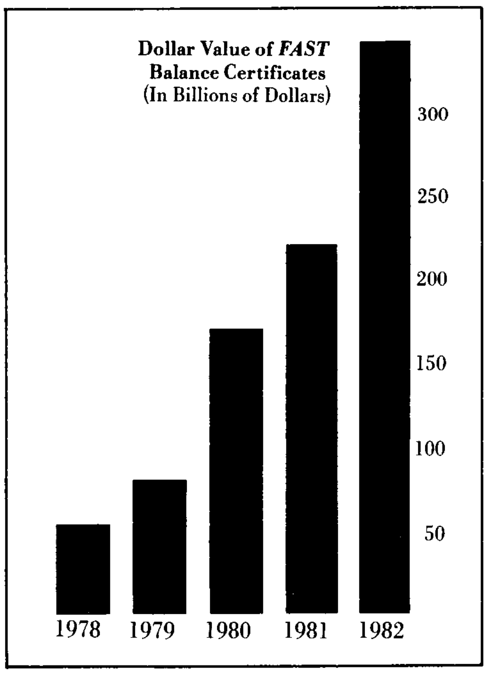


Under the *FAST* program, DTC leaves securities with transfer agents in the form of balance certificates registered in the depository's nominee name—Cede & Co. The balance certificates are adjusted daily for DTC deposit and withdrawal activity.

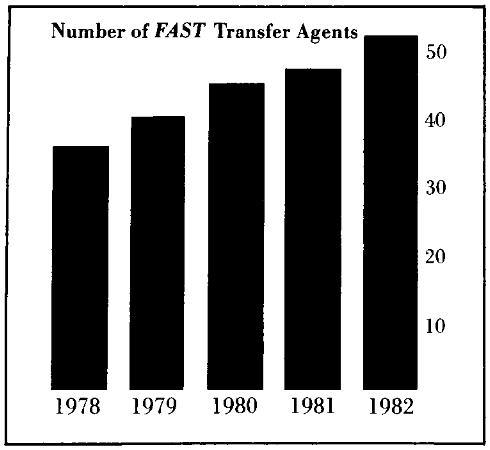
There are two parts to the *FAST* program. The Withdrawal-by-Transfer (WT) portion of the program is designed for routine withdrawals; agents can fulfill Participant requests within normal transfer turnaround time, usually three business days.

The Certificate-on-Demand (COD) portion of *FAST* is designed to include urgent withdrawals, as well as routine WTs. Transfer agents who subscribe to the COD part of *FAST* must make the COD certificates requested by Participants available to DTC overnight, and twice each business day on two hours' notice. Because it covers all types of withdrawals, this part of the program permits DTC to eliminate its entire vault supply of Cede & Co. certificates in the issues subject to the program. However, some Cede & Co. certificates in *FAST* issues must be retained by the depository for CODs when agents perform only routine *FAST* withdrawals in those issues.

FAST confers a number of benefits on all parties involved in the issuance and transfer of securities. Transportation, handling and insurance costs are sub-



Popular skepticism toward attorneys' motives was as common in the 17th Century as it is today. For readers who could not follow the symbolism of this woodcut, an accompanying poem removed all doubt by concluding: "Too bad when, in the end, bad luck prevails and my client loses. But I always fill my pouch and my mouth."



stantially reduced by the elimination of regular shipments of large-value certificates between transfer agents and DTC. The cost of researching dividend claims is also reduced, and proxy voting made easier, by *FAST* CODs, since Cede & Co. certificates no longer must be issued and circulated throughout the financial industry. In addition, issuers and transfer agents enjoy reduced certificate issuance costs by the elimination of hundreds, and sometimes thousands, of certificates for each issue annually. Since the inception of the program, for example, the issuance of almost 5 million Cede & Co. certificates which would have been required to replenish DTC's vault inventory was avoided.

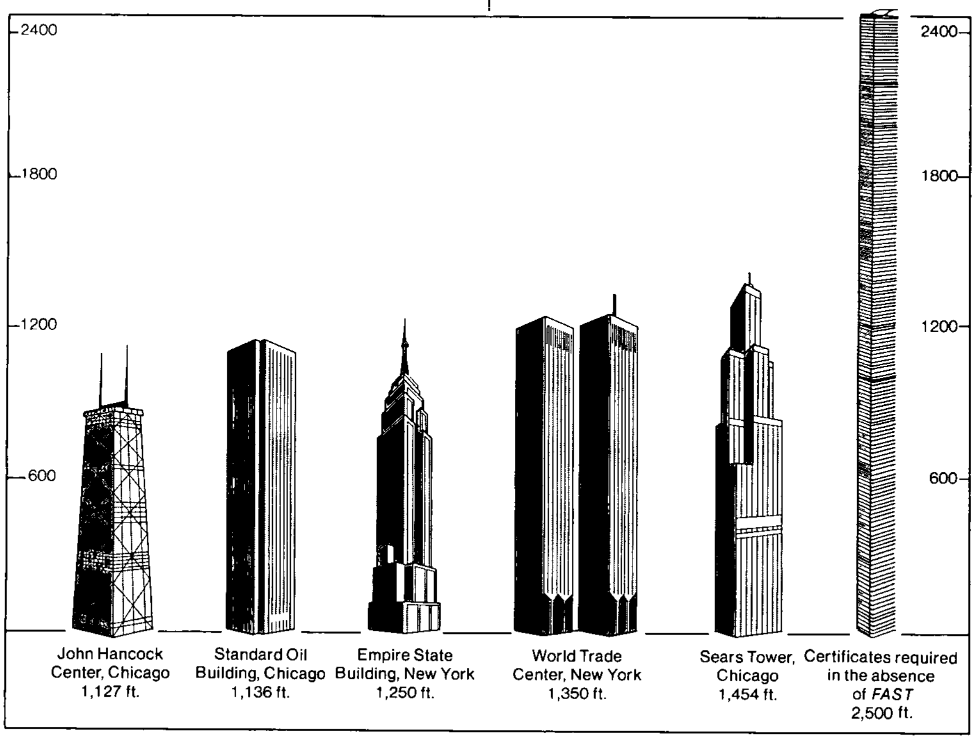
At yearend 1982, 52 transfer agents held balance certificates valued at $342 billion in 5,958 issues. The comparable prior-year figures were 47 transfer agents holding 4,044 issues valued at $206 billion. This growth means that *FAST* withdrawals are possible in about 36% of DTC-eligible registered issues.

As of December 31, 1982, the following 18 agents participated in the full *FAST* program, holding $248 billion in 3,271 issues.

BankAmerica Trust Company of New York
Bank of New York (The)
Bankers Trust Company
Chase Manhattan Bank, N.A. (The)
Citibank, N.A.
Connecticut Bank and Trust Company (The)
First Jersey National Bank
First National Bank of Boston (The)
Girard Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Marine Midland Bank
Morgan Guaranty Trust Company of New York
Northern Trust Company (The)
Santa Fe Industries, Inc.
Schroder (J. Henry) Bank & Trust Co.
Security Pacific National Bank
Third National Bank of Hampden County

The following 34 agents, participating on a WT-only basis, held $94 billion in 2,687 issues.

American National Bank and Trust Company of Chicago
American Telephone & Telegraph Company
AmeriTrust Company
Bank of America National Trust and Savings Association
Bank of New England, N.A.
Central Bank of Denver
Chemical Bank
Cleveland Electric Illuminating Company (The)
Citizens and Southern National Bank (The)
Fidelity Union Bank
First Interstate Bank of California
First & Merchants National Bank
First National Bank of Atlanta (The)
First National Bank of Chicago (The)
First National Bank of Fort Worth (The)
First Pennsylvania Bank, N.A.
First Union National Bank
GTE Shareholder Services, Inc.
Harris Trust and Savings Bank
Hartford National Bank and Trust Company
International Business Machines Corporation
InterFirst Bank Dallas, N.A.
Lincoln First Bank, N.A.
Litton Industries
Maryland National Bank
National Bank of Detroit
North Carolina National Bank
Northwestern Trust Company
Registrar and Transfer Company
Riggs National Bank of Washington, D.C. (The)
State Street Bank and Trust Company
United Missouri Bank of Kansas City
United States Trust Company of New York
Wachovia Bank and Trust Company, N.A.



One of the advantages of DTC's Fast Automated Securities Transfer *(FAST)* system is the degree to which it eliminates the need for issuing many certificates, substituting instead a single balance certificate in an issue for the conventional certificates in whatever quantity required. Since the inception of *FAST*, DTC estimates that corporate issuers and agents have been spared the necessity of issuing some 5 million certificates as a result of this feature. The enormous savings this implies in printing, processing, and auditing costs might best be visualized in the accompanying chart, which depicts these certificates as if they had been issued and stacked 2,000 per foot, in comparison with the five tallest commercial buildings in the world.

This dragon flew over the Polish-German border, causing many deaths with its fiery breath and other unpleasant attributes, according to printed reports of 1626. The actual "event" was much earlier, however; a woodcut of 1558 shows the same scene.

Ancillary Services

DTC's ancillary services flow out of its custody of securities for Participants. They are designed to permit the owners of securities to receive benefits and exercise rights of ownership despite immobilization of certificates and to diminish the need for Participants to handle physical certificates.

The most important of these services are dividend and interest collection, provision for voting rights, collateralization of options, dividend reinvestment, voluntary offerings, and distribution of underwritings.

These and other services are described more fully in the paragraphs that follow.

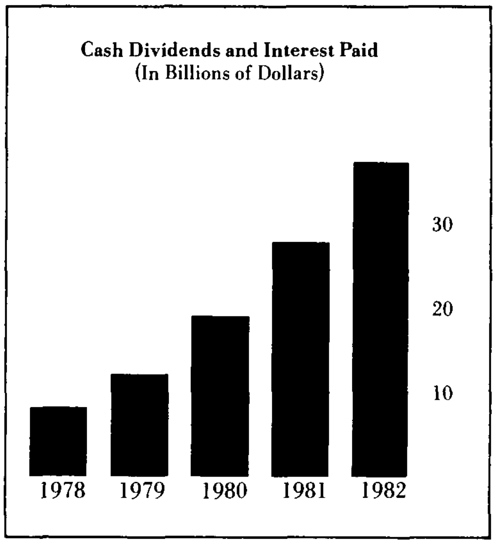
Dividends

In 1982, DTC received over $36.7 billion of corporate cash dividends and corporate interest payments for credit to Participants' accounts. This amount represented payments to DTC from approximately 900 bank and corporate paying agents. Stock dividends received for Participants amounted to almost 522 million shares.

In addition, interest payments related to DTC's rapidly expanding Municipal Bond Program totaled $454 million in 1982.

The ease with which DTC accomplished this volume of processing evidences the efficiency of the depository's highly automated system. The benefits of this system to DTC users are substantial. Organizations that do not use a depository are faced with the prospect of handling a multitude of checks, coming from many points in the United States and Canada, with all of the associated mail problems, underpayments and other discrepancies, complicated by the need to claim dividends from other parties and to undertake all of the communications, correspondence and follow-up expense associated with that task.

DTC's system spares Participants the trouble of dealing with these tasks and the expense of maintaining the necessary facilities for doing so. Surveys indicate that Participants also tend to receive cash dividends and interest payments more quickly through DTC than if payments were received directly from paying agents.



Voting Rights

Depository Trust arranges for deposited securities to be registered in the name of its nominee, Cede & Co., for three major reasons: (1) To permit prompt determination of whether the deposited certificates are indeed transferable, or whether they are subject to a "stop transfer" order, counterfeit, or otherwise not negotiable. If such a problem is found to exist, DTC can quickly take the appropriate steps to obtain replacement securities from the depositing Participant. (2) To permit re-transfer, when necessary, in the simplest and quickest manner possible. (3) To permit DTC to ensure the proper and timely allocation of dividends, distributions and voting rights to depositors.

Given these reasons for holding securities in the depository's nominee name, one of DTC's primary objectives has been to avoid being a barrier to communications between issuers and beneficial owners. Indeed, in some cases, the existence of DTC may assist the corporate issuer in keeping up with changes in the ownership of its voting stock. The depository's Security Position Listing Report lists the number of shares of the issue on deposit with DTC itemized by Participant; prior to the existence of the depository, many of the shares now included in this report would have been represented by certificates that might have circulated by endorsement for prolonged periods before being re-registered. Security Position Listings are automatically sent to each issuer, free of charge, once each year, indicating Participant positions as of the record date for the issuer's annual meeting. Issuers may also obtain interim listings on a daily, weekly, monthly or dividend-record-date basis, upon request and for a modest fee.

DTC's Participant Proxy Contact List specifies the name and address of each DTC Participant, together with the name and telephone number of the individual responsible for handling proxies there. The Contact List is updated and reprinted four times a year and sent to issuers free of charge.

DTC's Omnibus Proxy provides for the exercise of voting rights and for direct communications between issuers and Participants holding their voting securities. In effect, the Omnibus Proxy is an assignment—Cede & Co., the shareholder of record, assigns to each Participant the voting rights associated with the shares in that Participant's DTC account as of record date. DTC sends the Omnibus Proxy (together with a list identifying the Participant assignees) to the issuer after the record date for the shareholders' meeting at which the votes may be cast. At the same time, DTC notifies each shareholder Participant that the Omnibus Proxy has been sent to the issuer and of the number of shares the Participant is entitled to vote.

Upon completion of these steps—which normally take place in a single day soon after record date—DTC is removed from the chain of communications between issuer and beneficial owners. Each Participant is able to ask the issuer or its agent directly for whatever quantity of proxy material it needs to discharge its obligations to beneficial owners and each issuer is able to contact Participants directly. These communications occur in the same manner as if DTC did not exist.

Voluntary Offerings

DTC offers several services related to voluntary offerings, each designed to keep securities immobilized in the depository during periods when Participants have the right to surrender them for cash and/or other securities. Use of these services grew substantially in 1982. The services themselves are as follows.

- **Tender and Exchange Offers**

In 1982, Depository Trust processed 128 tender and exchange offers by book-entry, involving 76 agents from 21 states. These offers included 6 in which the book-entry program was used to elect a payment option under a mandatory reorganization plan. The handling of these offers brought the value of offerings processed through the program since its inception in 1978 to $7.5 billion and the number of agents to 84.

One notable 1982 offering illustrates this service: Occidental Petroleum's tender offer for Cities Service. During the course of this offer, over 2,500 letter of transmittal (LT) instructions, representing over 50 million shares, were processed by book-entry. On September 20, DTC received payments for Participants of over $1.3 billion in same-day funds

As important then as now, the shoemaker offered all the blandishments of his modern counterpart, except "while-u-wait" service. "Come in all you who need boots and shoes, these I can make well and accurately" was his claim.

from Fidelity Union Trust, the offeror's agent, representing payment for approximately 25 million shares that were accepted through DTC.

The 128 offers processed in 1982 constituted 48% of the total number of offers that could have been accepted in part by book-entry procedures, up from the 27% of 1981. Nevertheless, 111 agents who could have used the service during 1982 failed to do so. The loss caused by the lack of provision for, or use of, the service is the cost created by the unnecessary withdrawal of securities from the book-entry environment. Agents, issuers and depository Participants thereby incur increased processing costs. In some cases, Participants also lose timely use of cash payments and, where acceptances are prorated by agents, timely use of returned shares. Accordingly, DTC will continue its efforts to bring additional agents into the program in 1983; support from more investment bankers at the planning stages will assist these efforts.

- **Conversions**

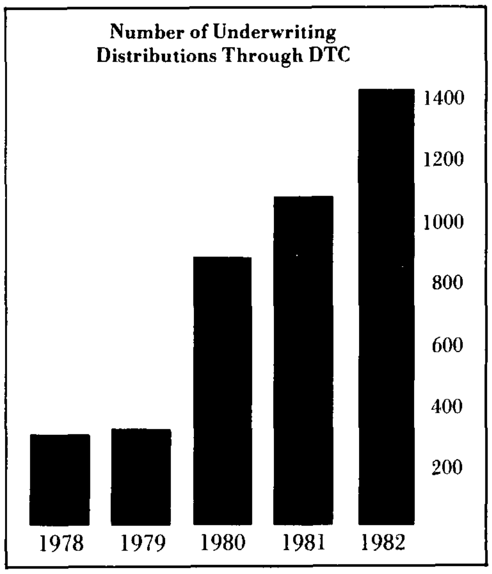
DTC's conversion procedures allow Participants to use book-entry methods to surrender convertible debt and equity securities in their depository accounts for same-day credit in the underlying securities, usually common stock. Participant processing expense is thereby reduced, while the costs of financing transactions during the interval when the certificates would otherwise be at the conversion agent are eliminated. Over 500 convertible issues are eligible for this service; approximately $2.15 billion of book-entry securities conversions were completed in 1982.

- **Redemption of Floating Rate Notes and Rollovers of Government Securities**

DTC Participants may redeem floating rate notes and other securities with similar repayment options by means of instructions to the depository, the cash proceeds being credited to their DTC settlement accounts. Participants with maturing U.S. Treasury bills on deposit can also use DTC to reinvest, or "rollover," the proceeds into new bills issued on the maturity date. Although the number of transactions effected through these two services is not large, the services themselves are considered useful by Participants in that they reduce the expense associated with exception processing.

Distribution of Underwritings

The DTC service for the book-entry distribution of and payment for securities offered in public underwritings showed vigorous growth in 1982. The service was used by 64 managing underwriters to distribute $148.3 billion of the total value of 1,425 issues. In 1981, the service handled 1,099 issues with $83.5 billion distributed through DTC. The 1982 distributions comprised 739 issues of equity, 486 issues of corporate debt, and 200 municipal bond issues, with values of $98.9 billion, $36.2 billion, and $13.2 billion, respectively.



DTC's underwriting distribution service is designed to benefit underwriters and issuers, in addition to broker and bank Participants.

Options

Use of DTC's interface with The Options Clearing Corporation (OCC) increased at a rapid pace throughout 1982. By yearend, 79 banks and 37 broker-dealers had securities "pledged" to satisfy OCC requirements, as compared with 61 banks and 27 broker-dealers at the end of 1981. The total value of securities pledged approximated $3.7 billion, or 90% of the value of securities collateral with OCC from all sources, up from 85% at yearend 1981.

- **The "Third-Party Pledge System"**

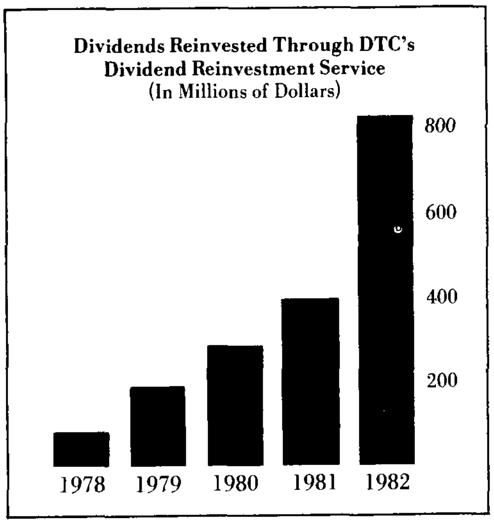
offered by DTC is an alternative to the escrow receipt method, in which a bank holds securities in an escrow account, issuing a receipt which can be used in lieu of the securities to satisfy segregation requirements for the writer's CALL option. Under the Third-Party Pledge System, banks may pledge to OCC securities on deposit at DTC. One major improvement over the escrow receipt method is that changes in the quantity of shares pledged do not require release and re-issuance of escrow receipts, nor do changes in the option series to be collateralized. In the former case, the amount of shares pledged is simply increased or reduced, as required, while in the latter the pledgor merely submits a "rollover" form supplied by OCC. In addition, processing is simplified because there are no repeated movements of paper among the parties to the transaction. And, finally, since certain shareholders' equity limits of the escrow receipt method do not apply, any bank depository member may use the pledge method to the full extent that it has the securities to pledge.

Early in 1981, DTC expanded its interface with OCC to establish a Third-Party Pledge System for PUTS. This capability provides for a situation in which a PUT writer has deposited cash with a bank and the bank has invested the cash in U.S. Treasury bills. Under these circumstances, the PUT writer may instruct the bank to deposit the T-bills with a securities depository and then pledge them to OCC for the account of the OCC clearing member carrying the writer's short position. OCC then reduces the clearing member's margin requirements accordingly.

Dividend Reinvestment

Launched in December 1976 with a single dividend reinvestment plan offered by American Telephone & Telegraph Company, DTC's Dividend Reinvestment Service *(DRS)* had grown to include 132 participating plans by yearend 1982. It helped generate almost $823 million of new capital for participating issuers through dividend reinvestments in 1982, up from 89 plans and $399 million in 1981. The fourth quarter of 1982 marked the twenty-third consecutive quarter-to-quarter increase in Participant use of this service since its implementation, capping the five years of extraordinary growth depicted in the accompanying chart.

The purpose of *DRS* is to allow those Participants who wish to reinvest all or part of their dividends in a security that is subject to an issuer's reinvestment plan to do so by book-entry, without withdrawing the underlying shares from their DTC accounts. The advantages to Participants are significant. Without



DRS, a Participant would have to either refrain from depositing or withdraw from the depository prior to record date those securities in which dividends might be reinvested, even if a definite decision had not yet been reached. In either case, the certificates involved would have to be handled on an exception basis and the benefits of certificate immobilization through depository usage would be partially defeated. In addition, Participants themselves would have to arrange for reinvestment of dividends through the various plan administrators, and then handle both the certificates for the stock thereby purchased and the checks for cash in lieu of fractional shares. With *DRS*, these cumbersome and duplicative tasks are eliminated as between Participant and plan administrator, and replaced by a far more flexible and less costly set of largely automated book-entry transactions with DTC.

Special Order-Out

In 1978, with the cooperation of DTC, the National Securities Clearing Corporation (NSCC) developed a new service designed to substantially reduce the delays that brokers normally experience when delivering physical securities to institutional customers around the country. This service, which is known as Special Order-Out, permits the delivery of certificates on settlement day to institutions in 18 cities; the addition of another 4 cities is planned for the future.

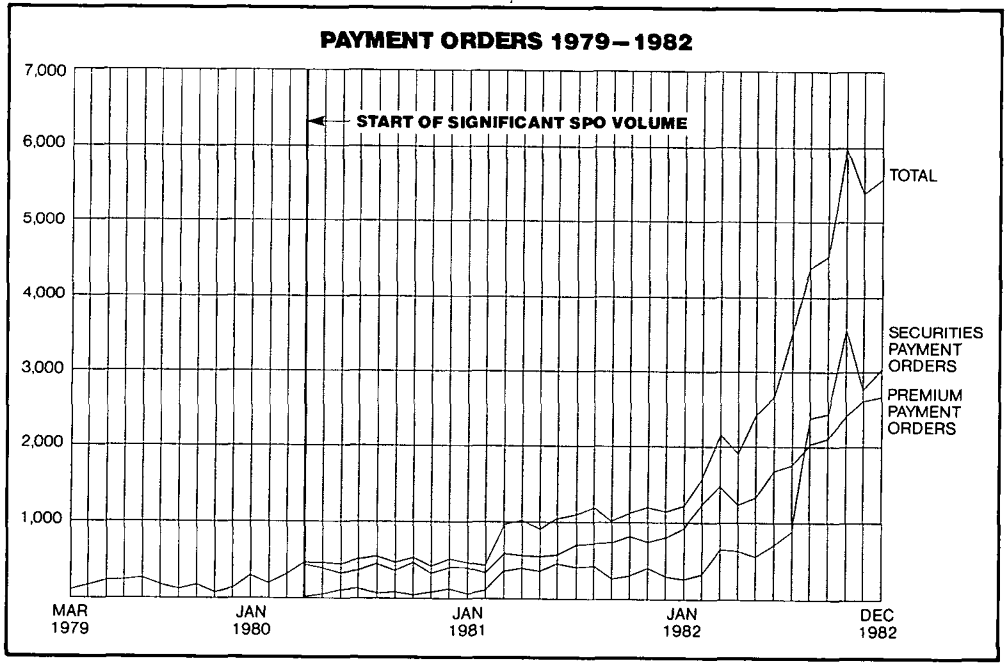
Under the Special Order-Out service, brokers who are members of NSCC and DTC may use the depository's urgent COD withdrawal procedure to order physical securities out of DTC on the afternoon before settlement day, in anticipation of DTC book-entry receipt of those securities on settlement day. NSCC then ships the certificates to the designated cities for availability on settlement day if book-entry receipt at DTC has occurred as anticipated. Prior to the service, brokers had to wait until positions had been established on the depository's books on settlement day before initiating the withdrawal for subsequent shipment via courier to the remote city, thereby delaying delivery until the day after settlement day, at best.

This woodcut shows the trade of bagmaking a century or more before machines began to supplement, and then supplant, hand labor. But diversification was already an established principle. "Also ladies' gloves of many a kind," the Book of Trades proclaimed.

Payment Orders

DTC's Payment Order service, which was established in 1979, affords Participants the opportunity to use their DTC accounts to settle money payments that are associated with securities transactions that have taken place separately. Major applications of the service include marks-to-the-market of stock loans previously made (known as the Securities Payment Order, or SPO, portion of the service) and the collection of options contract premiums related to third-party deposits or releases of underlying securities into and out of the DTC account of The Options Clearing Corporation (known as the Premium Payment Order, or PPO, portion of the service).

Use of Payment Orders climbed sharply throughout 1982, sparked by increased usage among a growing number of bank and broker-dealer Participants. During the year, 50 banks and 70 broker-dealers used the service, with a 400% year-to-year rise in transaction volume.



Between March 1979 and December 1982, total monthly volume in DTC's Payment Order service grew to 5,682 orders from 113 in the month the service began. One major factor was the emergence of significant trading volume in late 1982. During 1982, the average daily value of all payment orders grew to $5.5 million from $1.1 million in 1981.

Measuring 325 feet in length and boasting 120 teeth, this whale was reportedly caught near the Chapel of St. Tropez in Provence, France in 1640. As a leading indicator, its appearance is decidedly bearish.

The Sea Monster of La Rochelle reportedly "climbed out of the sea on June 10, 1630 by La Rochelle, France and went to the mayor's house." There it was killed, according to the detailed printed report, though only after a tremendous battle. Analysts viewed the event as alarming but the outcome as moderately bullish.

Automation of Depository Services

A continuing priority at DTC has been the automation of internal depository operations and of the channels of communication which link DTC with Participants, other users, and transfer agents. Major emphasis has been given to automating the receipt and processing of Participant instructions and to DTC reporting back to Participants. The depository reduces its operating costs by such means and, more important, Participants can reduce their own processing costs; moreover, all parties gain through the reduction of errors caused by manual procedures.

The systems DTC uses to communicate with others fall into three major categories—the Participant Terminal System *(PTS)*, Automated Participant Interface *(API)*, and Computer Communications Facility (CCF), each of which is described below.

Participant Terminal System

The depository's Participant Terminal System *(PTS)* is a network of computer terminal stations located in Participants' offices throughout the United States and tied directly to DTC's computers. Participants use their terminals to communicate instructions, inquiries and other messages to DTC and to receive messages and reports from DTC via the printer with which each terminal is equipped. The direct link between Participants and the depository afforded by *PTS* speeds and eases the communications process, replacing the preparation and delivery of hard-copy instructions and reports. This is particularly useful for Participants located outside New York City.

During 1982, the number of terminals in Participants' offices increased to 474 from 386 a year earlier, while the average daily number of total transactions—including inquiries and messages, as well as instructions for specific transactions—grew 45% to almost 332,500 at yearend from 229,000 a year earlier. (For the full year, daily volume averaged 257,000, up 31% from 196,000 a year earlier.) Among these types of transactions, the average daily number of Deliver Orders rose to 45,500, representing about 73% of the depository's total Deliver Order volume; the daily number of COD urgent withdrawals averaged 4,700, representing approximately 81% of total COD volume; and pledges of collateral averaged 2,000 per day at yearend, or some 61% of the depository's overall pledge volume. Releases of collateral may also be effected by means of *PTS*.

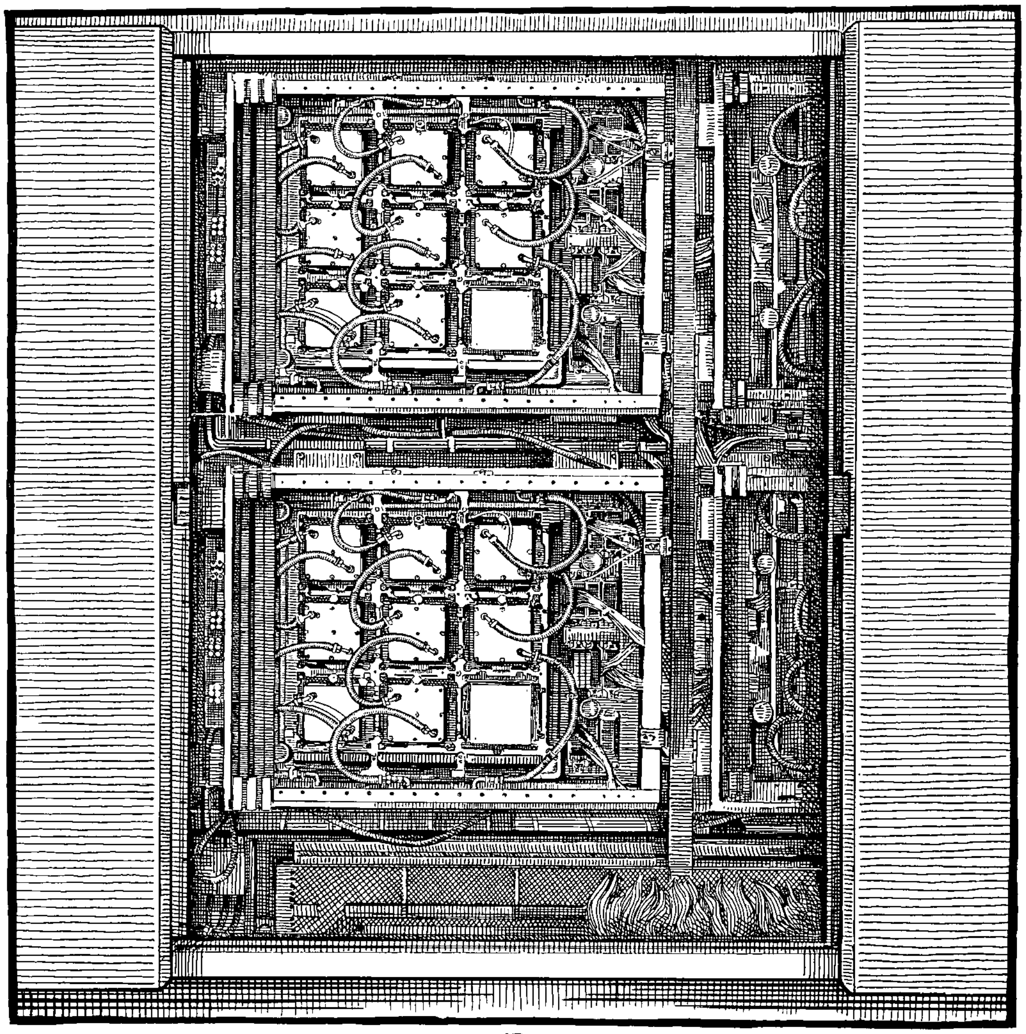
The steady growth of *PTS* since its inception in 1975 reflects the many benefits it accords its users. In addition to its capabilities for processing instructions, *PTS* facilitates improved money management by allowing the quick turnaround or reclamation of deliveries. It is also a major aid in the prompt balancing of settlement statements and—through the capability it provides for the verification of CUSIP numbers, issue eligibility, Participants' security positions at DTC and similar information—the avoidance of costly errors.

Automated Participant Interface

Many of DTC's Participants have large volumes of depository activity for which input through *PTS* would not be economical. But the underlying data have already been captured by their computers in a form readable by DTC's computers. The Automated Participant Interface *(API)* allows DTC Participants or their data processing service bureaus who are able to produce depository instructions by computer to enter those instructions directly into DTC's computer system by means of hand-delivered or transmitted magnetic tapes instead of by clerically processed paper forms. *API* capabilities currently include magnetic tape instructions for routine Withdrawals-by-Transfer, Deliver Orders, and Deposits.

- **Magnetic Tape Transfer Instructions**

Under this program, DTC is able to (1) receive customer name Withdrawal-by-Transfer (WT) instructions from Participants in magnetic tape form, (2) process the tapes through its own computers, and (3) deliver or transmit the resulting DTC output tapes to trans-



The inner works of DTC's IBM 3081 computer, as it would probably have looked to a 17th Century woodcut artist. Served by individual water hoses for cooling, 16 thermal conduction modules permit the processing of 10 million instructions per second—more processing in less space than any previous commercial IBM model.

fer agents for automated processing through the transfer agents' computer systems.

Such a system offers substantial advantages to all concerned, replacing more costly and error-prone processing procedures. By yearend 1982, the number of Participants submitting transfer instructions in magnetic tape form had grown to 87, accounting for approximately 84% of DTC's average daily transfer volume of about 27,800 instructions for over 36,000 certificates.

The ability to process incoming tapes through DTC's computers and deliver or transmit the resulting output to transfer agents for automated processing dates back to 1979, when the depository developed an analytical program which enabled its computers to accept nonstandard transfer data from Participants and restructure the great majority of them into a standard record for transfer agents. During 1982, four additional transfer agents began to accept magnetic tape instructions for *FAST* WTs, bringing to 10 the number of participating agents, and to 4,007 the number of issues in the program. The agents who entered the program were The Chase Manhattan Bank, N.A. (394 issues), United States Trust Company of New York (1,248 issues), Central Bank of Denver (70 issues) and International Business Machines Corporation (one issue). They joined American Telephone & Telegraph Company (5 issues), Citibank, N.A. (193 issues), The First National Bank of Boston (202 issues), GTE Shareholder Services, Inc. (one issue), Manufacturers Hanover Trust Company (840 issues) and Morgan Guaranty Trust Company of New York (1,053 issues).

- **Direct Mailing of Certificates**

Early in 1981, DTC launched a program to provide an optional enhancement to its magnetic tape transfer instruction service: the direct mailing of new certificates by transfer agents to the customers of depository Participants.

In its current phase, the program includes 2,019 issues for which Manufacturers Hanover Trust Company and United States Trust Company of New York act as *FAST* transfer agents plus General Telephone & Electronics common stock for which GTE Shareholder Services, Inc. is the transfer agent. Three Participants program their daily magnetic tape transfer instructions to DTC to include the names and addresses of the customers to whom the certificates are to be mailed — Kidder, Peabody & Co. Incorporated; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Paine, Webber, Jackson & Curtis Incorporated.

Upon receipt of magnetic tape transfer instructions from the Participant, DTC passes the tape through its own analytic program, which reformats the instructions so that they will be readable by the transfer agent's computer. Upon receipt of the instructions, the transfer agent issues and mails the new certificates to the name and address indicated by the Participant and sends a "return tape" to DTC so that the depository may update its own records. DTC, in turn, passes the tape on to the Participant, to complete the record updating process.

At yearend, some 157,473 certificates had been mailed by this method. On the basis of results, a number of other Participants and transfer agents have expressed strong interest in direct mail programs. Morgan Guaranty Trust Company of New York began to participate in the program in January, 1983. Further growth of this service is expected in the year ahead.

- **Magnetic Tape Deliver Orders**

Under the Deliver Order (DO) portion of *API*, Participants can input delivery instructions to DTC on magnetic tape for either day-or night-cycle processing. The program comprises two banks, six broker-dealer Participants, three regional depositories and a service bureau that provides recordkeeping services for brokers and other financial institutions. At yearend 1982, the volume of regular delivery instructions received on tape under this program accounted for 15% of DTC's total DO volume.

Computer Communications Facility

Though use of magnetic tape substantially reduces the manual processing and associated costs of accepting Participants' instructions, it does not eliminate them entirely, since the tapes themselves must be physically handled. Toward the end of eliminating such physical handling, DTC designed a Computer Communications Facility (CCF) to be used for direct computer-to-computer communications between DTC and Participants. Designed to allow the transmission of instructions from Participants' computers to DTC's computers and for transmission of certain data from DTC's computers to Participants' computers, making use of DTC-supplied software, CCF became operational in 1980.

In 1982, CCF use was expanded with the addition of a number of new capabilities, including *ID* Eligible Trade Reports, changes in the list of DTC-eligible issues and, for transfer agents, *FAST* COD withdrawals, magnetic tape transfer instructions and direct mail instructions. By yearend, the number of CCF capabilities had grown to 16. As a result of these additions, the number of CCF users increased to 25 Participants and 2 transfer agents; another 15 Participants were testing various CCF functions for future use.

DTC's plans call for further development of CCF during the year ahead. Efforts will focus on increasing the frequency of data transmissions to and from Participants.

Other Automation Developments

In addition to various developments in the growth of DTC's automated services for Participants in 1982, other significant developments occurred in the depository's automated capabilities.

- **Computer Output on Microfiche**

In 1979, DTC developed the capability

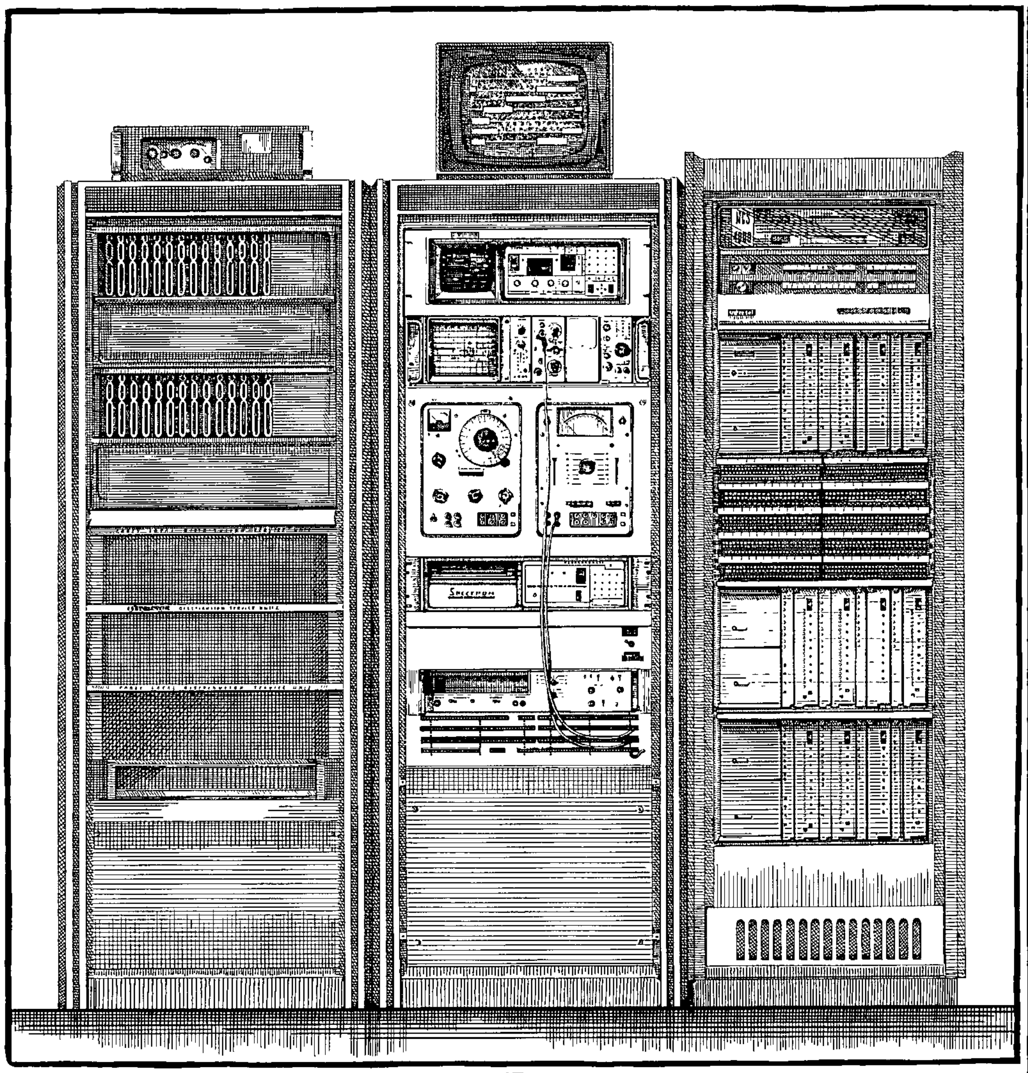
for producing certain computer output reports on microfiche for distribution to Participants and for internal DTC use at significant savings in handling and record storage requirements. During 1982, DTC's microfiche output increased; further growth is expected in 1983 and beyond, as the number of reports DTC is capable of producing in this form continues to expand.

- **Optical Scanning Capability**

Continued progress was registered during the year in the development of optical scanning equipment as an alternative to key-entering certain data, thereby permitting substantial cost savings. The equipment was brought to an acceptance recognition level of 90% of certain documents, and the volume of documents scanned, to approximately 35,000 daily at yearend. Based upon this success, additional applications will be pursued in 1983.

- **Diskette to Tape Conversion**

In 1982, DTC expanded the methods available to *ID* system users for the submission of *ID* trade data to include computer produced diskettes (data storage devices). Upon receipt by DTC, these diskettes are rewritten to tape for subsequent processing in the *ID* system. At yearend, ten system users provided trade data in this manner.



No 17th Century artist could have imagined anything like DTC's telecommunications network or the test and monitoring equipment in the depository's telecommunications control area. If so prophetic a drawing could have been made, however, it might well have been in the woodcut style of the above, which shows only one small segment of the full array of equipment.

Interfaces in a National Clearance and Settlement System

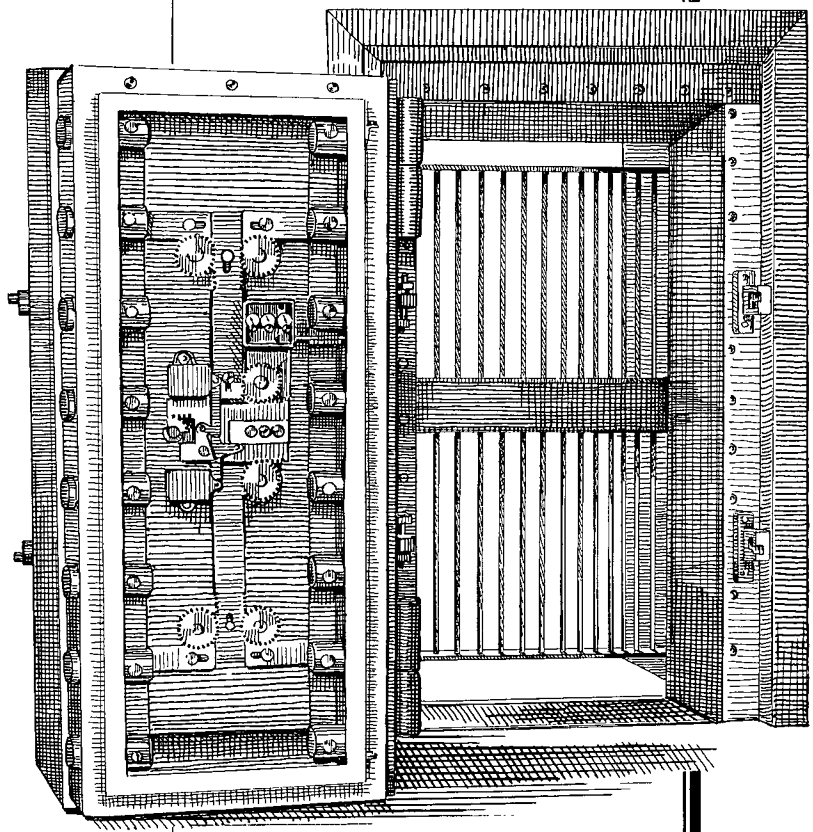
Depository Trust's interfaces with other clearing agencies—both clearing corporations and other securities depositories—constitute a major element in the national system for the clearance and settlement of securities transactions. These interfaces enable participants in various clearing agencies to use their securities positions in one location to settle transactions in other clearing corporations and with users of other depositories by book-entry deliveries. This arrangement eliminates the interregional movement of securities certificates, thereby contributing to their further immobilization.

Depository Trust maintains an interface with the National Securities Clearing Corporation (NSCC) in New York. Broker-dealer Participants in DTC may use their positions at DTC to settle with other broker-dealers whose transactions are cleared by NSCC.

DTC also has interfaces with Midwest Securities Trust Company, Pacific Securities Depository Trust Company and Philadelphia Depository Trust Company. An important facility made possible by these relationships is the "third-party" delivery service which permits a sole member of any one of these depositories to settle transactions with any member of DTC, eliminating the requirement that a member belong to both depositories in order to effect such settlements. Each of these interfaces was supplemented in 1982 and early 1983 by the linking of DTC's Institutional Delivery system with the institutional delivery systems of the regional depositories.

A DTC interface also exists with the Boston Stock Exchange Clearing Corporation, to assist settlements of trades on the Boston Stock Exchange which are not otherwise settled in DTC.

DTC also has an interface with The Options Clearing Corporation (described elsewhere in this report). In addition, the Canadian Depository for Securities is a Participant in the system.



Barred doors were anything but mysterious to 17th Century artists. nor would the intricacies of modern time locks have impressed them. A door to one of DTC's vaults might well have been drawn in the style pictured above. had it been deemed worthy of artistic rendering 300 years ago.

Protection for Participants' Securities

Depository Trust is the world's largest custodian of corporate stocks and bonds and rapidly growing as a custodian of municipal bonds. Its record holdings and their steady growth reflect the fact that the depository's program of safeguards is widely regarded as the most comprehensive yet developed to monitor the movement and custody of securities. DTC's unique system rests upon the extensive internal controls, physical security, repeated internal and external audits, insurance coverage, a multimillion-dollar protective Participants Fund, and other features described below. Its effectiveness is perhaps best evidenced by three facts.

- In the 15 years since the inception of the Depository Trust system, it has transferred ownership of securities worth almost $7 trillion.

- There has never been a claim against the DTC Participants Fund.

- There has never been a claim against DTC or its insurers for the negotiation of missing certificates.

Internal Controls

DTC's internal control system is designed to record the movements and location of every individual certificate in DTC's custody, from the time it is received, through its processing to and from transfer agents, through its entry into and delivery from the vault. The records required by this system are also used to resolve processing errors, facilitate reconciliation and audits and for similar purposes. The key features are as follows.

- Automated certificate-number control is DTC's single most important safeguard. A unique computerized record cross-indexes each certificate by issue, number, denomination and date of receipt, permitting maintenance of control and rapid reconstruction of paperflow regardless of volume. The data available from this record provide an important tool in reconciliation, research and the collection of dividend and interest payments. Auditing is also facilitated, with the auditors accounting for certificates by denomination and certificate number, when comparing physical certificates to computer-generated inventory listings.

- Registered certificates deposited with DTC normally are quickly transferred into the depository's nominee name, Cede & Co. This step permits prompt determination of certificate validity, i.e., that the certificate is not subject to a "stop transfer" order or otherwise defective. It also enhances control over the collection of dividends and interest.

- Large denomination "jumbo" certificates are used to consolidate many of the securities on deposit. Because of their high value, "jumbos" are extremely difficult for unauthorized persons to negotiate, and the risk of loss is thereby further reduced.

- DTC places restrictive endorsements on the back of certain "jumbo" certificates to further preclude their negotiation by unauthorized persons.

- Registered certificates remain in non-negotiable form while in DTC's custody.

- Microfilm records of registered certificates and their related documentation are made upon receipt into or delivery out of the depository. The film is developed on premises to ensure the capture of all information while the certificates are still in the processing stream.

- Duplicate computer files of all transactions are maintained in separate storage locations, including one remote rural site, permitting prompt reconstruction of files in the event that a processing interruption were to occur. DTC also maintains comprehensive files of original documents and production reports in addition to the duplicate computer files and microfilm records.

- DTC has made backup arrangements with a data processing facility in another city; should the depository's own data processing capabilities be interrupted for what appears will be a prolonged period, these backup capabilities will be brought into play for the duration of the emergency.

Additionally, proposed significant changes to the internal control system are tested by DTC's internal auditors and independent accountants.

Physical Security

DTC's physical security system is an extremely sophisticated one, encompassing both electronic and physical devices, a large security force and other security professionals.

The salient features of the system include the following:

• An access control mechanism, including floor-to-ceiling steel turnstiles, inhibits unauthorized entry into data processing areas. Entry is restricted to employees with specially encoded photo identification cards, who must also key in an individualized numerical password to secure admission. The turnstiles are monitored by closed circuit television; a record of all entries and exits is maintained.

• A surveillance system of closed circuit television cameras and video monitors provides complete coverage of the vault and other securities processing areas. Color video is used to monitor especially sensitive areas, such as those in which coupon clipping and other processing of bearer instruments are conducted.

• A silent alarm system is strategically located at points throughout the securities processing areas. Vibration alarms are installed to signal any attempt to forcibly penetrate the vault. A modern smoke and heat detection and fire control system protects the vault and computer sites. Systems interruptions or malfunctions themselves trigger independent malfunction alarms that alert the Security Department.

• A security force monitors the television surveillance, access control, and fire control systems, screens all persons entering and leaving security areas, and determines the contents of all packages.

• Two modern underground vaults contain most of the securities deposited with DTC. Separate areas are provided for bearer instruments, working denominations of registered securities, and "jumbo" certificates of registered issues, each with its own access requirements and controls over personnel authorized to enter. Other securities are kept in the form of balance certificates maintained by qualifying transfer agents.

• Registered securities delivered to or received from transfer agents and other parties are required to be in non-negotiable form.

• Special waste paper treatment and disposal methods help to prevent the escape of certificates or usable written information from secured processing areas.

Baker and beer brewer typified the trades of Nuremberg 300 years ago. "Be without care, the bread is good" was the baker's boast, while the brewer voiced similar sentiments for his own proud product.

Securities Recordkeeping

DTC uses a double-entry recordkeeping system to control securities positions. Every transaction in a Participant's account is recorded and the physical location of underlying certificates—at DTC, with transfer agents, at other depositories, or in transit—is identified. These records are also used as a source for internal reports and reports to Participants, and by the depository's Reconciliation Division to locate and correct any differences with Participant records.

User Verifications

Among the most effective depository safeguards is the continuous verification of DTC records by users, based on their own records of activity with the depository.

Each morning, Participants and Pledgees receive a daily report itemizing and summarizing the previous day's activity in their accounts. These reports start with the opening balance of securities in each issue in which there was a transaction and go on to list each transaction in that issue on that day and the closing balance of securities in that issue after accounting for all transactions. Daily reports of cash transactions are also available. Under the depository's Rules, Participants are required to report any differences between their own records and the depository's statements. DTC has a research staff to help reconcile any differences.

In addition, each Participant and Pledgee receives a monthly position statement showing the status of all of its securities positions, including those in which there may not have been any transactions. Participants and Pledgees are required to confirm the accuracy of their monthly position statements in writing, within 10 business days after the statement has been made available to them. Failure to confirm can result in a fine under the depository's Rules. These continual confirmations protect the integrity of the DTC system and encourage a high degree of cooperation at the operational level between the depository and its users.

Internal and External Audits

The securities records of Depository Trust are tested both by DTC's internal auditors and by Price Waterhouse, the depository's independent accountants.

The internal audit program focuses on DTC's certificate processing, data processing, and financial operations. The program includes tests of the major systems of internal control with emphasis on controls surrounding securities processed and/or held for others and pre-implementation reviews of systems during development. Certificate inventory tests include daily counts of all certificates in selected issues in the vault, utilizing statistical sampling techniques. Special counts of high-value certificates are also conducted. DTC's Auditor submits to the Audit Committee of the Board of Directors monthly reports which summarize the status of his work. The Committee consists of several Directors charged with the responsibility of supervising the Auditor and the Auditing Department and reviewing and approving the internal audit program.

Price Waterhouse, in addition to its examination of the financial statements, performs an annual study and evaluation of the system of internal control surrounding securities processed and/or held for others. The report indicating Price Waterhouse's opinion on the system is available to Participants, Pledgees, and their accountants, upon request.

DTC's Audit Committee also reviews the scope of the auditing procedures of the independent accountants, directly receiving all reports issued by such accountants to the depository, and meets with them periodically to discuss the results of their work.

Insurance

The insurance coverage available for securities deposited in DTC is among the most extensive of any private institution in the financial industry.

Specifically, insurance is available in the following amounts per event:

A. *Losses Occurring on Premises:*
1. $100 million coverage under Primary and Excess Blanket Bonds; plus
2. $100 million under excess All Risk Securities coverage; plus
3. $5 million Lost Instrument Bond Premium Policy, covering premiums for purchase of lost instrument bonds for securities losses in excess of $200 million.

B. *Losses Occurring in Transit by Messenger or Armored Car Carrier:*
1. Primary coverage of
(a) $5 million under Air Courier Messenger Policy covering securities lost in transit via Brink's or Wells Fargo Armored Service Corporation; and

Ancestor of many of today's entertainers, the jester was already an anachronism by the mid-17th Century. Still, "I can make the masters very gay," he could proclaim. "That is why I am called a jester."

The Thirty Years' War (1618–1648) brought death and ruin to millions, but then, as now, there were those who made sure they benefited. This woodcut parodies "Captain Schuriguges of Cordellia," an alleged war profiteer. To add to the sarcasm, the illustration was undated, but the message that accompanied it states: "Printed in that year when the wine, cider and frying sausages were good."

(b) $350 million In-Transit coverage provided by the insurer of the armored car carrier service used by DTC; and
(c) $100 million under Primary and Excess Blanket Bonds for securities lost while in the custody of messengers;

2. Excess coverage of
(a) $100 million under Primary and Excess Blanket Bonds for securities lost while in the custody of an armored carrier;
(b) $20 million under Excess In-Transit Bond covering securities losses in excess of $100 million when securities are in the custody of messengers, and in excess of $450 million when securities are in the custody of an armored car carrier;
(c) $5 million under Armored Car and Messenger Policy covering securities losses in excess of $120 million when securities are in the custody of messengers, and in excess of $470 million when securities are in the custody of an armored car carrier;
(d) $5 million under Lost Instrument Bond Premium Policy covering premiums for the purchase of lost instrument bonds for securities losses in excess of $125 million when securities are in the custody of messengers, and in excess of $475 million when securities are in the custody of an armored car carrier.

C. *Losses Occurring in the Mail:*
1. $15 million under Mail Policy covering securities lost after having been sent via registered mail;
2. $15 million under Mail Policy cover-

ing securities lost after having been sent via United States Postal Service Express Mail Service, Option 1 (Door-to-Door) and Post Office-to-Addressee service;
3. $250,000 under Mail Policy covering securities lost after having been sent via First Class Mail.

Still more protection is available to bank and broker-dealer Participants with their own standard blanket bond coverage, in the form of riders to their policies providing that such bonds will cover securities held by DTC for the account of the Participant. A bank or broker-dealer with such a rider to its blanket bond would be reimbursed by its own insurer (to the extent of the coverage provided by the rider) for its *pro rata* share of uninsured securities losses by DTC in the unlikely event that such losses were to exceed DTC's insurance coverage.

Participants Fund

The Participants Fund is a $200 million reserve fund contributed by Participants and maintained by DTC to satisfy any losses not covered by DTC's insurance. DTC's Rules provide that any such loss would normally be charged initially against undivided profits or retained earnings, but permit the Board of Directors instead to elect to charge it to the Participants Fund.

Should a loss be suffered by DTC due to the failure of a Participant to satisfy its obligations to DTC, such loss would first be charged to that Participant's contribution to the Participants Fund. If the loss were in excess of that Participant's contribution (or if the loss were sustained for reasons other than a Participant's failure), the excess may then be charged to the contributions of other Participants to the Participants Fund on a *pro rata* basis.

DTC's Rules provide that, in the event of any charge against a Participant's contribution to the Participants Fund (whether *pro rata* or otherwise), the Participant is required to make an additional contribution to the Participants Fund in an amount equal to the charge.

To date, no charges of any sort have ever been made to the Participants Fund of either DTC or its predecessor organizations.

Protective Procedures

Other depository procedures are also available to protect Participants. DTC's Rules provide a variety of remedies to minimize the possibility of loss arising from the unexpected insolvency of a Participant. In the event of signs of a Participant's operational or financial inadequacy, or advice to that effect from self-regulatory organizations or others, DTC carefully monitors that Participant's further activity, implementing such protective remedies as events warrant.

Regulatory Examinations

The Depository Trust Company is a limited purpose trust company organized under the banking laws of New York State and a member of the Federal Reserve System. As such, DTC undergoes unannounced annual examinations by the New York State Banking Department and the Federal Reserve Bank of New York, which report their findings to DTC's Board of Directors.

On February 14. 1619, this "giant whale of the kind that swallowed Jonah" was caught in the mouth of the River Rhine. Printed accounts tell of the long struggle to catch the monster and of the many things found in its stomach. but experts failed to reach a consensus on the meaning of it all.

The senior officers of DTC: Arnold Fleisig (left), John P. Crowley, Thomas J. Lee, Edward J. McGuire, Jr., William F. Jaenike. Seated are William T. Dentzer, Jr. (left) and Conrad F. Ahrens.

Officers of The Depository Trust Company

William T. Dentzer, Jr.
Chairman and Chief Executive Officer

Conrad F. Ahrens
President and Chief Operating Officer

Senior Vice Presidents
John P. Crowley
Arnold Fleisig
William F. Jaenike
Thomas J. Lee

Secretary/Counsel
Edward J. McGuire, Jr.

Vice Presidents
Michael A. Agnes
Nicholas J. Arrigan
Joseph J. Bellantoni
Robert A. Dick
Dennis J. Dirks
Michael Fedorochko
Ronald A. Garguilo
Charles J. Horstmann
Joseph J. Marino
Vincent A. Mauro
Richard J. O'Brien
Frank Petrillo
James V. Reilly
Kenneth M. Scholl
Nishan G. Vartabedian

Comptroller
Stuart A. Fishbein

Treasurer
Philip E. Plasencia

Auditor
Thomas F. Coleman

Director of Security
Michael T. Mullen

Assistant Secretary
Donna Grant Reilly

Assistant Treasurer
Leonard A. Miele

Committees of the Board of Directors

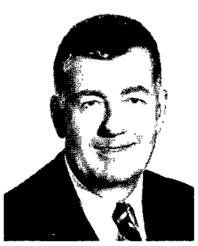
Nominating Committee
Jon A. Bulkley, Chairman
Donald L. Calvin
William S. Edgerly
John F. Lee

Audit Committee
Stephen C. Eyre, Chairman
Frank E. Dominach, Jr.
James F. Ganley
Arthur F. Ryan

Compensation Committee
Richard B. Fisher, Chairman
Peter A. Cohen
G. Christian Lantzsch
Robert P. Rittereiser

The Board of Directors

William T. Dentzer, Jr.
Chairman and Chief Executive Officer, The Depository Trust Company



Conrad F. Ahrens
President and Chief Operating Officer, The Depository Trust Company

Jon A. Bulkley
President and Co-Chief Executive Officer, Moseley, Hallgarten, Estabrook & Weeden Inc.

Donald L. Calvin
Executive Vice President, Public Affairs, New York Stock Exchange, Inc.

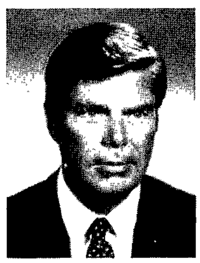
Peter A. Cohen
President and Chief Executive Officer, Shearson/ American Express Inc.

Frank E. Dominach, Jr.
Executive Vice President and Director, Prudential-Bache Securities Inc.

William S. Edgerly
Chairman, President, and Chief Executive Officer, State Street Boston Corporation, State Street Bank and Trust Company

Stephen C. Eyre
Senior Vice President-Secretary, Citicorp, and Director, Citibank

Richard B. Fisher
Managing Director and member of the Management Committee of Morgan Stanley & Co., Incorporated



James F. Ganley
Executive Vice President, Irving Trust Company

C. Richard Justice
Executive Vice President, National Association of Securities Dealers, Inc.

G. Christian Lantzsch
Vice Chairman, Mellon Bank, N.A.

John F. Lee
Executive Vice President, New York Clearing House Association

Robert P. Rittereiser
Executive Vice President, Strategic Development, Merrill Lynch & Co., Inc.

Arthur F. Ryan
Executive Vice President, Chase Manhattan Bank, N.A.

Retiring from the Board of Directors during 1982 were: Daniel P. Davison, President and Chief Executive Officer, United States Trust Company of New York; and Charles C. Smith, Executive Vice President, Administration, Bankers Trust Company.

1982 in Retrospect

The full year's growth of DTC's various services is described elsewhere in this report. The particular events or activities mentioned below are some of the major milestones that the depository experienced in the year just ended.

DTC Activity Records

Total DTC activity rose to a record high during 1982, reflecting both the heavy trading volume during the first and last parts of the year and the continued growth of depository usage. On average, there were 215,700 transactions processed in DTC's major services each business day of the year, with a peak daily average of 267,100 transactions throughout the fourth quarter. In round numbers, the daily average figures for major services included 26,200 deposits, 150,500 deliveries, 27,800 Withdrawals-by-Transfer, 5,200 urgent COD withdrawals, and 6,000 pledges or releases of collateral.

Examining the reports generated by Participants' automated Withdrawal-by-Transfer input at DTC are Thomas Quaranta, Participant Services Representative, DTC (left), Jack A. Palazzo, First Vice President, Operations, Dean Witter Reynolds Inc., James F. Harris, Vice President-Operations, Paine, Webber, Jackson & Curtis Incorporated, Joseph J. Bellantoni, Vice President, Systems & Computing, DTC, and Leonard A. Marotta, Senior Vice President, Lewco Securities Corp.

DTC Direct Bank Participation Tops 100, Total Bank Participation Over 500

The number of DTC direct bank Participants rose to 103 from 93 during the first nine months of 1982, representing 28 states and the District of Columbia. Society National Bank, Cleveland, Ohio, was the bank that put the number over the 100-mark; with trust assets of $580 million, Society National ranked 143rd in the Federal Reserve's yearend 1981 survey.

By yearend 1982, the number of direct bank Participants in DTC had increased to 120 from 29 states and the District of Columbia. At least 429 other banks from 46 states and the District of Columbia participated in DTC indirectly, through the accounts of a number of bank Participants. All in all, bank assets on deposit at DTC had a total market value of $627 billion, or 75% of the total value of securities on deposit. There were 69 direct bank Participants with securities valued at over $1 billion in their DTC accounts.

Single-Day Settlement Volume Tops One Billion Shares

On Monday, October 18, DTC handled the greatest single day's book-entry delivery volume in its history—over 1 billion shares, versus a daily average of 334.4 million shares for all of 1982.

Continuous net settlement deliveries rose to almost 147,000 as a result of the double settlement day for trades effected on October 8 and 11. The double settlement day occurred because October 11 was a bank holiday but not a stock exchange holiday, or in other words, a trade day but not a settlement day. Since stock transactions customarily settle on the fifth settlement day following trade day, the trades of Friday, October 8 and Monday, October 11—which represented 261.5 million shares on the New York Stock Exchange alone—both settled on October 18.

In addition, October 18 deliveries included almost 137,000 Deliver Orders, representing 653 million shares or share equivalents in bonds, counting $1,000 face value of bonds as equivalent to one share.

First Book-Entry-Only Municipal Bonds, CDs Distributed

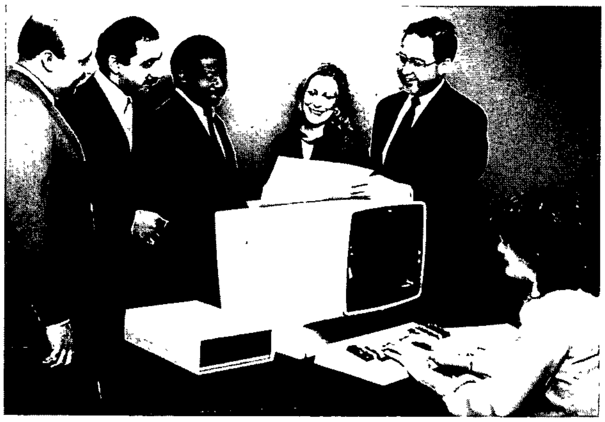
The first "book-entry-only" municipal bond issue—for which no physical securities are issued for investors and changes of ownership are recorded only in book-entry form—was distributed through DTC on the initiative of the underwriter, Prudential-Bache Securities Inc. The issue was $1,175,000 Philadelphia Authority for Industrial Development bonds backed by Certificates of Deposit issued on December 30.

Discussing the role of their various organizations in the processing of Tender/Exchange Offers are, James P. Mahoney, Vice President, Morgan Stanley & Co. Incorporated (right), W.F. Doring, President, W.F. Doring & Co., Calvin Van DeGiesen, Vice President, Bankers Trust Company, and Kenneth M. Scholl, Vice President, and Patricia R. Maeweather, Supervisor, Audit Control, both of DTC.

John L. Nunziato, Vice President, Operations Division, Goldman, Sachs & Co. (left), Jeffrey H. Smith, Vice President, Salomon Brothers Inc, and Thomas W. Russinelli, Manager, Syndicate Operations, Morgan Stanley & Co. Incorporated, with Natalie Fiore, Senior Clerk, and Omah Maharajh, Supervisor, Syndicate Distributions, both of DTC's Underwriting Department at the depository's headquarters in New York City.

Earlier in the year the depository had distributed 22 book-entry-only Certificate of Deposit (CD) issues totaling $634 million in principal amount. The first two such distributions involved a $150 million CD issue by Security Pacific National Bank on September 30 and a $125 million CD issue by Citibank (South Dakota), N.A. on October 12, with Dean Witter Reynolds Inc., the managing underwriter in both cases. The two CDs were the first corporate securities issues ever to be distributed in book-entry-only form where the issue was geared almost entirely to individual investors and are available in units of $1,000.

The book-entry-only approach accords DTC Participants a number of significant benefits, including ease of processing purchases and sales and payment of semiannual interest and maturity proceeds to DTC on their due dates.



Michael S. Schreier, Assistant Vice President, Government & Money Markets Dept., Merrill Lynch, Pierce, Fenner & Smith Incorporated (left), Anthony V. Laudando, Vice President, Prudential-Bache Securities Inc., Larry E. Thompson and Karen G. Lind, both Associate Counsel at DTC, and Richard E. Reibman, Managing Director, Investment Banking at Dean Witter Reynolds Inc., review book-entry-only deliveries in Certificates of Deposit at DTC. Seated at the terminal is Patricia E. Kovac, DTC Planning Consultant.

Executive Vice Presidents Thomas J. Perna (left) and Thomas A. Mulrooney, both of Bradford Trust Company, examine a bearer bond in the depository's vault with DTC's Sara Eggleston, Associate Director, Participant Services, and James Koster, Director, Participant Services.

Net Deposit Growth: A Full Month at 50 Million Shares per Day

DTC's net deposit growth—securities deposits minus withdrawals—rose to an all-time high of over 1 billion shares for the month of September and 7.7 billion shares for all of 1982. The September figure reflected average net deposits of 49.5 million shares per business day for the entire month. The prior records were 43 million shares per day for June 1981 and 5.4 billion shares for the full year.

In addition, September 1982 deposits included debt securities in the face amount of approximately $8.2 billion, bringing the combined value of debt and equity net deposits to about $31.5 billion for the month, or $1.5 billion per business day.

Book-Entry Deliveries: A 9.5 Billion-Share Month

High volume in the nation's securities markets, increased institutional participation in the depository system, and a substantial increase in the number of DTC-eligible issues propelled DTC's book-entry delivery volume to a new monthly record in November 1982. Average daily deliveries swelled to 214,100—up 54% from the 1981 daily average. At the same time, the average daily number of shares delivered rose to 502.3 million—up 126% from the 1981 average. Altogether, 9.5 billion shares were delivered through DTC in November and 83.3 billion, valued at $2.28 trillion, in all of 1982.

Dividends: 95.3% Payment Date Performance Yields $1.4 Billion, 99.8% in Same-Day Funds

DTC's cash dividends and interest processing operation posted a new single-day high on December 10, 1982, when a record $1.4 billion of dividends and corporate interest was received and credited to Participants' accounts. For all of 1982, dividends and corporate interest payments rose to $36.7 billion from $27.9 billion for 1981. Both sets of figures reflect the large increase in the number of shares and bonds on deposit with DTC during 1982.

At the same time, the percentages of payments received on payable date and in immediately-available funds also improved. Of the value of all such payments received from dividends disbursing agents in 1982, approximately 83% was received on payment date and approximately 90% was in same-day funds. Comparable 1981 figures were 72% and 86%, respectively. For the month of December, on-time payment performance value climbed to over 87%, with almost 94% in same-day funds. On December 10, the day on which the new record was set, the $1.4 billion received represented over 95% of the payments due to DTC that day; of this amount, 99.8% was received in same-day funds.

Joseph Anastasio, Vice President and Director of the International Operations Division, Salomon Brothers Inc (left), Kevin Young, Director of Marketing, Wagner, Stott & Co., Gerard P. Lynch, Managing Director, Morgan Stanley & Co. Incorporated, and DTC's John M. Lanning, Jr., Director, *ID* Sales & Account Administration, review *ID* performance reports at DTC.

The procedure through which DTC captures municipal bond certificate numbers and individual coupon numbers on newly deposited securities is reviewed by Thomas P. Dwan, Executive Vice President, Director of Operations, Thomson McKinnon Securities Inc. (left); John Reilly, Assistant Vice President, Corporate Operations, and William J. Convery, Assistant Manager, Corporate Operations, both of The First Boston Corporation; Stephen J. DeVoe, III, Vice President, Operation Division, Smith Barney, Harris Upham & Co., Incorporated; and Valentine Stevens, Director, Participant Services, DTC. Seated are F. Paul Wisniewski, Senior Vice President, J.J. Kenny Co., Inc. (left), and Raymond De Cesare, Director, Operations, Inventory Processing, DTC.

Record Dividends Refunds for DTC Users

Monthly refunds to Participants of investment income from cash, dividend, interest, and reorganization payments (dividends payments) received by the depository swelled to a total of $20.4 million for all of 1982, up 36.5% from the 1981 level.

The monthly refunds stem from the income the depository earns from overnight investment of such payments as they are disbursed. Dividends payments to Participants are included in the depository's daily clearinghouse (next-day) funds settlement system; DTC's purpose in making these refunds is to come as close as practicable to a pass-through of such payments to Participants in federal (same-day) funds. Refunds to a Participant are based on the amount of such payments DTC passed on to that Participant the prior month in proportion to the amount of all such payments to Participants. Refunds of cash dividends and interest are calculated separately from reorganization payment interest.

Reorganization Payment Investment Income: A New Record

On Friday, March 12, DTC received reorganization payments in the total amount of $907 million—$721 million reflecting the merger of MGIC Investment Corporation with a wholly-owned subsidiary of Baldwin United Corp., and $186 million reflecting the tender offer of American Home Products Corp. for securities of Brunswick Corp. Approximately $890 million of the total was in same-day funds.

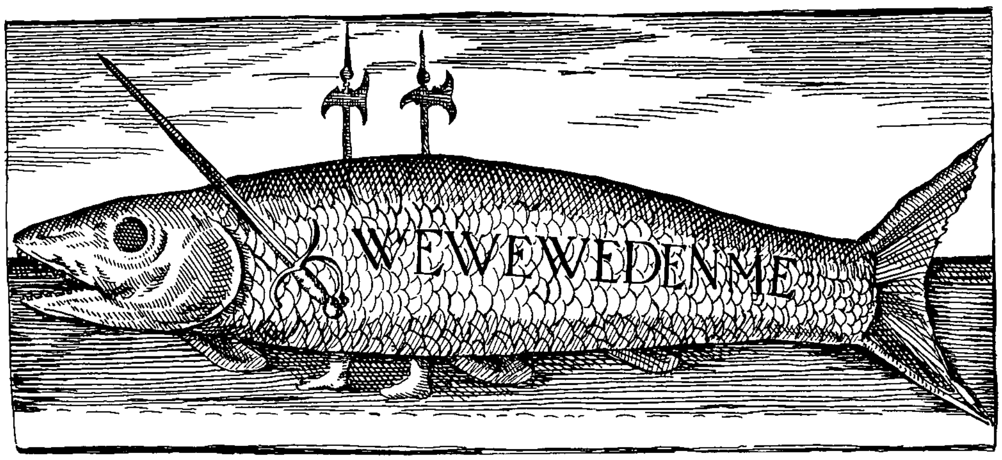
Reorganization payments represent funds received for Participants as a result of a corporate action, i.e. mandatory merger, tender or exchange offer or the redemption of an entire issue.

The full $907 million was credited to Participants' accounts on March 12 in DTC's clearinghouse (next-day) funds settlement system; the $890 million of same-day funds was invested by DTC on an overnight basis which, on this occasion, resulted in three days' interest income because of an intervening weekend. Thus, although the $890 million amount invested was not itself a record for DTC, interest income generated by the investment reached an all-time high of $1.03 million because of the extended time span.

The transfer of certificates from, and the crediting of payments to, Participants' accounts was handled entirely by book-entry at DTC. Interest income on the overnight investment of these and other reorganization payments received in March was refunded to the appropriate Participants after month-end. Investment income refunds to Participants involved in reorganizations are separate from the investment income refunds to Participants related to dividends and interest payments received through DTC.

Philip D. DeFeo, Vice President, Bankers Trust Company (left), Betty Guzzardi, Manager, Dividend Division, DTC, Robert I. Landau, Senior Vice President, Bankers Trust Company, and William J. Skinner, Vice President, The Bank of New York, discuss the impact of the Tax Equity and Fiscal Responsibility Act (TEFRA) at DTC.

Steven J. Ashby, Partner, William Blair & Company (left), James V. Cusack, Vice President, The First National Bank of Chicago, Carl Ferwerda, Senior Vice President, Van Kampen Merritt Inc., and Clifford J. Dean, Associate Director, Participant Services, DTC, discuss DTC participation at William Blair's headquarters in Chicago.



The accompanying illustration shows a "curious fish" caught off Denmark on November 28, 1615 and presented to the King of Denmark to honor him. The consensus of experts was that the omen foretold great calamities, but that they could still be averted by the practice of virtue and gratitude for the divine warning.

Report of Independent Accountants

To the Board of Directors of The Depository Trust Company

In our opinion, the accompanying statement of condition and the related statements of revenues and expenses and undivided profits and of changes in financial position present fairly the financial position of The Depository Trust Company at December 31, 1982 and 1981, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

153 EAST 53RD STREET
NEW YORK, NEW YORK
JANUARY 27, 1983

The Depository Trust Company
Statement of Condition

	December 31, 1982	December 31, 1981
Assets		
Cash	**$ 85,443,000**	$ 30,406,000
Repurchase agreements (Note 1)	**204,096,000**	152,772,000
U.S. Government securities (Note 1)	**10,393,000**	6,034,000
Receivables: —		
Participants:		
For settlements	**82,896,000**	43,028,000
For services	**8,268,000**	5,301,000
Affiliates	**552,000**	672,000
Dividends, interest and other (Note 5)	**6,212,000**	5,938,000
Prepaid expenses and deposits	**954,000**	1,137,000
Equipment and leasehold improvements, less accumulated depreciation of $5,687,000 in 1982 and $4,221,000 in 1981	**8,930,000**	5,636,000
Leased property under capital leases, less accumulated amortization of $9,156,000 in 1982 and $6,863,000 in 1981 (Note 8)	**5,325,000**	6,801,000
Contributions to Participants Fund, callable on demand (Note 3)	**195,266,000**	193,973,000
	$608,335,000	$451,698,000

	1982	1981
Liabilities and stockholders' equity		
Liabilities: —		
Drafts payable (Note 1)	**$175,704,000**	$103,492,000
Accounts payable and accrued expenses	**11,978,000**	10,412,000
Payable to Participants:		
On settlements	**12,208,000**	16,516,000
On receipt of securities	**19,432,000**	15,917,000
Dividends and interest received (Note 5)	**173,708,000**	92,476,000
Payable to affiliates	**296,000**	339,000
Financing arrangements (Note 7)	**1,225,000**	—
Obligations under capital leases, including $2,126,000 in 1982 and $1,895,000 in 1981 due within one year (Note 8)	**5,589,000**	6,808,000
	400,140,000	245,960,000
Participants Fund (Note 3):		
Deposits received	**4,581,000**	5,150,000
Contributions callable on demand	**195,266,000**	193,973,000
	199,847,000	199,123,000
Stockholders' equity:		
Capital stock—authorized, issued and outstanding, 18,500 shares of $100 par value	**1,850,000**	1,850,000
Surplus (Note 1)	**950,000**	776,000
Undivided profits	**5,548,000**	3,989,000
	8,348,000	6,615,000
	$608,335,000	$451,698,000

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

The Depository Trust Company
Statement of Revenues and Expenses and Undivided Profits

	For the years ended December 31, 1982	1981
Revenues:		
Services to Participants (Note 4)	$ 71,870,000	$ 58,419,000
Interest income	32,177,000	32,253,000
Services to affiliates (Note 4)	1,182,000	943,000
	105,229,000	91,615,000
Less—Refunds to Participants (Note 2)	20,403,000	20,551,000
	84,826,000	71,064,000
Expenses:		
Employee costs	51,548,000	42,988,000
Rent, maintenance and utilities	7,934,000	5,254,000
Data processing rentals and supplies	6,456,000	4,522,000
Professional and other services	4,583,000	3,582,000
Amortization and interest on capital leases	2,945,000	2,706,000
Depreciation and amortization	1,551,000	1,263,000
Charges from affiliates (Note 4)	261,000	903,000
Income taxes (Note 6)	610,000	790,000
Other expenses	7,205,000	6,843,000
	83,093,000	68,851,000
Excess of revenues over expenses and refunds	1,733,000	2,213,000
Undivided profits, beginning of year	3,989,000	1,997,000
	5,722,000	4,210,000
Transfer to surplus (Note 1)	(174,000)	(221,000)
Undivided profits, end of year	$ 5,548,000	$ 3,989,000

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

The Depository Trust Company

Statement of Changes in Financial Position

	For the years ended December 31, 1982	1981
Financial resources were provided by:		
Operations:		
Excess of revenues over expenses and refunds	$ 1,733,000	$ 2,213,000
Charges (credits) not affecting resources—		
Depreciation and amortization	1,551,000	1,263,000
Amortization on capital leases	2,209,000	1,925,000
Other operating items, net	(162,000)	107,000
Resources provided from operations	5,331,000	5,508,000
Increase in payable to Participants	80,439,000	—
Increase in drafts payable	72,212,000	27,266,000
Increase in accounts payable and accrued expenses	2,116,000	4,251,000
Financing and capital lease obligations incurred	1,757,000	548,000
Decrease (increase) in receivable from affiliates	120,000	(349,000)
Other, net	183,000	(589,000)
	162,158,000	36,635,000
Financial resources were used for:		
Increase in receivable from Participants	42,835,000	36,800,000
Purchase of equipment and leasehold improvements	5,190,000	3,367,000
Financing and capital lease payments	2,172,000	1,662,000
Decrease (increase) in cash contributions to Participants Fund	569,000	(980,000)
Additions to leased property under capital leases	396,000	548,000
Increase in dividends, interest and other receivables	233,000	129,000
Decrease in payable to affiliates	43,000	1,201,000
Decrease in payable to Participants	—	26,167,000
	51,438,000	68,894,000
Net increase (decrease) in cash, repurchase agreements and U.S. Government securities during the year	110,720,000	(32,259,000)
Cash, repurchase agreements and U.S. Government securities, beginning of year	189,212,000	221,471,000
Cash, repurchase agreements and U.S. Government securities, end of year	$299,932,000	$189,212,000

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

The Depository Trust Company

Notes To Financial Statements
December 31, 1982 and 1981

Note 1 — Summary of Significant Accounting Policies

(a) Securities on deposit
Securities held by the Company for Participants are not recorded in the accompanying financial statements. Cash dividends and interest received or due on such securities and in process of distribution or awaiting claim are recorded in the statement of condition.

(b) Equipment and leasehold improvements
Equipment and leasehold improvements are recorded at cost. Equipment is depreciated over estimated useful lives (generally five to eight years), using principally accelerated methods. Leasehold improvements are amortized on the straight-line method over the lives of the related leases or the useful lives of the improvements, whichever is less.

(c) Leases
Leased property under capital leases, principally data processing equipment and related facilities, is amortized primarily on the straight-line method over the lease term or asset life, as applicable, and interest expense is accrued on the basis of the outstanding lease obligations.

(d) Pension plan
The Company's eligible employees are included in the defined benefit pension plan of New York Stock Exchange, Inc. and its subsidiary companies. Pension costs charged to expense in 1982 were $1,980,000 (1981—$1,379,000) and comprise normal costs and amortization over ten years of unfunded prior service costs. The value of the assets of the pension plan of New York Stock Exchange, Inc. at December 31, 1982 exceeded the actuarially computed value of vested benefits.

The Financial Accounting Standards Board Statement No. 36 (FAS36), Disclosure of Pension Information, requires financial statement disclosure of certain additional information relating to defined benefit pension plans. Information required pursuant to FAS36 was not available for 1982 on a separate company basis.

(e) Marketable securities
Repurchase agreements represent U.S. Government and U.S. Government Agency securities purchased under agreements to resell at predetermined prices, generally over periods of three days or less. These agreements are recorded at cost and interest is accrued as earned. U.S. Government securities are recorded at amortized cost, which approximates market value.

The Company invests available federal funds in repurchase agreements and at the same time makes disbursements against such in clearinghouse funds. The resulting book overdrafts are included in drafts payable and are eliminated the next business day when the repurchase agreements are converted back to cash.

(f) Income taxes
Provision is made for income taxes applicable to revenues and expenses reported in the financial statements in periods which differ from those in which they are subject to taxation. Investment tax credits on property acquired and leased are applied, when available, under the flow-through method as a reduction of the income tax provision when the property is placed in service.

(g) Surplus
Transfers to surplus of 10% of excess of revenues over expenses and refunds will be made annually until such time as surplus equals 65% of capital stock as required by the New York State Banking Law.

Note 2 — Organization and Ownership

The Company is a limited purpose trust company providing central securities depository and related services to the securities, banking and related industries. At December 31, 1982, New York Stock Exchange, Inc. owned approximately 40% of the capital stock of the Company, with the remainder owned by the American Stock Exchange, National Association of Securities Dealers and certain Participants or their representatives. A Stockholders Agreement provides for an annual reallocation of the entitlement to purchase outstanding capital stock by eligible Participants or their representatives based on relative depository activity of Participants during the prior year.

Pursuant to a policy adopted by the Board of Directors in 1975, the Company does not pay dividends to stockholders, but refunds to all of its Participants each year revenues in excess of current needs. No such refund was made in 1982 (1981—$5,600,000). During 1980, the Board of Directors modified the Company's general refund policy to provide for a monthly refund to Participants of income earned from the overnight investment of cash dividends, interest and reorganization payments to the Company for Participants. Such monthly refunds totaled $20,403,000 in 1982 (1981—$14,951,000).

Note 3 — Participants Fund

Participants in the depository are required to contribute to the Participants Fund amounts which relate to their activity in the depository. The Fund is available to secure the Participants' obligations to the Company, and certain uninsured losses, if such should occur, could be charged to the Fund. Required contributions are received in cash or are callable on demand and secured by securities of the United States or instrumentalities of the United States, states and political subdivisions and certain eligible nonconvertible registered corporate debt securities.

The Board of Directors has limited the aggregate amount of all contributions to the Fund to $200,000,000.

Note 4 — Transactions with Affiliates

Revenues from Participants for 1982 include $1,699,000 (1981—$1,429,000) received from National Securities Clearing Corporation. Of this amount, $1,534,000 (1981—$1,267,000) was related to services for continuous net settlement deliveries. Additionally, the Company provided certain clerical services to National Securities Clearing Corporation and guard services to Securities Industry Automation Corporation, for which the Company charged costs allocable to such services.

The Company was party to an agreement to purchase software and software-related improvements from New York Stock Exchange, Inc. The terms of the agreement provided for the Company to pay 6.5% of its gross revenues from services during the period January 1, 1976 to June 30, 1983, up to a maximum payment of $13,500,000. The final payment was made in the first quarter of 1981. The amount expensed was $622,000 in 1981.

Note 5 — Dividends and Interest on Securities on Deposit

The Company receives cash and stock dividends and interest on securities registered in the name of its nominee and interest on bearer securities which it distributes to its Participants for the owners of the securities. Amounts received on registered securities withdrawn before the record date but not transferred from the name of the Company's nominee cannot be distributed unless claimed by the owners of the securities through a Participant or other financial institution. At December 31, 1982, cash dividends and interest payable on registered securities amounted to $173,708,000, of which $110,497,000 was awaiting distribution to Participants on the next business day and $63,211,000 was held pending claim on behalf of the record date owners of the applicable securities. Stock dividends payable and unclaimed are not recorded in the accompanying financial statements. Unclaimed cash and stock dividends and interest received prior to July 1, 1979 have been transferred to New York State in accordance with abandoned property laws.

Cash dividends and interest receivable for registered securities at December 31, 1982 amounted to $4,795,000. Stock dividends receivable are not recorded in the accompanying financial statements.

Note 6 — Income Taxes

The net income tax provision for 1982 and 1981 is summarized as follows:

	1982	1981
Current:		
Federal	$ 806,000	$ 1,080,000
Investment tax credits	(686,000)	(869,000)
Other tax credits	(120,000)	(176,000)
State and local	639,000	762,000
Deferred:		
Federal	(29,000)	(12,000)
Investment tax credits	60,000	41,000
Other tax credits	(31,000)	—
State and local	(29,000)	(36,000)
	$ 610,000	$ 790,000

The following is a reconciliation between the reported total income tax expense and the amount computed by multiplying income before income tax by the applicable statutory income tax rate:

	1982	1981
U.S. Federal income tax rate	46.0%	46.0%
Increases (reductions) in tax rate resulting from:		
Investment tax credits	(26.7)	(27.6)
State and local taxes, net of federal income taxes	14.0	13.1
Other	(7.3)	(5.2)
Effective tax rate	26.0%	26.3%

At December 31, 1982, the Company has available for federal income tax purposes research and development credit carryforwards of $691,000, all of which expire in 1997, and $660,000 for financial statement purposes.

Note 7 — Financing Arrangements

On June 16, 1982, the Company entered into a financing arrangement covering certain leasehold improvements located at the Company's headquarters. The obligation, which can be prepaid at the option of the Company, carries interest at 1% above the prime rate or 11%, whichever is greater, and is being repaid in equal monthly installments which terminate June 1987.

The Company has available short-term lines of credit of $5,000,000 with each of two commercial banks at rates approximating the prime rate. These lines were not utilized during 1982.

Note 8 — Leases and Other Commitments

Capital leases—See Note 1 regarding the treatment of capital leases. The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of December 31, 1982:

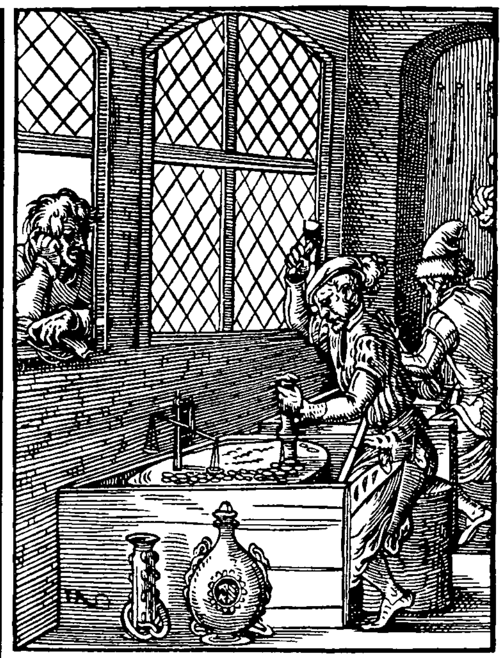
Year ending December 31:	
1983	$2,654,000
1984	2,179,000
1985	919,000
1986	328,000
1987	207,000
1988-1989	343,000
Total minimum lease payments	6,630,000
Less—Amount representing interest	1,041,000
Present value of net minimum lease payments (including current installments of $2,126,000)	$5,589,000

Operating leases—The Company leases a major portion of its office space as a subtenant of New York Stock Exchange, Inc. These leases are accounted for as operating leases and provide for base rentals and escalations, plus increases in rental escalations subsequent to 1982. Presented below are the future minimum rental payments required under operating leases having initial noncancellable lease terms in excess of one year as of December 31, 1982:

Year ending December 31:	
1983	$ 6,477,000
1984	6,432,000
1985	6,388,000
1986	6,388,000
1987	3,927,000
1988-2002	19,389,000
Total minimum payments required	$49,001,000

Rent expense in 1982 was $5,074,000 (1981—$3,438,000) for office space and $3,927,000 (1981—$2,668,000) for data processing equipment.

In 1981, the Company entered into a fifteen-year lease for additional office space. Commencing in mid-1983, the lease provides for annual rental payments of $6,646,000 over the first five years plus electricity and escalations. Thereafter, rental payments are subject to adjustment based on the Consumer Price Index for the New York region. These amounts are not included in the above table of minimum rental payments.



The mintmaster shown in this illustration held a responsible post, with substantial penalties for malfeasance. "I strike my coins properly," the Book of Trades proclaimed, "... very correct, according to the realm's currency, so that no one will fare badly."

Participants†

Banks (120)

AmeriTrust Company
Atlantic National Bank
BankAmerica Securities Services Company of New York
Bank Leumi Trust Company of New York
Bank of America National Trust and Savings Association
Bank of California (The)
Bank of Montreal
Bank of New England. N.A.
Bank of New York (The)
Bank of Tokyo Trust Company (The)
Bankers Trust Company
Barclays Bank International Limited, New York Branch
Bessemer Trust Company
Boston Safe Deposit and Trust Company
Bradford Trust Company
Brown Brothers Harriman & Co.
Centerre Bank, N.A.
Central Fidelity Bank, N.A.
Central National Bank of Cleveland
Central Trust Company
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Citibank, N.A.
Citizens and Southern National Bank (The)
Citizens Fidelity Bank and Trust Company
Commerce Bank of Kansas City, N.A.
Commercial National Bank of Peoria
Connecticut Bank and Trust Company (The)
Connecticut National Bank (The)
Crocker National Bank
Daiwa Bank, Limited (The), New York Agency
Equitable Trust Company (The)
European American Bank & Trust Company
Fidelity Bank (The)
Fidelity Union Bank
Fiduciary Trust Company of Boston
Fiduciary Trust Company of New York
Fifth Third Bank (The)
First American Bank, N.A.
First & Merchants National Bank
First City National Bank of Houston
First Jersey National Bank
First Kentucky Trust Company (The)
First National Bank in Palm Beach
First National Bank of Atlanta (The)
First National Bank of Birmingham
First National Bank of Boston (The)
First National Bank of Chicago (The)
First National Bank of Cincinnati
First National Bank of Colorado Springs(The)
First National Bank of Fort Worth (The)
First National Bank of Maryland (The)
First National Bank of Minneapolis
First National Bank of St. Paul
First National Bank of Topeka (The)
First National State Bank of New Jersey
First Pennsylvania Bank, N.A.
First Tennessee Bank N.A. Memphis
First Trust Company of Saint Paul
First Union National Bank of North Carolina
First Vermont Bank & Trust Co.††
Fleet National Bank
Fourth National Bank & Trust Company of Wichita
Girard Bank
IDS Trust Company
Indiana National Bank (The)
InterFirst Bank Dallas, N.A.
Investors Bank and Trust Company
Irving Trust Company
Key Trust Company
Lincoln First Bank, N.A.
M&I Marshall & Ilsley Bank
Manufacturers and Traders Trust Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank
Maryland National Bank
Mellon Bank, N.A.
Mercantile Trust Company National Association
Mercantile-Safe Deposit and Trust Company
Merchants National Bank & Trust Company of Indianapolis
Michigan National Bank-Grand Rapids

Seventeenth Century German woodcuts contain a surprising amount of light or even humorous material. The subjects shown on this and following pages include the occupations of youth, some fanciful occupations for all ages, and some humorous interpretations of very real activities.

The Harmonious Musicians is typical of the lightest work in 17th Century German woodcuts. It has no special message or social significance; it was created solely to amuse, which it no doubt did with great success.

Michigan National Bank of Detroit
Morgan Guaranty Trust Company of New York
N S & T Bank, N.A.
National Bank of Australasia Limited (The), New York Agency
National Bank of Detroit
National Bank of North America
National Westminster Bank Limited
New Britain National Bank††
North Carolina National Bank
Northwestern National Bank of Minneapolis
Old Kent Bank and Trust Company
Philadelphia National Bank (The)
Proctor Trust Company††
Republic National Bank of New York
Rhode Island Hospital Trust National Bank
Riggs National Bank of Washington, D.C. (The)
Royal Bank and Trust Company (The)
Seattle-First National Bank
Security Pacific National Bank
Shawmut Bank of Boston, N.A.
Society National Bank
State Street Bank and Trust Company
Swiss Bank Corporation-New York Branch
Texas American Bank/Fort Worth National Association
Texas Commerce Bank, N.A.
Third National Bank of Hampden County††
Toledo Trust Company (The)
Trust Company Bank
Union Bank, Los Angeles
United Bank & Trust Company††
United Bank of Denver, National Association
United States Trust Company of New York
United Virginia Bank
Valley National Bank of Arizona
Wachovia Bank and Trust Company, N.A.
Wells Fargo Bank, National Association
Wilmington Trust Company
Zions First National Bank

Broker-Dealers (322§)

ABD Securities Corp.*
ABD Securities Corporation
Adams, Harkness & Hill, Inc.
Adler, Coleman & Co.
Advest, Inc.
Agora Securities, Inc.
Agoston (Steven J.)*
Alger (Fred) & Company, Incorporated
Allen & Company Incorporated
Alpine Associates
Alstead, Strangis & Dempsey Incorporated*
American Securities Corporation
Anderson & Strudwick, Incorporated*
Andrew Company*
Arbitrage Management Company
Arnhold and S. Bleichroeder, Inc.
Aronson, Woolcott & Co., Inc.*
Asiel & Co.
Atlantic Capital Corporation
Aufiero (John N.)

† As of December 31, 1982

†† Boston Stock Exchange Sponsored Account

§ Includes only those which have given permission for use of their names.

* NSCC Sponsored Account

Baird, Patrick & Co., Inc.
Baird (Robert W.) & Co. Incorporated
Barrett & Company
Bateman Eichler, Hill Richards Incorporated
Bear, Stearns & Co.
Beare Brothers & Co., Inc.*
Beauchamp & Co.
Becker (A.G.) Incorporated
Bedford Partners
Bell & Beckwith
Benton & Company
Bernstein (Sanford C.) & Co., Inc.
Blair (William) & Company
Blinder, Robinson & Co., Inc.*
Blodgett & Co., Inc.*
Blunt Ellis & Loewi Incorporated
Bodell, Overcash Anderson & Co., Inc.*
Boettcher & Company
Boyd, Upton & Co.
Bradford Broker Settlement, Inc.
Bradford (J.C.) & Co.
Branch, Cabell & Co.
Brandt (Robert) & Co.
Brounoff, Claire, & Co., Inc.
Brown (Alex.) & Sons
Brown & Company Securities Corporation*
Brown, Lisle & Marshall Incorporated
Buell Securities Corp.*
Burgess & Leith Incorporated
Burns Fry and Timmins Inc.
Burns, Pauli & Co., Inc.
Cable Howse & Ragen
Cantella & Company*
Cantor, Fitzgerald & Co.
Cantor (S.B.) & Co., Inc.*
Capital Shares, Inc.*
Carolina Securities Corporation
Carr & Thompson, Inc.*
Carr (Robert C.) & Co., Inc.*
Carr Securities Corporation
Carroll McEntee & McGinley
Securities Corporation
Chicago Corporation (The)
Christopher (B.C.) Securities Co.
Clayton, Polleys & Co.*
Coburn & Meredith, Inc.*
Colin, Hochstin Co.
Conklin, Cahill & Co.
Conklin, Cahill, Inc.
Conning & Co.
Cosentino & DeFelice, Inc.*
Coughlin and Company, Inc.*
Countrywide Securities Corp.
Cowen & Co.
Craig-Hallum, Inc.
Craigie Incorporated
Cummings & Company*
Dain Bosworth Incorporated
Daiwa Securities America, Inc.
Davenport & Co. of Virginia, Inc.
Davis (Shelby Cullom) & Co.
de Cordova, Cooper & Co.
Deltec Securities Corporation*
Denton & Company, Inc.*
Dietrich & Company*
Dillon, Read & Co. Inc.
Doft & Co., Inc.
Dominick Investor Services Corporation
Dominion Securities Ames Inc.
Donald & Co. Securities, Inc.*
Donaldson, Lufkin & Jenrette
Securities Corporation
Drexel Burnham Lambert Incorporated
Easton & Co.
Eberstadt (F.) & Co., Inc.
Edwards (A.G.) & Sons, Inc.
Einhorn & Co.
Engler & Budd Company*
Eppler, Guerin & Turner, Inc.
Equity Securities Trading Co., Inc.*
Ernst & Co.
EuroPartners Securities Corp.
Evans & Co., Inc.
Exchange Securities, Inc.*
Execution Services Incorporated
Fagenson & Co., Inc.
Fahnestock & Co.
Fechtor, Detwiler & Co., Inc.*
Ferris & Company, Incorporated*
Fidelity Brokerage Services, Inc.*
Financial America Securities, Inc.*
First Albany Corporation
First Birmingham Securities Corporation*
First Boston Corporation (The)
First Jersey Securities, Inc.
First Manhattan Co.
First Options of Chicago, Inc.
First Southwest Company
Frank (Walter N.) & Co.
Frankel (Wm. V.) & Co., Inc.*
Freehling & Co.
Fried (Albert) & Co.
Gage-Wiley & Company, Inc.*
Ganoudis (Gus N.)*
Garden State Securities Corp.*
Gintel & Co.
Goldberg Securities
Goldman, Sachs & Co.
Gowell Securities Corp.*
Gradison & Company Incorporated
Greenfield Arbitrage Partners
Gruntal & Co.
Gruss (Oscar) & Son Incorporated
H.T.N. Securities*
Hanifen, Imhoff, Inc.*
Hanover Square Securities Group Inc.
Hartfield (J.F.) & Co., Inc.*
Hawthorne Securities Corporation*
Henderson Brothers, Inc.
Herzfeld & Stern
Herzog, Heine, Geduld, Inc.
Hill, Thompson, Magid & Co., Inc.*
Hilliard (J.J.B.), Lyons (W.L.), Inc.
Hirshon, Roth & Co.
Howard, Weil, Labouisse, Friedrichs
Incorporated
Hummer (Wayne) & Co.
Hutton (E.F.) & Company Inc.
Icahn & Co., Inc.
Illinois Company Incorporated (The)
Ingalls & Snyder
Institutional Equity Corporation
Interstate Securities Corporation
Jacobson (Benjamin) & Sons
Janney Montgomery Scott Inc.
Jefferies & Company, Inc.
Johnson, Lane, Space, Smith & Co., Inc.
Johnston, Lemon & Co., Inc.*
Jones (Edward D.) & Co.
Josephthal & Co. Incorporated
K. and S., Inc.*
Kalb, Voorhis & Co.
Kaufmann, Alsberg & Co.
Kellner, Diheo & Co.
Kidder, Peabody & Co. Incorporated
Kimball & Cross*
King (C.L.) & Associates Inc.
King, Keller & Co.*
Koonce Securities, Inc.*
Krieger (Henry) & Co.
LaBranche & Co.
Lafer Amster & Co.
Laidlaw Adams & Peck Inc.
Lasker, Stone & Stern
Lawrence (Cyrus J.) Incorporated
Lawrence, O'Donnell & Co.

Keeping one's nose to the grindstone was much on the minds of 17th Century working people, as this woodcut of *The Nosegrinder* at work attests.

Lazard Frères & Co.
Legg Mason Wood Walker, Inc.
Leonard (B.J.) and Company, Inc.*
Lewco Securities Corp.
Lewis (S.B.) & Company
Linsco Corporation*
Mabon, Nugent & Co.
Madoff (Bernard L.)
Manley, Bennett, McDonald & Co.
Marcus & Company
Marcus Schloss & Co., Inc.
Marks (Carl) & Co., Inc.
Masten (A.E.) & Co., Incorporated
May & Gannon, Inc.*
Mayer & Schweitzer, Inc.
McCourtney-Breckenridge & Company*
McDonald & Company
McLeod Young Weir Incorporated
McMahan, Brafman, Morgan & Co.
Meehan (M.J.) & Company
Meldon & Company*
Mericka & Co., Inc.*
Mermelstein & Co.*
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrimack Valley Investment Inc.*

Mesirow & Company
Michaud (Gerald P.)*
Midland Doherty Inc.
MKI Securities Corp.
Montgomery Securities
Moore & Schley, Cameron & Co.
Moors & Cabot, Inc.*
Morgan, Keegan & Company, Inc.
Morgan, Olmstead, Kennedy & Gardner, Incorporated
Morgan Stanley & Co. Incorporated
Muller & Company, Inc.
Murphey, Marseilles and Smith
Murphy & Durieu
Neuberger & Berman
New Japan Securities International, Inc.
Newhard, Cook & Co. Incorporated
Nick (J.F.) & Co.

* NSCC Sponsored Account

Nikko Securities Co. International, Inc.(The)
Nomura Securities International, Inc.
Norbay Securities, Inc.*
Norris & Hirshberg, Inc.*
Norton & Co.
Nuveen (John) & Co. Incorporated
O'Connor & Associates
O'Connor Securities
Offerman & Co., Inc.*
Oftring & Co., Inc.*
Olde & Co., Incorporated
Oppenheimer & Co., Inc.
OTC Net, Incorporated*
Pacific Brokerage Services*
Paine, Webber, Jackson & Curtis Incorporated
Parker (S.C.) & Co., Inc.*
Pasternak Securities
Payson (H.M.) & Co.*
Pforzheimer (Carl H.) & Co.
Phelan, Silver, Vesce Barry & Co.
Piper, Jaffray & Hopwood, Incorporated
Pitfield, Mackay & Co., Inc.
Prescott, Ball & Turben, Inc.
Prudential-Bache Securities Inc.
Purcell, Graham & Co., Inc.
Q & R Clearing Corporation
Quinn (E.J.) & Co., Inc.*
RFG Options
Raney (T.J.) & Sons Inc.
Rauscher Pierce Refsnes, Inc.
Raymond, James & Associates, Inc.
Reaves (W.H.) & Co., Inc.
Reich & Co., Inc.
Richardson Greenshields Securities, Inc.
Riviere Securities Corporation*
Robb, Peck, McCooey Clearing Corporation
Robertson, Colman, Stephens & Woodman
Rodman & Renshaw, Inc.
Roney (Wm. C.) & Company
Rotan Mosle Inc.
Rothschild (L.F.), Unterberg, Towbin
Roulston Research Corp.
Rowland Clearing Services, Inc.
Ryan Beck & Co.*
Rybeck (Wm. H.) & Co., Inc.*
Sage, Rutty & Co., Inc.
Salomon Brothers Inc
Schapiro (M.A.) & Co., Inc.
Scherck, Stein & Franc, Inc.
Schwab (Charles) & Co., Inc.*
Scott & Stringfellow, Inc.
Seasongood & Mayer*
Securities Settlement Corporation
Seemala Corporation
Seligman Securities, Inc.
Shaine (H.B.) & Co., Inc.
Shearson/American Express Inc.
Sheppards and Chase (Overseas)
Sherr (Carl P.) & Company
Simon (I.M.) & Co.
Smith Barney, Harris Upham & Co., Incorporated
Smith (E.H.) Jacobs & Co.*
Smith, Moore & Co.*
Southwest Securities, Inc.
Spear, Leeds & Kellogg
Spencer, Swain & Co., Inc.*
Steichen (R.J.) & Company*
Stern & Kennedy
Sterne, Agee & Leach, Inc.
Stifel, Nicolaus & Company Incorporated
Stillman, Maynard & Co.
StockCross, Inc.*
Stokes, Hoyt & Co.
Streicher (J.) & Co.
Sutro & Co. Incorporated
Swiss American Securities Inc.
Thomson McKinnon Securities Inc.
Tompane (A.B.) & Co.
Tonge (R.M.) Company*
Transatlantic Securities Company
Travers, Dear & Fernandez
Trusteed Funds, Inc.*
Tucker, Anthony & Day (R.L.), Inc.
Tweedy Browne Clearing Corporation
United Financial Services Corporation*
Vail Securities Investment, Inc.
Van Kampen Merritt Inc.
Vincent (Burton J.), Chesley & Co.
Viner (Edward A.) & Co., Inc.
W & D Securities
Wagner, Stott & Co.
Wall Street Clearing Company
Walsh, Greenwood & Co.
Weber, Hall, Sale & Associates, Inc.
Wechsler & Krumholz, Inc.
Wedbush, Noble & Cooke, Inc.*
Weiss, Peck & Greer
Wellington & Co.
Wheat, First Securities, Inc.
Williams (Jerry), Inc.*
Witter (Dean) Reynolds Inc.
Wittow & Company, Inc.*
Wolfson Zalkind & Co.*
Wood Gundy Incorporated
Wreszin, Prosser, Romano & Co.
Yamaichi International (America), Inc.
Ziegler Thrift Trading, Inc.*

Clearing Agencies (7)

Boston Stock Exchange Clearing Corporation
Canadian Depository for Securities Limited (The)
Midwest Securities Trust Company
National Securities Clearing Corporation
Options Clearing Corporation (The)
Pacific Securities Depository Trust Company
Philadelphia Depository Trust Company

DTC Stockholders (65†)

The full list of 1982 DTC stockholders, in order of their holdings, is as follows:

New York Stock Exchange, Inc.
Merrill Lynch & Co., Inc.
Bankers Trust Company
Citibank, N.A.
American Stock Exchange, Inc.
National Association of Securities Dealers, Inc.
The Chase Manhattan Bank, N.A.
Manufacturers Hanover Trust Company
Morgan Guaranty Trust Company of New York
The Bank of New York
State Street Bank and Trust Company
United States Trust Company of New York
Irving Trust Company
Mellon Bank, N.A.
Wells Fargo Bank, National Association
Marine Midland Bank
Goldman, Sachs & Co.
Chemical Bank
Morgan Stanley & Co. Incorporated
Northwestern National Bank of Minneapolis
Salomon Brothers Inc
A.G. Edwards & Sons, Inc.
The Citizens and Southern National Bank
Shawmut Bank of Boston, N.A.
Lewco Securities Corp.
Bear, Stearns & Co.
First & Merchants National Bank

Rejuvenation for men and women was a preoccupation 300 years ago as surely as today. Separate *Rejuvenation Mills* were provided for the respective genders, however.

Donaldson, Lufkin & Jenrette Securities Corporation
The Connecticut National Bank
The First National Bank of Chicago
Swiss American Securities Inc.
Centerre Bank, N.A.
The First Boston Corporation
The Connecticut Bank and Trust Company
Alex. Brown & Sons
Edward A. Viner & Co., Inc.
Wood Gundy Incorporated
Arnhold and S. Bleichroeder, Inc.
First Jersey National Bank
The Equitable Trust Company
Burgess & Leith Incorporated
Maryland National Bank
F. Eberstadt & Co., Inc.
Gradison & Company Incorporated
Carl Marks & Co., Inc.
Mayer & Schweitzer, Inc.
Bradford Trust Company
Execution Services Incorporated
Oscar Gruss & Son Incorporated
Pitfield, Mackay & Co., Inc.
Carl H. Pforzheimer & Co.

Boettcher & Company
Prescott, Ball & Turben, Inc.
The Fidelity Bank
Stillman, Maynard & Co.
LaBranche & Co.
W.H. Reaves & Co., Inc.
Fagenson & Co., Inc.
J.F. Nick & Co.
The First National Bank of Atlanta
A.B. Tompane & Co.
Scott & Stringfellow, Inc.
Stock Clearing Corporation
Barrett & Company
The Cincinnati Stock Exchange

* NSCC Sponsored Account
† As of December 31, 1982

Pledgees (102†§)

AmeriTrust Company
Arizona Bank (The)
Banca Catalana-New York Office
Bank Hapoalim, B.M.
Bank Leumi Trust Company of New York
Bank of America National Trust and Savings Association
Bank of New York (The)
Bank of Nova Scotia (The)
Bank of Tokyo Trust Company (The)
Bankers Trust Company
Banque de Paris et des Pays-Bas
Barclays Bank International Limited, New York Branch
Boatmen's National Bank of St. Louis (The)
Bradford Trust Company
Brown Brothers Harriman & Co.
Canadian Imperial Bank of Commerce
Centerre Bank, N.A.
Central National Bank of Cleveland
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Citibank, N.A.
Citizens and Southern National Bank (The)
Citizens Fidelity Bank and Trust Company
Connecticut Bank and Trust Company (The)
Connecticut National Bank (The)
Continental Illinois National Bank and Trust Company of Chicago (The)
Credit Lyonnais, New York Branch
Credito Italiano
Crocker National Bank
Daiwa Bank, Limited (The), New York Agency
Detroit Bank & Trust Company (The)
Equitable Trust Company (The)
European American Bank & Trust Company
Fidelity Bank (The)
Fiduciary Trust Company of New York
Fifth Third Bank (The)
First American Bank, N.A.
First American Bank of Nashville
First & Merchants National Bank
First Interstate Bank of Arizona, N.A.
First Interstate Bank of California
First Jersey National Bank
First National Bank and Trust Company of Tulsa (The)
First National Bank of Atlanta (The)
First National Bank of Chicago (The)
First National Bank of Kansas City
First National Bank of Louisville
First National Bank of Maryland (The)
First National Bank of Minneapolis
First Pennsylvania Bank, N.A.
First Union National Bank
Fuji Bank and Trust Company (The)
Harris Trust and Savings Bank
Indiana National Bank (The)
InterFirst Bank Dallas, N.A.
Investors Bank and Trust Company
Irving Trust Company
Lincoln First Bank, N.A.
Manufacturers and Traders Trust Company

The Tree of Beautiful Young Maidens and *The Tree of Handsome Young Men* make it all look easy, but the subject was very much on the minds of youths, and its pursuit formed one of their primary occupations, as it has in all ages before and since.

Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank
Maryland National Bank
Mellon Bank, N.A.
Mercantile Trust Company
National Association
Mercantile-Safe Deposit and Trust Company
Merchants National Bank & Trust
Company of Indianapolis
Morgan Guaranty Trust Company
of New York
National Bank of Detroit
National Bank of North America
National Westminster Bank Limited
New England Merchants National Bank
North Carolina National Bank
Northern Trust Company (The)
Northwestern National Bank of Minneapolis
Pittsburgh National Bank
Provident National Bank
Republic National Bank of New York
RepublicBank Dallas, N.A.
RepublicBank Houston, National Association
Royal Bank and Trust Company (The)
Royal Bank of Canada (The),
New York Agency
Sanwa Bank Limited (The)

Seattle-First National Bank
Security Pacific Clearing & Services Corp.
Security Pacific National Bank
Shawmut Bank of Boston, N.A.
Society National Bank
Standard Chartered Bank Limited
State Street Bank and Trust Company
Swiss Bank Corporation-New York Branch
Swiss Credit Bank
Texas Commerce Bank, N.A.
Toledo Trust Company (The)
Toronto-Dominion Bank (The)
Trans Canada Options, Inc.
Union First National Bank of Washington
United Bank of Denver, National Association
United States Trust Company of New York
United Virginia Bank
Wachovia Bank and Trust Company, N.A.
Wells Fargo Bank, National Association

† As of December 31, 1982
§ Excludes some firms with limited activity.

Depository Facilities (34†)

Atlanta, Georgia
First National Bank of Atlanta (The)
Baltimore, Maryland
First National Bank of Maryland (The)
Birmingham, Alabama
First National Bank of Birmingham
Boston, Massachusetts
Boston Stock Exchange Clearing Corp.
Shawmut Bank of Boston, N.A.
State Street Bank and Trust Company
Charlotte, North Carolina
First Union National Bank
Cincinnati, Ohio
Fifth Third Bank (The)
Cleveland, Ohio
AmeriTrust Company
Dallas, Texas
InterFirst Bank Dallas, N.A.
RepublicBank Dallas, N.A.
Denver, Colorado
United Bank of Denver, National Association
Hartford, Connecticut
Connecticut Bank and Trust Company (The)
Connecticut National Bank (The)
Houston, Texas
RepublicBank Houston, National Association
Indianapolis, Indiana
Merchants National Bank & Trust Company of Indianapolis
Los Angeles, California
Security Pacific National Bank
Wells Fargo Bank, National Association
Louisville, Kentucky
Citizens Fidelity Bank and Trust Company
First Kentucky Trust Company (The)
Milwaukee, Wisconsin
First Wisconsin Trust Company
Minneapolis, Minnesota
First National Bank of Minneapolis
IDS Trust Company
Northwestern National Bank of Minneapolis
Nashville, Tennessee
United American Bank
Philadelphia, Pennsylvania
Fidelity Bank (The)
Provident National Bank
Pittsburgh, Pennsylvania
Mellon Bank, N.A.
Providence, Rhode Island
Fleet National Bank
Rochester, New York
Lincoln First Bank, N.A.
St. Louis, Missouri
Centerre Bank, N.A.
Mercantile Trust Company National Association
San Francisco, California
Security Pacific National Bank
Wells Fargo Bank, National Association

† As of December 31, 1982

The graphic theme and appearance of this Annual Report were conceived by David S. Jobrack. Executive Assistant to the Chairman and Editor of the *DTC Newsletter*, who also acted as Creative Director throughout the production process and wrote, edited and/or compiled the text, illustrations and captions.

The Sleepy and Lazy Chambermaid was the employer's despair in the 17th Century, as well as the 20th. Whether everyone was as patient seeming as the mistress in the woodcut was another matter, however.

Back cover: Reports of this appartion received widespread circulation in central Europe, printed first in Danzig and then by Johann Christoff Lochner the Elder in Nuremberg. Witnesses stated that a cross appeared on the setting sun and transformed itself into a heart pierced by a sword, while the hand holding an apple turned into the broom at upper right. Whatever the meaning of the symbols, the report was dated, "In the Kingdom of Poland in the clouds is where it was witnessed, in the year 1654 on the 9th of June."

DTC is indebted to the following individuals and organizations for much of the material that appears in this Annual Report.

Art Director: Mario Messina. Line Drawings: Mikhail Ivenitsky, New York City. Engraving of the dies for the covers: Eugene Prohaske, Styleart Engraving Co., New York City. Stamping and embossing of covers: Larry Fischer. Fischer-Partelow, Inc., New York City. DTC Photographs: Robert Essel, New York City.

Administrative Coordination: Daniel Farrell, Barbara Lieberwitz. Harron Snyder. Typography: Dwight Dixon, Nelida Maldonado. Mechanical Art: Mino Hiromura, Amanda Humphrey. Maxim Ivenitsky, Eleanor Kyle, Charles Shands. Final Proofing and Administrative Assistance: Peggy Cowan, Michael DeMeo, Michele Salcedo. Printed by Raleigh Lithograph Corporation, New York City. Bound by Printers Bindery. New York City. Special thanks to: Murry Abrams, Dorothy Alexander, Joseph DelGuidice. Regina M. Rubenstein and the many people at DTC who contributed their time and effort to ensuring the accuracy of this report.

Sources of illustrations: THE BOOK OF TRADES (STÄNDEBUCH) by Jost Amman and Hans Sachs. New York: Dover Publications, Inc., 1973 (pp. 1,5,7,9,11, 13,19,23,25,37,55); THE GERMAN SINGLE-LEAF WOODCUT 1600–1700: A PICTORIAL CATALOGUE by Dorothy Alexander in collaboration with Walter A. Strauss. vols. 1 and 2. New York: Abaris Books. Inc., 1977 (pp. 15,17,21,27,35,37,39,47,57,59,61,63,64).