The Depository Trust Company

Annual Report 1994

CONTENTS

The Depository Trust Company, a service company owned by members of the financial industry, is a national clearinghouse for the settlement of trades in corporate and municipal securities. DTC also performs securities custody services for its participating banks and broker-dealers. In 1994, those Participants delivered $34 trillion of securities through the depository's book-entry system, and securities in its custody reached $7.7 trillion at yearend. ■ DTC's primary mission is to reduce the cost of securities services offered to the public by its Participants. It does so through its automated systems, its telecommunications links with more than 500 Participants and others, and its relationships with the thousands of firms that serve as transfer agents, paying agents, exchange agents, and redemption agents for securities issuers. ■ By placing their securities with DTC, Participants can reduce their custody costs and gain further savings from the depository's other custody-related services. DTC has in its custody for Participants approximately:

- *79% of the shares of companies represented in the Dow Jones Industrial Average,*
- *72% of the shares of all New York Stock Exchange-listed companies,*
- *58% of the shares of issues included in The Nasdaq Stock Market and 50% of the American Stock Exchange-listed companies,*
- *89% of the principal amount of outstanding corporate debt listed on the NYSE, and*
- *95% of the principal amount of outstanding municipal bonds.*

A MESSAGE FROM MANAGEMENT

This Annual Report is intended both to report on 1994 developments in services we at DTC provide to our Participants and to inform non-Participants about the nature of the depository.

Although 1994 was difficult for the securities industry, especially for fixed income markets, at DTC—with a central role to play in the industry's post-trade processing—we achieved excellent service quality, developed an impressive array of new services responsive to Participant needs, and implemented substantial fee reductions for the third consecutive year, making our year a successful one.

Nineteen ninety-four was also a time of transition, as our founding Chairman and Chief Executive Officer William T. Dentzer, Jr., retired and passed the baton to new senior management. The organization he left behind and DTC's policies and programs assure our Participants that DTC's high standards of professionalism and reputation for quality service will remain.

In recent years, heightened industry and regulatory concern about safety and soundness led to two major industry initiatives that involved the depository heavily: T+3 settlement, beginning in June 1995, and same-day funds settlement (SDFS), scheduled for early 1996. DTC made huge investments in staff and money in each. SDFS is our largest single project ever, representing an investment of approximately $12 million to develop and implement.

In 1994, we overhauled the depository's Institutional Delivery (*ID*) system, converting it from a batch to an interactive, real-time system with added features that better tie together the parties to institutional trades and facilitate T+3 settlement. Foreign investors showed renewed interest in *ID* because of concern for the added problems they face with cross-border settlement three days after the trade.

By yearend, final plans were in place and the industry's massive programming effort was under way for the conversion to SDFS, with DTC carrying much of the responsibility for ensuring a seamless operation that will connect Participants, settling banks, paying agents, and others around the country.

During 1994, we at DTC coordinated more closely with our colleagues at the National Securities Clearing Corporation (NSCC) for domestic and international services, as well as with other depositories seeking to piggyback on our highly efficient processing and safekeeping infrastructure.

We increased our investment in research and development, both in technology—such as imaging, distributed processing, and communications—and in technology's applications to specific, previously labor-intensive services. We did this with an eye toward reducing Participants' costs both in-house and at DTC.

Related to this is our increasingly open architecture, intended to provide to Participants the widest possible array of systems and communications alternatives to link with us. Participants seem to like the arrangement—the number of their terminals on-line to DTC's system directly or through their own networks grew during the year from 3,000 to 5,600.

Our Continuous Improvement Program, fully launched in 1994, draws on the talents of all our 2,542 diverse employees, engaging them in serving our users better. Its results are impressive and our thanks go out to them as this process continues.

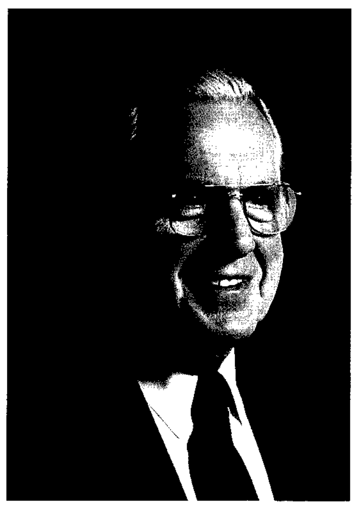
The year 1995 will present even greater challenges, especially with the start of T+3 and SDFS. Our success will require the continued active involvement of Participant operations personnel and many industry committees, for which we are deeply grateful.

William F. Jaenike
Chairman and Chief Executive Officer

Thomas A. Williams
President

A RETROSPECTIVE ON W T Dentzer, Jr. OUR FORMER CHAIRMAN

"*The year 1973 was one of transition and expansion for the depository.*" ■ That was the first sentence of the first DTC annual report, reporting on the first year of the new depository. The words were typical of William T. Dentzer, Jr., DTC's founding Chairman and Chief Executive Officer, who retired last August. When Bill Dentzer put words into print, they were always thoughtfully chosen. ■ Since DTC evolved from the New York Stock Exchange's Central Certificate Service, which had begun five years earlier during the peak of the industry's paperwork crisis, transition was an accurate description. Further, it implied continuity and reliability, not something adventurous or risky. Continuity and reliability were important qualities if Bill was to persuade an industry constrained by conventional wisdom to deposit billions of dollars worth of securities with this "new" DTC. ■ "Expansion" was accurate, too, for that year and through the next two decades Bill took DTC from a very small institution with a few thousand issues eligible and about $50 billion in assets on deposit, to an organization whose capabilities and size described in this report make it viewed around the world as one of the—if not *the*—premier clearance and settlement institutions anywhere. ■ An important initial issue which attracted Bill's leadership was the governance plan. While the general concept of DTC's governance had been established by the Banking and Securities Industry Committee, the details needed to be developed and accepted by the community. Under Bill's leadership, the plan for the sale of DTC's stock to bank and broker-dealer Participants in 1975 was developed, DTC's shareholder agreement was put in place, and policies were developed for the nomination and election of directors. Few of the governance and relationship issues facing DTC had been addressed before—there were no blueprints to follow. But Bill provided the leadership and ideas to produce a balanced system of governance which responded to diverse Participant interests and has withstood many changes in the respective industries over the years. ■ Bill's perspective was always to reflect the priorities of DTC's Participants in order to accomplish the basic mission of reducing their costs. From the beginning, reflecting Participant priorities often had the effect of making DTC an agent for change. Under his leadership, many initiatives were taken, like *ID*, SDFS, book-entry-only, *FAST*, automated retail registration, and real-time communications, to name a few of the well known ones. ■ By the time Bill retired, DTC had largely accomplished its original mission; virtually all institutionally held securities had been immobilized. ■ Bill's leadership led to many other DTC accomplishments, all of them with the Participant's welfare in mind. One of his oft-repeated observations is that DTC is a meeting ground for competitors, bank and broker, large and small, institutional and retail, money center and regional. This led to high standards of objectivity in DTC's responsiveness to users and how DTC priced its services. ■ Having been present at the creation, Bill had an unparalleled perspective. Above all, he viewed the depository as a service organization of people and, with that in mind, he molded the organization into the entity that it is today. It is to his credit that DTC could proceed to where it is now without ever making a misstep that would undermine the foundation on which the depository system was built. ■ He leaves with the respect and appreciation of the people he left behind.



s the largest securities depository, DTC has for years met the settlement, custody, and securities information needs of the industry by developing new and cost-effective services while reducing the cost of existing ones. But never before have those needs—in the context of maximizing industry safety and soundness—been as pressing as they were in 1994—and will be throughout the current year.

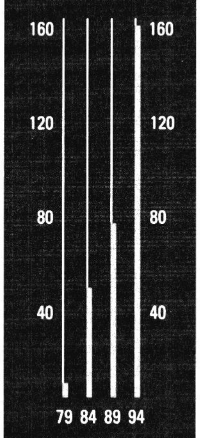
With the twin impacts of T+3 settlement (mandated by the Securities and Exchange Commission [SEC] to take effect in June 1995) and conversion to all-same-day-funds settlement (scheduled for early 1996), self-regulatory organizations, banks, and broker-dealers are changing the way they operate.

Some changes, in principal and income payments, for example, have already taken place. No matter how large or small, changes must occur seamlessly, without interrupting the security and reliability of the American financial system, and all with a sharp eye toward limiting industry cost.

One of the most sweeping changes took place during 1994 when DTC unveiled its **interactive Institutional Delivery (*ID*) system**, which effectively replaced both the "old" Institutional Delivery system and the International Institutional Delivery system with one that meets the more timely information needs of global processing.

While the old *ID* system was originally conceived as an end-of-day batch system, interactive *ID* now provides the capability needed to confirm, affirm, and communicate settlement instructions in the coming T+3 world. By yearend, the "new" *ID* system was processing an average of nearly 157,000 transactions a day for Participants located all over the world. With expanding global trade and custody, and with clients as much as 16 hours ahead of the United States, interactive *ID* is an important time-saver, allowing trade confirmation, affirmation, and settlement instruction issuance to be completed in minutes instead of the two or more days required under the batch processing

Average Daily *ID* Confirmations



"...interactive *ID* now provides the capability needed to confirm, affirm, and communicate settlement instructions in the coming T+3 world."

Senior contacts from DTC meet periodically with Participants in a pilot program to foster closer contact with the depository. Participating in the Senior Management Contact Program are (from left) Ronald Burns and Dawn Byrnes, both of DTC, Frank McGinnis of U.S. Clearing Corp., James Sweeney of Dean Witter Reynolds, Inc., and Jim McGreevey of DTC.

John Hamet (seated) of DTC's Information Services Division meets with Joel Gallant of First Interstate Bank of California, one of the many Participants that benefit from using their own equipment to communicate with DTC.

"DTC can be back in business for its settlement-related activities–restoring approximately 200 gigabytes (billion bytes)–in less than three hours after a disaster."

method. Reaching this point was not easy. Interactive *ID* is a major undertaking, requiring a complete restructuring and costing an estimated $8.7 million to develop and implement.

Ancillary services piloted in 1994, for use beginning in 1995, include **Notice of Order Execution (NOE)**—messages from brokers advising investment managers of the average price of a block trade—and **Institution Instructions (II)**—messages, which investment managers can use to communicate block trade allocations to their broker-dealers, send trade data to *ID*'s forthcoming trade confirmation matching facility, or both, in real-time.

In addition, the **Standing Instructions Database (SID)** was developed as an optional method for relaying account and settlement information in a standard format. SID can serve as a central, up-to-date repository for all customer account and settlement information maintained by the parties involved.

At yearend 1994, DTC created an *ID* Task Force—11 middle-management employees borrowed for up to one year from Participant banks and brokerage firms, at DTC's expense. Their assignment is to help educate and support more than 10,000 *ID* users across the nation to take full advantage of interactive *ID* in time for the June arrival of T+3 settlement.

Interactive *ID* was developed using a relational database that allows DTC to immediately change *ID* masterfiles whenever an institution, agent bank, or broker-dealer changes its settlement processing procedures. This database technology can have virtually limitless growth in users, facilitating expansion outside the United States. The system accommodates various computer systems and communications protocols and operates 22 hours each business day.

DTC's central role in the business of securities processing requires a high degree of safety and soundness. Each quarter, about 100 employees help to test the depository's **disaster-recovery facility**, and the remote backup system itself is regularly used in place of the normal production facility. DTC can be back in business for its settlement-related activities—restoring approximately 200 gigabytes (billion bytes)—in less than three hours after a disaster. Efforts are under way to further speed this process. DTC is testing promising new technologies that may permit remote systems recovery in much less than three hours.

In addition to being reliable, DTC's automated systems must be flexible as well. The **Reorganization Inquiry for Participants (RIPS)** function is an evolving system that epitomizes DTC's increasing flexibility, serving up comprehensive reorganization and redemption information. Available over the Computer-to-Computer Facility (CCF), as well as the Participant Terminal System (*PTS*), RIPS is a research tool that lets Participants instantly view such information on the processing of securities issues undergoing mergers, tender and exchange offers, conversions, warrant exercises, put options, and redemptions. Some 20,000 RIPS inquiries occur on an average day.

The initial benefits of RIPS—reduced risk and the elimination of paper notices—were soon bolstered by the expanded information Participants could have at their fingertips and the ease of the system's use. For instance, inquiries can be made based on numerous categories or combinations of categories. A Participant can customize an inquiry to display all tender and exchange offers DTC announced the prior business day or all conversion expirations as of a certain date. These features, and others, are being added to on a continual basis.

Another reorganization service, the **Participant Tenders Over *PTS* (PTOP)** continued to evolve with the addition in 1994 of a Notice of Guaranteed Delivery feature, commonly known as a "protect," added to the Participant Tenders over *PTS* function.

What is new one year often helps make possible the next year's innovation as DTC ratchets up the application of technology to replace manual securities processing. The **Deposit Automation Management (DAM)** system was introduced in 1993 and—through bar-code technology already a success in processing bearer bond coupons—is able to lower deposit costs and eliminate front-end rejects. DAM is a key part of the **branch receive processing program** that was conceived in 1992 as a by-product of Participant discussions on DAM. The branch receive program was launched as a pilot in late 1994. Branch offices of retail brokers can make deposits directly to DTC, which are then processed automatically through DAM and credited to the broker a day earlier than they would be otherwise.

Two new capabilities of the Direct-Mail by-the-Depository (DMD) service became available in late 1994, the **Withhold** and **Bust** features. DMD Withhold allows Participants to delay, through automated instructions, the mailing of newly registered certificates recently returned to DTC by the transfer agent. DMD Bust enables any items withheld to be canceled up until noon on the scheduled mail date in case, for example, the customer has sold the securities.

DTC's new **Stock Loan Income Tracking System** is another example of an idea that was born in 1993, developed and initiated in 1994, and is expected to become fully operational in 1995. The system tracks Participant stock-loan-related delivery activity and automatically generates credit adjustments for income distributions to the lending Participant, and debit adjustments to the borrowing Participant, on the income payment date. The system eliminates the need for, and cost of, thousands of manually processed claims between lending and borrowing Participants.

In 1994, DTC launched a series of new money market instrument programs. Fred Parkes (left) of the New York City Comptrollers Department and Jeanne Mauro of DTC assisted in the August municipal commercial paper inauguration.

Several developments occurred in 1994 to further DTC's goal of **eliminating short positions**, including:

- The SEC granted permission to expand the short position reclamation procedure to include reclaiming deliveries of deposit-rejected securities;
- Participants can pledge U.S. Government securities as collateral covering a short in next-day funds securities;
- In an SEC filing, DTC has proposed the buy-in of securities to cover shorts that have been outstanding for more than 90 days;
- DTC has proposed for Participant comment a revision of its partial call lottery procedures that would change DTC's current practice of running call lotteries against Participant positions as of the call notice publication date.

In a T+3-related development, the U.S. Working Committee of the Group of Thirty, through a special focus group, examined the "flipping" of equity securities during their initial public offering. Their efforts brought about DTC's development of an **IPO Tracking System**, which, subject to regulatory approvals, will be introduced late in 1995. The system will allow lead underwriters to identify securities sold back to the syndicate during the stabilization period, so that they can recover underwriting concessions from the appropriate syndicate members.

"Branch offices of retail brokers can make deposits directly to DTC, which are then processed automatically... earlier than they would be otherwise."

DTC provides a variety of communication vehicles to access all of these new services. The **Computer-to-Computer Facility (CCF and CCF II)**, **Mainframe Dual Host (MDH)**, ***PTS***, and ***PTS Jr.*** alone or in combination are used by all Participants.

In 1993, DTC opened its *PTS* network to allow Participants to connect their own equipment, easing access for Participant staff to DTC's system. That process continued throughout 1994, with one result being a network that has grown to 5,600 terminals, including workstations and intelligent terminals on local area networks. Also introduced in 1994 were network-to-network connections, allowing more than one communication vehicle (for example, CCF and *PTS*) to share the same communication lines.

WPTS, or **Workstation Participant Terminal System**, put a new face on the Participant Terminal System. Introduced in 1994, WPTS allows Participants to use PCs with the **Windows** operating system, which provides a standard menu-driven interface for all *PTS* functions, with "pull-down menus" and "pop-up help."

Another addition to the DTC list of services is a pilot program called **CCF Jr.**—a bulletin board software system that provides "mailboxes" where users can drop off and pick up certain data. CCF Jr. offers easy access to DTC using asynchronous protocol, with which users are comfortable. It's designed for relatively low-volume Participants, paying agents, transfer agents, or other users of the *ID* system.

Document imaging began to replace microfilm in 1994 as DTC's primary record storage technology, providing quick access and reduced labor, eliminating the cost of document misfiling, reducing space requirements, and improving data security and integrity. When completed, the conversion is expected to save Participants nearly $400,000 a year.

DTC recognizes that more issues and more types of issues eligible mean more savings for its Participants. Thus, depository **efforts to increase eligibility** were intensified during 1994 and nearly 20,000 new issues, representing nearly 127,000 CUSIP numbers—99.96% of all new issue CUSIPs requested by underwriters—were made eligible. More than 49,000 older issues were also made eligible. By December 31 the number of eligible issues totaled nearly 1.2 million. These included:

- 28,222 equity securities;
- 103,122 corporate debt securities;
- 1,050,255 municipal debt securities; and
- 11,805 U.S. Government and Agency securities.

An **Issue Eligibility Task Force** formed last year has been making a special effort to bring into the depository securities without CUSIP numbers, as well as fractional shares, dollar-and-cent-denominated securities, and other issue types that require additional exception processing. To date, some 16,500 formerly CUSIP-less securities have been made eligible with cooperation from the CUSIP Service Bureau.

The issuance of debt securities in **book-entry-only (BEO)** form continues to increase. In 1994, BEO securities valued at almost $509 billion—virtually all of them debt—were distributed through DTC. At yearend, BEO

DTC is beginning to use document imaging to replace microfilm, one of its primary record storage media. When completed, this conversion is expected to save Participants nearly $400,000 a year. Among those involved in the project are (from left) Raymond DeCesare, Connie Chen, and David Moskovic, all of DTC's Information Services Division.

securities on deposit had a face value of approximately $2.9 trillion.

As in previous years, the vast majority of new **municipal debt securities**, many of them BEO, continued to be distributed through DTC—97% of all muni bonds' value, or $166 billion, and 87% of muni notes, or $39.6 billion.

A new automated system for municipal bond underwriters, the **Direct Participant Entry of Underwritings System (PUND)**, was used for more than $2 billion of this total during its 1994 pilot. This function enables users to directly input new issue information into DTC's underwriting database, expediting the approval of new issues and reducing paperwork and phone communication with DTC.

PUND became generally available in January 1995 and is expected to significantly reduce paperwork and phone communication between underwriters and DTC. The eventual goal of the system is to eliminate the need for an information-processing middleman between the underwriter and DTC's security database.

In the growing market of **Rule 144A private placements**, DTC processed 800 underwritings last year—359 of them foreign, from 69 different countries, and 430 of them global, meaning that settlement is possible in the United States and other markets. This represents the vast majority of Rule 144A placements in 1994 and was a 19% increase over 1993. The total offering amount grew 21%, to $80 billion.

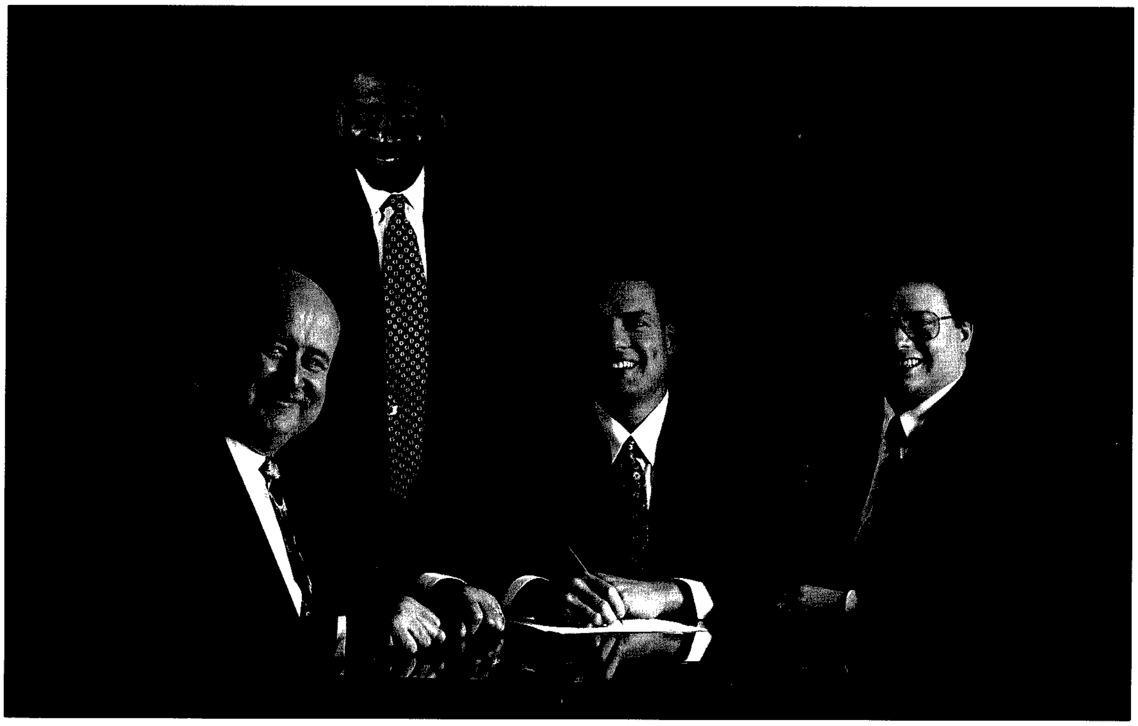
A total of 551 **global underwritings**—Rule 144A as well as others—were made eligible in 1994, valued at nearly $163 billion. This included 24 denominated in foreign currencies, valued at U.S. $17 billion. Underwritings in 1994 represented a 99% increase over the number of previously distributed global issues and a 106% increase in value.

American Depositary Receipts (ADRs), popular with large foreign corporations and long eligible at DTC, also showed impressive growth, with $13.7 billion underwritten in 1994, up nearly one third from the previous year. DTC had over 1,100 ADR CUSIPs on deposit at yearend 1994, out of approximately 1,300 programs.

Several new same-day-funds **money market instrument (MMI) programs** were launched last year as well, joining DTC's highly successful **commercial paper (CP) program**, which had $511 billion on deposit at yearend, or 87% of the estimated CP market, and involved virtually all issuing/paying agents in that market.

The first of the new MMI programs began in April for **large time-deposit, negotiable certificates of deposit (CDs)**. Modeled after the CP program, the CD program is able to process interest and principal payments—whether fixed or floating rate, periodically paying or paying only at maturity—and reorganization payments.

Added later in the year were two municipal CP programs, **tax-exempt notes** and **variable-rate demand obligations in a CP mode**, as well as **corporate notes in a CP mode**. Also, **Federal Agency discount notes**, which had been processed like commercial paper, were converted to their own MMI program, and a program for preferred stock in a CP mode was made available.



In preparing for the conversion to all-same-day-funds settlement, DTC has relied on Participant feedback. From left are Mike Schreier of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Godfrey Moore of Smith Barney, Inc., and DTC's John Abel and John Kiechle.

In 1995, currently eligible **medium-term notes (MTNs)** and **short-term bank notes** are scheduled to be converted to their own MMI programs, after which the approximately 40,000 principal and interest payments per year will be made by debiting issuing/paying agents' (IPA) Participant accounts rather than by the current wire transfer method.

Virtually all major MMI IPAs are using at least some of DTC's MMI programs and are informed as each new program rolls out.

Among same-day funds securities, second only to CP in amount on deposit were **collateralized mortgage obligations**, eligible in DTC's Same-Day Funds System since 1988, with $342 billion face value on deposit at December 31. Other **asset-backed securities** accounted for $250 billion face value, virtually all of the U.S. market.

Pending Uniform Commercial Code amendments, an MMI program will be added for **bankers' acceptances.**

As the new year began, DTC and the **Participants Trust Company (PTC)** were near to concluding an agreement under which DTC's vault and physical securities-processing capacities would be used to process and safekeep PTC's inventory of Government National Mortgage Association (Ginnie Mae) securities.

Muni Bonds Underwritten At DTC

$166 billion; 97% of total value of municipal bond offerings distributed in 1994

Other 3%

"Underlying all of DTC's efforts in 1994 was its commitment to meeting its Participants' need for low-cost, high-quality depository services in a rapidly changing securities industry."

Since 1993, DTC has pursued a multifaceted **Continuous Improvement Program.** Some of its elements include:

- Establishing a program to survey Participants on DTC services,
- Coordinating "rework" studies to find and correct problems that cause work to be redone, and therefore to cost more, and
- Improving, through an internal Customer Satisfaction Program, coordination between DTC work groups that must cooperate to provide a function or service to Participants.

DTC's efforts to improve its service include rewarding its employees for their ideas on how to hold down the costs of day-to-day operations, or otherwise help the depository better achieve its mission. Thirty-eight award-winning ideas suggested last year generated an estimated $2.7 million worth of 1994 savings.

Underlying all of DTC's efforts in 1994 was its commitment to meeting its Participants' need for low-cost, high-quality depository services in a rapidly changing securities industry. These efforts have contributed substantially to the industry's preparation for converting to a T+3 and an all-same-day-funds settlement environment. They will continue to contribute as the industry actually makes these conversions and moves on to seek further operating efficiencies.

During 1994, Linda Bosso (standing) of the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation helped DTC to establish its Continuous Improvement Program. She reviews the Customer Satisfaction Program (CUSAP) component with (from left) DTC's Pat Mobley, John DeMarco, Liza Keller, Ann Vece, and George Wilson.

To accomplish its cost-reduction mission, DTC continually makes more issues eligible for its book-entry and centralized custody services, standardizes and automates the flow of information, and acts as a central "switch" for the flow of data, securities, and funds among its Participants and issuers' agents.

DTC's services begin when participating banks and broker-dealers deposit securities with it, or when an underwriting is distributed through the depository. Participants can then add to or reduce their resulting securities positions through instructions to the depository to perform various functions, such as deliver securities to another party by book-entry on DTC's records and receive payment for that delivery.

The following is a brief description of each of DTC's services.

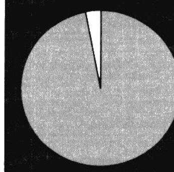
DEPOSITS

Certificate deposits in eligible issues can be made at DTC or at certain banks and clearing corporation offices acting as DTC Depository Facilities. In 1994, 16.3 million certificates were deposited with DTC.

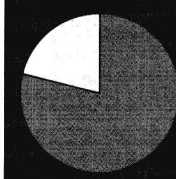
DELIVERIES

Changes of securities ownership are made by book-entry delivery on DTC's accounting records. They can be made with or without an accompanying money payment.

Redemption Funds Received on Payable Date



Redemption Funds Received on Payable Date in Same-Day Funds



"Certificate deposits...can be made at DTC or DTC Depository Facilities. In 1994, 16.3 million certificates were deposited with DTC."

PLEDGES

Securities were pledged by book-entry on DTC's records to pledgee banks—94 of them holding $64.3 billion in collateral at yearend—and other entities that agree to accept them as collateral. The Federal Reserve Banks of Atlanta, Birmingham, Boston, Chicago, Kansas City, New York, Philadelphia, Richmond, and St. Louis accept pledges to their DTC accounts from member banks to secure Treasury Tax and Loan accounts and deposits of public money, as well as advances at the discount window and intraday overdrafts. The Options Clearing Corporation (OCC) also accepts pledges to its DTC account, holding $6.3 billion in collateral at yearend.

UNDERWRITING DISTRIBUTIONS

Underwriters of new and secondary issues distribute them by book-entry against payment, whether or not certificates are available to investors.

DIVIDENDS AND INTEREST

DTC collects cash dividend, corporate interest, and reorganization payments for securities in its custody. Timeliness of corporate cash

In cooperation with Charles Schwab & Co., Inc., of San Francisco, DTC established a service that enables Participants' branch offices to send their customers' securities deposits directly to DTC. From left are Ken Scholl and Cheryl Lambert of DTC and Mary Young of Charles Schwab.

To help the securities industry prepare for conversion to T+3, DTC's *ID* Task Force members have been specially selected for their knowledge of institutional trade clearance and settlement. They include (from left) James Coulter of The Bank of New York, Brian Mullarkey of DTC, John Galletta of the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation,

"DTC's Automated Tender Offer Program (ATOP) enables Participants to send electronic acceptance instructions on tender and exchange offers...to agents and also lets agents review up-to-the-minute information about the receipt of instructions throughout the offering period."

dividends and interest payments is high, with 99.5% received on time and 99.9% in same-day funds; additionally, DTC receives virtually all municipal bond payments on payable date. In 1994, DTC refunded to Participants $64.3 million in interest earned from same-day funds it received for issues settling in its next-day and same-day funds systems.

DIVIDEND REINVESTMENT

When permitted by an issuer's reinvestment plan, the Dividend Reinvestment Service (DRS) allows Participants, on behalf of interested customers, to reinvest dividends on shares without withdrawing them from DTC. Currently, the depository offers DRS for a total of 783 out of an estimated 1,000 programs.

VOLUNTARY OFFERINGS

Tender and Exchange Offers: Participants can accept tender and exchange offers for securities in their accounts and deliver them to agents through DTC.

DTC's Automated Tender Offer Program (ATOP) enables Participants to send electronic acceptance instructions on tender and exchange offers over the Participant Tender Over *PTS* (PTOP) function of the Participant Terminal System (*PTS*) for transmission to agents and also lets agents review up-to-the-minute information about the receipt of instructions throughout the offering period. During 1994, 97% of all instructions were processed over PTOP. Agents that infrequently act as tender or exchange agents may use ATOP II, a less expensive, dial-in terminal version of ATOP with most of the full program's benefits. Last year, 49% of all offers were processed through ATOP I, while 47% were handled through ATOP II.

Conversions: Participants can instruct DTC to surrender convertible debt and preferred securities in their accounts to conversion agents by book-entry for same-day credit in the underlying securities, usually common stock. In 1994, DTC processed more than 17,000 instructions and issued nearly 332 million underlying shares, valued at $6.4 billion.

REDEMPTIONS

When a security in the depository's custody matures or is called by the issuer, DTC presents it for redemption to one of the 846 agents with which it deals and pays the proceeds to affected Participants. During 1994, a total of $364 billion was collected in redemption funds. Overall, 97% of these funds were received on payable date, with 79% received on payable date in same-day funds.

PUTS

Put provisions allow holders to obtain pay-

Tanya Paul of Bear, Stearns & Co. Inc., Daniel Argueta of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Steve Minicone of Chemical Bank, William Davis of CS First Boston Corporation, William Fryer of J.P. Morgan Securities Inc., RoseAnne DeMonte of Goldman, Sachs & Co., George Roberts of Dean Witter Reynolds, Inc., and Matthew Murray of Smith Barney, Inc. Not present was Ken Price of Prudential Securities Incorporated.

ment on demand for their securities' principal value on a predetermined number of days' notice. DTC's Repayment Option Procedures let Participants submit put instructions in eligible issues through the depository. During 1994, 3,098 issues and 15,352 instructions were processed through DTC, representing $23 billion. Of this amount, nearly $20 billion was received in same-day funds. In addition, DTC processes optional repayments on certificates of deposit (CDs) and rollover instructions on Treasury bills.

UNITS

A unit is an investment package, such as a share and a warrant, or a bond and a put option. Participants can separate units into their components, or combine the components into units, and deliver them through DTC by book-entry. A total of 14,400 combine and separate unit instructions were processed in 1994.

WARRANTS AND RIGHTS SUBSCRIPTIONS

Warrants for common stock can be exercised by book-entry through DTC. In 1994, 24,601 subscriptions in 360 warrants/rights issues were processed, resulting in the issuance of more than 280 million shares. The rights portion of the subscriptions was 16,896 instructions in 110 offerings.

OPTIONS

Some 234 banks and broker-dealers used DTC to deposit securities to satisfy OCC margin or clearing fund requirements in 1994. Through the Third-Party Pledge System, banks can pledge to OCC securities on deposit at DTC for broker-dealers to satisfy OCC requirements for call option writers. The system also allows a put option writer to instruct its bank to move Treasury bill positions to the depository and pledge them to OCC for the account of the OCC clearing member carrying the writer's short position. This reduces the clearing member's margin requirements.

WITHDRAWALS

Participants can withdraw certificates from the depository in three ways:

Withdrawals-by-Transfer (WTs): When a Participant's customer wants a certificate registered in a particular name, DTC arranges with the transfer agent for the certificate's issuance. Depending on the issue, its agent, and the agent's location, newly registered certificates are generally available, depending on transfer agent turnaround time, one to two weeks after DTC has received instructions for these routine transfers. During 1994, 3.2 million WTs were processed for Participants' customers.

"Participants can separate units into their components, or combine the components into units, and deliver them through DTC by book-entry. A total of 14,400 combine and separate unit instructions were processed in 1994."

TOTAL FOR THE YEAR	1994	1989	1984	1979
Book-entry deliveries				
Market Value (in trillions)	$ 34	$ 9	$ 4	$0.7
Number (in millions)	106	74	48	25
Cash dividend and interest				
Payments (in billions)	$ 404	$ 208	$ 74	$ 12
Number (in millions)	2.0	1.3	0.2	0.03
Reorganization, redemption, and maturity payments (in billions)	$ 436	$ 229	N/A	N/A
Underwritings				
Value (in billions)	$ 662	$ 384	$182	$ 17
Number (in thousands)	20	23	6	0.3
AVERAGE DAILY				
Book-entry deliveries				
Market value (in billions)	$ 132	$ 37	$ 15	$ 3
Number (in thousands)	417	294	190	101
INSTITUTIONAL DELIVERY SYSTEM				
Average daily confirmations (in thousands)	157	73	46	6
YEAREND				
Eligible securities issues	1,193,404	723,839	139,298	13,232
Value of securities on deposit (in trillions)	$ 7.7	$ 4.0	$ 1.4	$0.3
Number of shares on deposit (in billions)	191	117	47	10
Principal amount of corporate debt on deposit (in billions)	$2,651	$1,018	$507	$ 41
Principal amount of municipal debt on deposit (in billions)	$1,427	$ 751	$167	$ 0
Participants	501	606	507	316
Broker-dealers	335	408	335	236
Banks	157	189	165	74
Clearing agencies	9	9	7	6
TRADING IN SELECTED MARKETS				
Average Daily				
NYSE shares traded (in millions)	291	166	91	32
Nasdaq shares traded (in millions)	295	133	60	14
AMEX shares traded (in millions)	18	12	6	4
EMPLOYEES				
Full-time employees	2,542	3,034	2,186	1,279

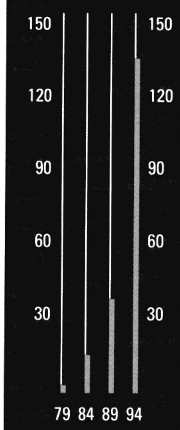
Urgent COD Withdrawals: Participants can obtain urgent certificates-on-demand (CODs) in certain issues—full-*FAST* Automated Securities Transfer (*FAST*) securities and bearer municipal bond issues. Except for *FAST* issues, urgent CODs have been eliminated for fully registered municipal securities that settle in same-day and next-day funds; critical withdrawal requests will be accommodated on a case-by-case basis. More than 88,000 COD items were processed by DTC in 1994.

Rush Withdrawals-by-Transfer (RWT): This service enables DTC to speed the processing of certificate transfers for Participants when certificates are needed soon and CODs are unavailable. Certificates sought by RWT are generally available within one or two days if the transfer agent is located in New York City and within three if outside New York City. Rush WT items totaled more than 18,000 in 1994.

DIRECT MAIL SERVICE

For WTs, Participants can speed newly registered certificates to customers or third parties by having transfer agents or DTC mail them directly instead of returning them to Participant offices for mailing. During 1994, 1.4 million direct mail WTs were processed through DTC.

Market Value, in $ Billions, of Average Daily Book-Entry Deliveries



"For WTs, Participants can speed newly registered certificates to customers or third parties by having transfer agents or DTC mail them directly...."

FAST AUTOMATED SECURITIES TRANSFER

Through *FAST*, DTC reduces certificate movement by maintaining a quantity of securities with transfer agents as balance certificates registered in its nominee name, Cede & Co. Balance certificates are adjusted daily for DTC deposit and withdrawal activity. During 1994, nearly 90,000 *FAST* issues totaling $4 trillion were held for DTC by agents. Agents can choose to use only the WT portion of the program, or they can also handle urgent COD withdrawals through the full-*FAST* program.

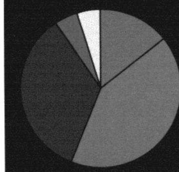
FUND/SERV INTERFACE

DTC's Fund/SERV Interface permits DTC users to access the Fund/SERV mutual funds program of National Securities Clearing Corporation (NSCC), allowing users to input purchase, redemption, and registration instructions and receive fund-transmitted confirmations. Users settle purchase and redemption transactions in the depository's daily net settlement system. DTC, in turn, settles with NSCC. More than 75,000 trades settled through DTC's system in 1994.

DTC also has an Interface with **NSCC's Networking** service which complements Fund/SERV, enabling the electronic exchange of standardized nontrade account data between participating mutual funds and Networking users, with light volume during 1994.

In an effort to accelerate the pace of depository-eligible issue expansion, DTC created the Issue Eligibility Task Force. Paul Clewell (left) and John Ryan (center) represent two Participants, Citibank, N.A., and Cowen & Co., respectively, that have submitted eligibility requests to the task force. DTC's Jim Femia works closely with the task force.

Ownership*



*As of Dec. 31, 1994

"In 1994, $16 million was returned to Participants as general refunds in proportion to the fees paid by them to the depository."

OWNERSHIP POLICIES

DTC's governance is carefully framed to reflect the need for objectivity in serving diverse users in the financial community. The amount of DTC's capital stock each Participant may purchase is recalculated every year to reflect variations in depository use. Because DTC stock ownership offers limited financial incentive, and the depository does not distinguish between stockholder and nonstockholder Participants, many Participants have not exercised their annual entitlement to purchase DTC stock. A substantial portion of DTC stock available to broker-dealer Participants therefore remains with the New York Stock Exchange, Inc., (NYSE) the original owner of the depository's stock, and other self-regulatory organizations that became owners in 1975.

Stock is reallocated before the annual stockholders meeting in late March, so that stockholders may vote newly acquired shares toward electing the Board of Directors at the meeting. Elections are conducted by cumulative voting so no combination of stockholders controlling a simple majority of stock can elect all Directors.

At yearend 1994, after retirement or merger of a number of stockholders during the year, there were 140 DTC stockholders: 59 broker-dealers, 75 banks, and six self-regulatory organizations and clearing agencies. Broker-dealer Participants owned 14.7% of DTC stock and bank Participants owned 41.5%. Ownership interests of the self-regulatory organizations on behalf of broker-dealer Participants were 34.6% for the New York Stock Exchange, Inc., 4.6% for the American Stock Exchange, Inc., and 4.6% for the National Association of Securities Dealers, Inc. Current stockholders are identified in the listing of Participants at the end of this report.

Another basic policy of the depository limits its annual profit, so that the depository returns to Participants excess income not required for the depository's operation. In 1994, $16 million was returned to Participants as general refunds in proportion to the fees paid by them to the depository. This was in addition to the $64.3 million dividend, interest, and reorganization investment income refunds that were credited to Participant accounts.

As a registered clearing agency, DTC 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, DTC is also regulated by the Board of Governors of the Federal Reserve System and the New York State Banking Department.

The depository's origins date back to the late 1960s when stock-processing problems severely disrupted the financial community. In 1973, DTC was created to acquire the business of the NYSE's Central Certificate Service and expand depository benefits to others in the financial industry, particularly banks.

THE NATIONAL CLEARANCE & SETTLEMENT SYSTEM

DTC's interfaces with other U.S. clearing agencies are a major part of the national securities clearance and settlement system.

A close working relationship between DTC and the National Securities Clearing Corporation (NSCC) permits hundreds of broker-dealers that participate in both NSCC and DTC to conveniently use NSCC's trade comparison and clearing facilities and DTC's trade settlement and securities custody services. DTC's interfaces with NSCC mutual fund services—Fund/SERV and Networking—also provide Participants with low-volumes easy access to those services.

Interfaces between clearing corporations and securities depositories enable users of any of them to settle with users of others. These links also permit users of more than one depository—DTC, Midwest Securities Trust Company, or Philadelphia Depository Trust Company—to move securities positions between depositories. Moreover, DTC's Institutional Delivery system is used to process the institutional trade data reported to other depositories for clearance and settlement through their systems.

A DTC account for The Options Clearing Corporation (OCC) enables banks and brokers to pledge securities to satisfy segregation and margin requirements for put and call option contracts, as well as their obligations to OCC's clearing fund. This eliminates repeated paper movements between parties and is an alternative to issuing escrow receipts.

Similarly, DTC's interface with the Federal Reserve's Book-Entry System allows Participants to maintain securities positions in their DTC accounts of U.S. Government and Agency securities eligible in DTC's next-day funds settlement (NDFS) system. Participants may receive and deliver these securities to and from others over the interface free, not versus payment.

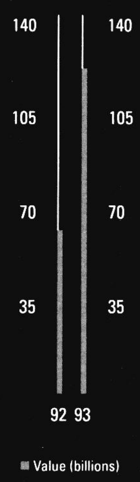
With the dramatic expansion of cross-border investment in the 1990s, DTC is looking beyond serving Participants' needs in the United States and, in partnership with NSCC's subsidiary, International Securities Clearing Corporation, is studying ways to assist Participants globally.

This ends DTC's policy of "watchful waiting," which it followed during the growing globalization of markets in recent years, due to a reluctance to spend Participants' funds in areas where there was no confirmed need.

U.S. net purchases of foreign securities exceeded $120 billion in 1993, compared with less than $60 billion in 1992; foreign net purchases of U.S. securities increased to over $110 billion in 1993, compared with about $80 billion in 1992. Moreover, net cross-border equity flows have increased dramatically in recent years and constitute much of the overall growth in cross-border activity. One consequence of this growth is that U.S. investors today hold substantial positions in foreign securities.

In 1994, DTC enhanced its *ID* system to provide for the interactive confirmation and affirmation of all securities types in world markets. This system, which successfully serves Participants and their U.S. clients, is now being marketed within and outside of the United States to make people aware of its capabilities for virtually all securities. Mexico, Argentina, and Peru are three countries where the depository's efforts have achieved positive results—the *ID* system is now being used for U.S. broker-to-executing-foreign-broker confirmation and affirmation of securities traded in those countries.

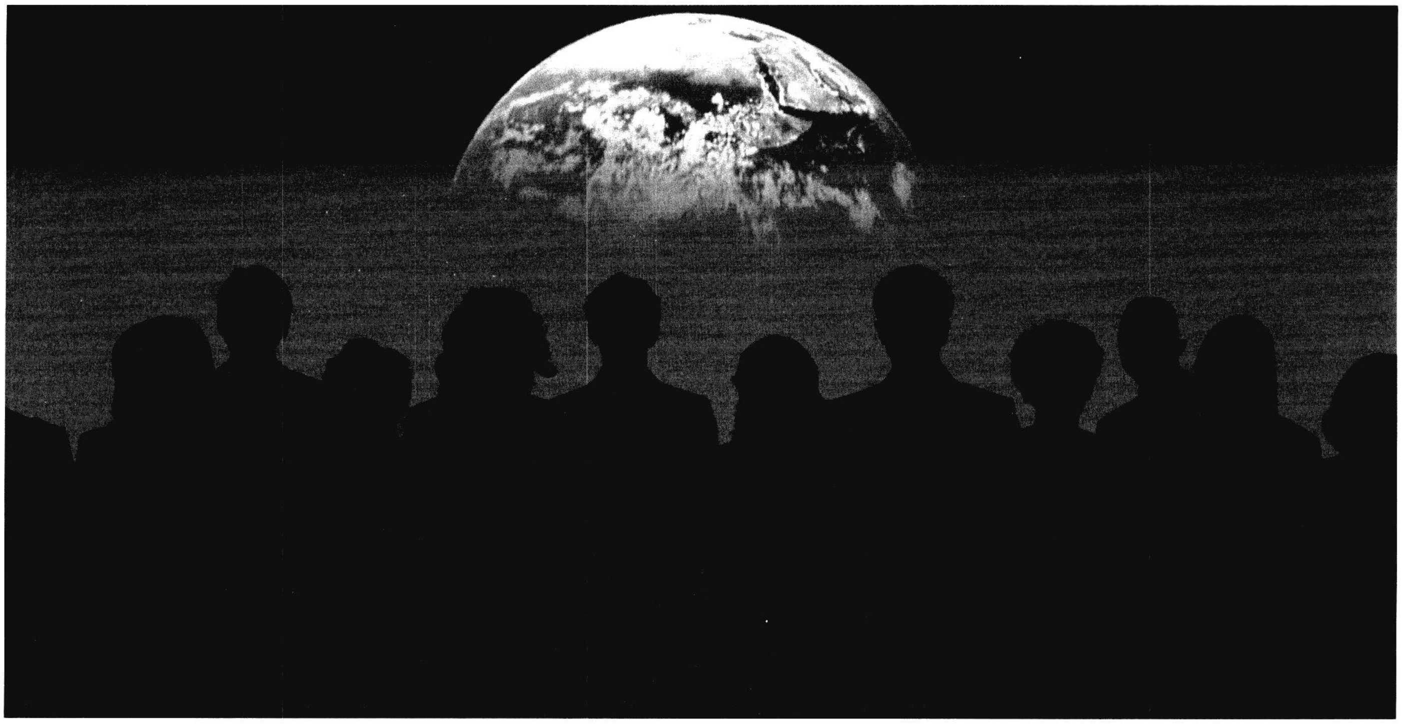
U.S. Net Purchases of Foreign Securities



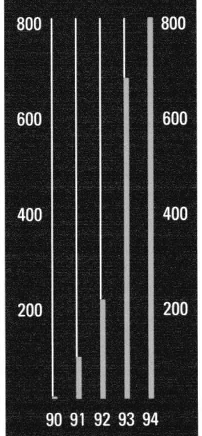
"U.S. net purchases of foreign securities exceeded $120 billion in 1993, compared with less than $60 billion in 1992."

While much of the depository's resources are being devoted to implementing major initiatives, such as the enhanced *ID* system, it is an opportune time for DTC to study and learn better our Participant needs in the international marketplace.

DTC is exploring the development and maintenance—through one account—of low-cost, low-risk comparison and settlement facilities for financial transactions wherever they take place. Offshore comparison and settlement might benefit both from DTC's years of experience with domestic markets and its economies of scale. Preliminary study indicates that this proposed program could include:



Rule 144A Issue Underwritings Through DTC



■ Making suitable non-U.S. securities DTC-eligible;
■ Developing a multicurrency, DVP settlement system; and
■ Establishing appropriate links or interfaces with other depositories and custodians in offshore locations.

DTC's proposed multicurrency system would permit settlement of nondollar transactions on DTC's books.

Also, as part of its overall effort to help its Participants, DTC expects to open an office in London in mid-1995. This presence will enhance the marketing efforts of interactive *ID*, enable DTC to serve Participants' affiliates in the European time zone, and allow a better understanding of markets and Participant needs in that market. DTC is exploring the possible benefits of an Asian office.

DTC has played an active role in the process of revising Article 8 of the Uniform Commercial Code. The revision, which will eliminate certain obstacles to DTC's ability to leave securities in the custody of recognized securities depositories overseas, is expected to be adopted in most states within the next 18 months.

Clearly, a central focus of the industry for the remainder of the decade and beyond will be a global one. In keeping with this focus and the interest of the New York Stock Exchange and the National Association of Securities Dealers in trading foreign securities in a multicurrency mode, adding to the necessity for a U.S. settlement facility, DTC plans to accomplish the following goals in 1995:

■ Improve Participant cross-border confirmation-affirmation percentages;
■ Conduct surveys of trading and settlement flows and practices to determine where DTC can support Participants near-term;
■ Explore the expansion of *ID* by linking with other communications systems around the globe and examine interfaces with other depositories and global custodians to facilitate DTC eligibility of non-U.S. securities; and
■ Investigate the operation of a multicurrency settlement system and whether such a system should be bought, licensed, or newly developed.

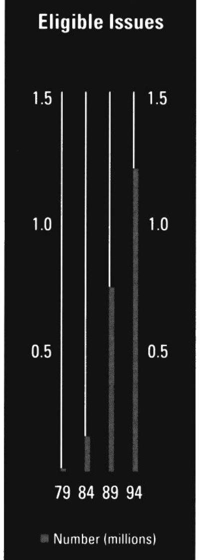
Also in 1995, DTC will explore with its Participants, other depositories, especially international depositories, and other service providers with respect to cross-border investments whether DTC should, and if so how it should, provide services in the international sector.

Also in 1995, DTC will explore with respect to cross-border investments whether–and if so, how–it should provide services in the international sector.

Representing some of the first Participants to begin using DTC's new Institutional Delivery system formats are (from left) Mike Gardiner of The Chase Manhattan Bank, N.A., John Tidona of Bear, Stearns Securities Corp., Mike Vasta of Automatic Data Processing, and (far right) Philip Lanz of Bear, Stearns Securities Corp. Richard Bednarz of DTC is second from right.

As the world's largest custodian of corporate and municipal securities, DTC maintains a comprehensive protection system to monitor the movement of securities and safeguard their custody. This includes:

- **Internal Controls**—DTC records in its computer the movement and location of each certificate in its custody, which helps resolve processing errors and facilitates reconciliation and audits.
- **Physical Security**—DTC's physical security program combines an extensive electronic security system with a trained uniformed guard force.
- **Recordkeeping Systems**—Double-entry recordkeeping systems help ensure that all Participant input is recorded, that the location of underlying certificates is known, and that moneys are properly transferred to and between Participants. DTC uses the recordkeeping systems to report to Participants and to research differences detected by Participants or by DTC control mechanisms.
- **User Verification**—User verification of DTC records (users compare, usually daily, their activity records with depository reports) helps ensure the integrity of the depository's system and encourages maximum operational cooperation.



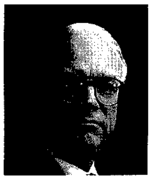
"As the world's largest custodian of corporate and municipal securities, DTC maintains a comprehensive protection system to monitor the movement of securities and safeguard their custody."

- **Internal and External Audits**—DTC's internal audit department of 50 employees at 55 Water Street, and its independent accountant, Price Waterhouse, regularly review internal controls, procedures, and records.
- **Insurance Coverage**—Through a combination of interlocking blanket bonds and all-risk insurance policies, DTC maintains one of the most extensive insurance programs in the financial industry.

Additional procedures protect Participants by minimizing the possibility of loss from a Participant's unexpected insolvency. Working closely with regulatory and other self-regulatory organizations, DTC, when learning of a possible operational or financial inadequacy, monitors that Participant's activity and takes protective measures as warranted. For example, should a Participant fail to satisfy its obligations related to the SDFS system, DTC would use its liquidity resources to complete settlement, collateralize any borrowings under its lines of credit, and/or resell securities to offset the Participant's obligation. DTC's liquidity resources of $1.1 billion for completing settlement in the SDFS system are composed of cash in its Participants Fund, lines of credit with banks, and internal sources of funds.

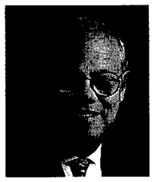
Members of DTC's internal audit department regularly review internal controls, procedures, and records to ensure DTC's safety and soundness. From left are Lewis Ruddy, Lori Klebous-Zivny, Stuart Fishbein, and Meriam Murphy.

THE BOARD OF DIRECTORS*



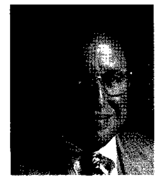
William F. Jaenike
Chairman & Chief Executive Officer
The Depository Trust Company

Thomas A. Williams
President
The Depository Trust Company



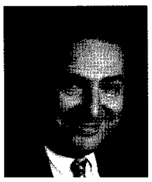
James L. Bailey
Executive Vice President
Citibank

Jill M. Considine
President
New York Clearing House Association



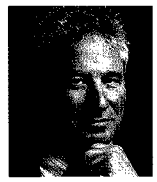
James D. Dixon
President
NationsBanc Services, Inc.

Steven G. Elliott
Vice Chairman
Mellon Bank, N.A.

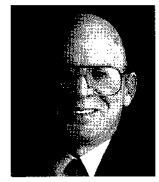


Edward L. Goldberg
Executive Vice President
Merrill Lynch & Co. Inc.

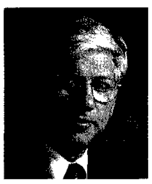
Richard G. Ketchum
Executive Vice President & Chief Operating Officer
National Association of Securities Dealers, Inc.



Edward A. Kwalwasser
Executive Vice President
New York Stock Exchange, Inc.

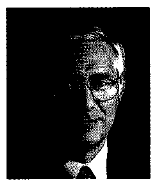


Michael Minikes
Senior Managing Director & Treasurer
The Bear Stearns Companies Inc.

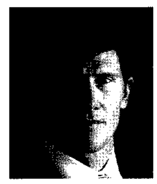


Donald R. Monks
Executive Vice President
The Bank of New York

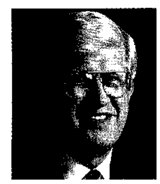
Richard S. Pechter
Chairman
DLJ Financial Services Group



Albert E. Petersen
Executive Vice President
State Street Bank

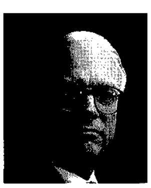


John A. Thain
Partner in Charge of Operations, Technology and Finance
Goldman, Sachs & Co.

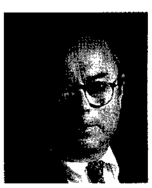


Wilbert A. Thiel
President, Treasurer and Chief Operating Officer
The Chicago Corporation

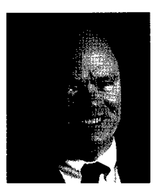
OFFICERS OF THE DEPOSITORY TRUST COMPANY**



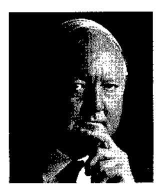
William F. Jaenike
Chairman & Chief Executive Officer



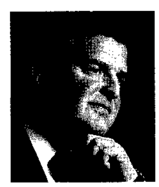
Thomas A. Williams
President



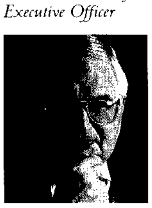
Dennis J. Dirks
Executive Vice President



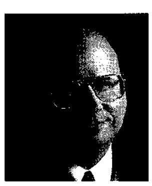
Thomas J. Lee
Executive Vice President



Richard B. Nesson
Executive Vice President & General Counsel

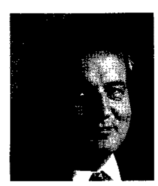


Michael A. Agnes
Senior Vice President

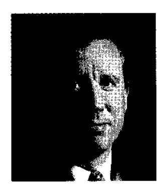


Joseph J. Bellantoni
Senior Vice President

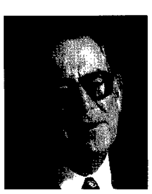
Thomas C. Cardile
Senior Vice President



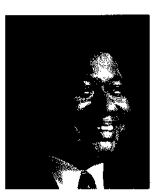
Raymond R. DeCesare
Senior Vice President



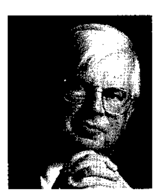
Donald F. Donahue
Senior Vice President



Glenn E. Mangold
Senior Vice President



Larry E. Thompson
Senior Vice President & Deputy General Counsel



Edward J. McGuire, Jr.
Secretary

VICE PRESIDENTS*

Joseph J. Arney
Nicholas J. Arrigan
Neil F. Brander
Ronald J. Burns
John J. Colangelo
Stuart A. Fishbein
Ronald A. Garguilo
Bruce S. Garland
Vincent P. Hilly
Charles J. Horstmann
James Koster
Vincent A. Mauro
Michael T. Mullen
Richard J. O'Brien
Frank Petrillo
Lawrence W. Postel
Joseph F. Reale
James V. Reilly
John L. Scheuermann
Kenneth M. Scholl
Carl H. Urist

Comptroller
Gary J. LaCara

Treasurer
Philip E. Plasencia

Assistant Secretary
Jane C. Klueger

Assistant Treasurer
Leonard A. Miele

COMMITTEES OF THE BOARD OF DIRECTORS

Nominating Committee
Jill M. Considine, *Chair*
Steven G. Elliott
Richard S. Pechter
John A. Thain

Audit Committee
Edward L. Goldberg *Chair*
Edward A. Kwalwasser
Donald R. Monks

Compensation Committee
Richard S. Pechter *Chair*
James L. Bailey
Edward L. Goldberg
Michael Minikes

**As of March 31, 1995.*

Retiring from the board in March 1994, at the end of his term, was Jonathan T. Walton, Executive Vice President, NBD Bancorp. In addition, Timothy A. Hultquist, Managing Director & Director of Morgan Stanley & Co. Incorporated; Richard J. Matteis, Group Executive, Chemical Bank; H.J. Runnion, Jr., Consultant to the Wachovia Bank of North Carolina; Thomas C. Schneider, Executive Vice President & Chief Financial Officer, Dean Witter, Discover & Co.; and Michael Urkowitz, Executive Vice President, The Chase Manhattan Bank, N.A., retired from the board in March 1995, at the end of their terms. William T. Dentzer, Jr., retired as Chairman and Chief Executive Officer of The Depository Trust Company in August 1994.

***As of December 31, 1994.*

FINANCIAL INFORMATION

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS 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 cash flows present fairly, in all material respects, the financial position of The Depository Trust Company at December 31, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above

Price Waterhouse LLP

NEW YORK, NEW YORK, FEBRUARY 3, 1995

STATEMENT OF CONDITION

Dollars in thousands at December 31,	**1994**	**1993**
Assets		
Cash and money market accounts	$ 40,799	$ 5,499
Repurchase agreements	2,380,020	3,558,139
Receivables:		
Participants:		
For settlements	39	3,909
For services	25,882	28,083
Dividends, interest and other	141,627	457,539
Deferred income taxes	30,957	26,182
Prepaid expenses, deferred charges and other assets	25,132	25,295
Equipment and leasehold improvements, less accumulated depreciation of $94,925 in 1994 and $85,046 in 1993	32,869	38,332
Leased property under capital leases, less accumulated depreciation of $2,000 in 1994 and $613 in 1993	3,726	1,822
Deposits to Participants Fund, callable on demand	481,363	478,337
	$3,162,414	$4,623,137
Liabilities, Participants Fund and Stockholders' Equity		
Liabilities:		
Drafts payable	$1,708,295	$3,196,848
Accounts payable and accrued expenses	146,407	144,143
Payables to Participants:		
For refunds	15,571	19,284
For settlements	172,989	191,037
On receipt of securities	38,239	60,067
Dividends, interest and other	389,713	320,217
Note payable	308	3,829
Obligations under capital leases	4,311	2,052
	2,475,833	3,937,477
Participants Fund		
Deposits received	185,833	187,943
Deposits callable on demand	481,363	478,337
	667,196	666,280
Stockholders' Equity.		
Capital stock—authorized, issued and outstanding 18,500 shares of $100 par value	1,850	1,850
Surplus	950	950
Undivided profits	16,585	16,580
	19,385	19,380
	$3,162,414	$4,623,137

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

STATEMENT OF REVENUES AND EXPENSES AND UNDIVIDED PROFITS

Dollars in thousands for the years ended December 31,	1994	1993
Revenues		
Services to Participants	$307,345	$321,785
Interest income	73,207	46,063
	380,552	367,848
Less—Refunds to Participants	80,218	69,903
	300,334	297,945
Expenses		
Employee costs	175,116	172,155
Rent, maintenance and utilities	44,805	47,773
Data processing rentals and supplies	22,993	22,630
Professional and other services	28,539	27,528
Depreciation and amortization	12,145	11,292
Stationery, supplies and postage	4,323	4,544
Other expenses	12,408	11,737
	300,329	297,659
Excess of revenues over expenses and refunds	5	286
Undivided profits, beginning of year	16,580	16,294
Undivided profits, end of year	$ 16,585	$ 16,580

STATEMENT OF CASH FLOWS

Dollars in thousands for the years ended December 31,	1994	1993
Cash flows from operating activities		
Excess of revenues over expenses and refunds	$ 5	$ 286
Adjustments to reconcile excess of revenues over expenses and refunds to net cash used in operating activities:		
Depreciation and amortization	12,145	11,292
Pension and deferred compensation	5,880	6,765
Provision for uncollectible dividends and interest receivables	564	459
Provision for deferred taxes	(4,775)	(5,111)
Decrease in receivables from Participants	6,071	6,602
Decrease (increase) in dividends, interest and other receivables	315,348	(2,146)
Increase (decrease) in accounts payable, accrued expenses and other, net	(2,574)	3,801
Increase (decrease) in Participants Fund deposits	(2,110)	10,775
Increase (decrease) in drafts payable	(1,488,553)	614,880
Increase (decrease) in payables to Participants	25,907	(1,047,544)
Total adjustments	(1,132,097)	(400,227)
Net cash used in operating activities	(1,132,092)	(399,941)
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(6,174)	(7,420)
Cash flows from financing activities		
Principal payments on capital leases	(1,032)	(383)
Principal payments on note	(3,521)	(4,393)
Decrease in cash and cash equivalents	(1,142,819)	(412,137)
Cash and cash equivalents, beginning of year	3,563,638	3,975,775
Cash and cash equivalents, end of year	$ 2,420,819	$ 3,563,638

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

NOTES TO FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS) DECEMBER 31, 1994 AND 1993

NOTE 1—BUSINESS AND OWNERSHIP:

The Depository Trust Company ("DTC") is a limited purpose trust company providing central securities depository and related services to the securities, banking and related industries. At December 31, 1994, the New York Stock Exchange, Inc. owned approximately 35% of the capital stock of DTC, with the remainder owned by the American Stock Exchange, Inc., the National Association of Securities Dealers, Inc. and a number of DTC 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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. *Refunds:*
Pursuant to a policy adopted by the Board of Directors, DTC does not pay dividends to stockholders. The Board of Directors has also adopted a policy to refund to its Participants each year all revenues in excess of current and anticipated needs. In 1994, this refund amounted to $15,962 (1993—$29,800). The Board of Directors has adopted an additional refund policy to provide for a monthly refund to Participants of income earned from the investment of cash dividend and corporate interest and reorganization payments to DTC for Participants. Such net monthly refunds totaled $64,256 in 1994 (1993—$40,103).

B. *Securities on deposit:*
Securities held by DTC for Participants are not reported in the financial statements. Cash dividends and interest received by DTC or due on such securities and in process of distribution or awaiting claim are included in the Statement of Condition.

C. *Cash, money market accounts, repurchase agreements and cash flows:*
Repurchase agreements represent U.S. Government and U.S. Government Agency securities purchased under agreements to resell at predetermined prices on the next business day. These agreements, primarily with certain money center banks and broker-dealers, are recorded at cost and interest is accrued as earned.

DTC invests available federal funds in repurchase agreements and money market accounts and, at the same time, makes disbursements to Participants in clearinghouse funds. The resulting book overdrafts are included in drafts payable and are eliminated the next business day when the repurchase agreements and money market accounts are converted back to cash.

For cash flow reporting, cash and cash equivalents include cash, money market accounts and repurchase agreements. The carrying amounts of money market accounts, repurchase agreements and drafts payable reported in the Statement of Condition are not materially different from their fair values.

D. *Equipment and leasehold improvements:*
Equipment and leasehold improvements are reported at cost less accumulated depreciation and amortization. Equipment is depreciated over estimated useful lives ranging from five to seven years, principally using accelerated methods. Leasehold improvements are amortized using the straight-line method over the lives of the related leases or the useful lives of the improvements, whichever is less.

E. *Income taxes:*
Provision is made for deferred income taxes applicable to income and expenses reported in the financial statements in periods which differ from those in which they are subject to taxation.

NOTE 3—PARTICIPANTS FUND:

Participants in DTC are required to deposit to the Participants Fund amounts which relate to their activity in the depository. The Fund is available to be applied to the Participants' obligations to DTC, and to be applied to certain uninsured losses incurred by DTC, if such should occur. Deposits are made in cash or in securities of the United States Government, its agencies or instrumentalities, states and political subdivisions or certain eligible nonconvertible registered corporate debt securities, that are held by DTC, or pledged to DTC and callable on demand.

NOTE 4—DIVIDENDS, INTEREST, REORGANIZATION AND REDEMPTION BALANCES:

DTC receives cash and stock dividends, interest and reorganization and redemption proceeds on securities registered in the name of its nominee and interest and redemption proceeds on bearer securities which it distributes to its Participants for the owners of the securities. Amounts received on registered securities withdrawn before the record date but not transferred from the name of DTC's nominee cannot be distributed unless claimed by the owners of the securities through a Participant or other financial institution. At December 31, 1994, cash dividends, interest, reorganization and redemption payables amounted to $389,713, of which $289,090 was awaiting distribution to Participants and $100,623 was held pending claims on behalf of the record date owners of the applicable securities. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws. Stock dividends payable and unclaimed are not reported in the financial statements.

Cash dividends, interest and other receivable balances at December 31, 1994 amounted to $142,302 (1993—$458,124) before reduction by an allowance of $675 (1993—$585) for possible losses. Stock dividends receivable are not reported in the financial statements.

NOTE 5—PENSION BENEFITS:

DTC has a noncontributory defined benefit pension plan covering substantially all full-time employees. The pension plan is qualified under section 401(a) of the Internal Revenue Code. Pension benefits are based on a formula percentage of annual earnings for each year of continuous participation with vesting after five years. DTC's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes.

Retirement benefits are also provided under supplemental non-qualified pension plans for certain officers. The cost of these benefits is determined based on substantially the same actuarial methods and economic assumptions as those for the qualified pension plan. DTC has established a Rabbi Trust to segregate certain assets to meet its non-qualified retirement benefit obligations.

Net pension costs for 1994 and 1993 included the following components:

	1994	1993
Service cost—benefits earned during the year	$ 5,671	$ 5,154
Interest cost on projected benefit obligation	6,088	5,375
Actual return on assets	(775)	(5,186)
Net amortization and deferral	(4,399)	332
Net pension cost	$ 6,585	$ 5,675

The discount rate used in determining the actuarial present value of the projected benefit obligation was 8.5% for 1994 (1993—7.25%). The assumed rate of future compensation levels was based on anticipated inflation and merit increases. The expected long-term rate of return on assets was 9.25% in 1994 (1993—9.75%). The unrecognized net asset that existed when

NOTES TO FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS) DECEMBER 31, 1994 AND 1993

Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," was adopted, as of January 1, 1986, is being amortized over 16 years.

The following table reflects the defined benefit plans' funded status as recognized in DTC's financial statements at December 31:

	1994	1993
Plan assets at fair value, primarily equity securities and deposits under group annuity contracts	$ 56,863	$ 52,773
Accumulated benefit obligation for service rendered:		
Vested	60,252	64,437
Non-vested	2,187	2,699
	62,439	67,136
Additional amounts related to projected compensation increases	14,876	15,249
Projected benefit obligation for service rendered	77,315	82,385
Projected benefit obligation in excess of plan assets	(20,452)	(29,612)
Unrecognized net asset remaining from the initial application of FAS No. 87	(5,623)	(6,427)
Unrecognized net (gain) loss from past experience different from that assumed and the effects of changes in assumptions	(3,590)	8,076
Unfunded defined benefit pension cost included in accounts payable and accrued expenses	$(29,665)	$(27,963)

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS:

DTC provides certain unfunded health care and life insurance benefits for retired employees. The cost of these benefits is recognized in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which was adopted as of January 1, 1993. At that time, DTC elected to amortize its unrecognized transition obligation over 20 years. At December 31, 1994, the unamortized transition obligation was $11,190 after a reduction of $3,893 reflecting benefit changes adopted in 1994.

Net periodic postretirement benefit cost for 1994 and 1993 included the following components:

	1994	1993
Service cost—benefits attributed to service during the year	$1,241	$1,158
Interest cost on accumulated benefit obligation	1,267	1,497
Amortization of transition obligation	622	827
	$3,130	$3,482

Accounts payable and accrued expenses includes $18,265 for these benefits. The actuarial present value of DTC's accumulated postretirement benefit obligation was $16,251 after unrecognized gains of $2,014 as of December 31, 1994, using a discount rate of 8.5%. The assumed health care cost trend used to measure the expected cost of benefits reflects rates decreasing from 12.9% initially to an ultimate rate of 6% beyond 15 years. A one-percentage-point increase in the health care cost trend rates assumed would increase the 1994 cost by $548 and the accumulated postretirement benefit obligation by $2,870.

DTC provides certain postemployment benefits to former or inactive employees who are not retirees. These benefits include salary continuance and disability health care. As required by Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," adopted effective January 1, 1994, the cost of postemployment benefits is now recognized under the accrual method. Prior to 1994, postemployment benefits were recognized primarily as they were paid. The cumulative effect of adopting FAS No. 112 was an expense of $800.

NOTE 7—INCOME TAXES:

Income taxes are included in other expenses. The income tax provisions for 1994 and 1993 are summarized as follows:

	1994	1993
Current provision:		
Federal	$ 3,438	$ 3,083
State and local	2,082	1,942
Deferred (benefit):		
Federal	(2,968)	(1,376)
State and local	(1,807)	(3,735)
Net income tax expense (benefit)	$ 745	$ (86)

The primary difference between pretax accounting income and taxable income relates to pension and health care benefits for covered active and retired employees.

Income taxes paid during 1994 totaled $5,308 (1993—$5,185).

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," was adopted, as of January 1, 1993, resulting in a cumulative credit adjustment to deferred income taxes of $664 in 1993.

NOTE 8—LINES OF CREDIT AND NOTE PAYABLE:

DTC has a short-term line of credit of $10 million available with a commercial bank at a rate approximating the prime rate and a line of credit totaling $1 billion at the federal funds rate plus 3/8% which is available to support the Same-Day Funds Settlement system. A commitment fee is required on the $1 billion line of credit. These facilities have never been used.

DTC has a note payable totaling $308, at an annual rate of 8.8% which is being repaid in monthly installments. The note matures in 1995. The carrying value of the note is not materially different from fair value. Interest on the note and capitalized lease obligations paid during 1994 totaled $330 (1993—$724).

NOTE 9—LEASES AND OTHER COMMITMENTS:

DTC has entered into leases for office space and data processing and other equipment. The leases for office space provide for rent escalations subsequent to 1994. Rent expense in 1994 was $32,554 (1993—$34,811) for office space and $16,426 (1993—$16,140) for data processing and other equipment.

Presented below are the future minimum payments, by year and in the aggregate, under capital leases and under operating leases having noncancelable lease terms in excess of one year as of December 31, 1994:

	Capital Leases	*Operating Leases*
1995	$1,930	$ 44,042
1996	1,564	41,917
1997	1,285	22,285
1998	–	8,163
1999	–	5,101
Thereafter	–	36,916
Total future minimum lease payments	4,779	$158,424
Less – Amount representing interest on capital leases	468	
Present value of net minimum lease payments under capital leases	$4,311	

BANKS

Amalgamated Bank of New York (The)
American Express Trust Company
American National Bank & Trust Company of Chicago
AmSouth Bank, N.A.
Associated Bank Greenbay, National Association
Bank IV Kansas, National Association
Bank of America Illinois
Bank of America National Trust and Savings Association
Bank of America Nevada
Bank of Bermuda (New York) Limited
Bank of California (The)
Bank of Cherry Creek, N.A. (The)
Bank of New York (The)
Bank of Nova Scotia (The), New York Agency
Bank of Tokyo Trust Company (The)
Bank One, Arizona, N A.
Bank One, Denver, N.A
Bank One Ohio Trust Company, N.A.
Bank South, N.A
Bankers Trust Company
Barclays Bank PLC, New York Branch
Barnett Banks Trust Company, N A
Bessemer Trust Company
Boatmen's National Bank of St Louis (The)
Boston Safe Deposit and Trust Company
Brown Brothers Harriman & Co.
Central Fidelity Bank, N A.
Central Trust Bank (The)
Centura Bank
Charles Schwab Trust Company (The)
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Citibank, N.A.
City National Bank
Comerica Bank
Commerce Bank of Kansas City, N.A.
Compass Bank
CoreStates Bank, N.A
Crestar Bank
Custodial Trust Company
Dai-Ichi Kangyo Bank, Limited (The), New York Branch
Daiwa Bank, Limited (The), New York Agency
Eagle Trust Company
Fiduciary Trust Company International
Fiduciary Trust Company of Boston
Fifth Third Bank (The)
Firstar Trust Company
First Fidelity Bank, N.A. Pennsylvania
First Fidelity Bank, National Association, New Jersey
First Interstate Bank of Arizona, N.A.
First Interstate Bank of California
First Interstate Bank of Denver, N.A.
First Interstate Bank of Oregon, N.A
First National Bank of Boston (The)
First National Bank of Chicago (The)
First National Bank of Maryland (The)
First National Bank of Ohio
First National Bank of Omaha
First of America Bank–Michigan, N.A.
First Tennessee Bank N.A. Memphis
First Trust Corporation
First Trust National Association
First Union National Bank
Fleet Bank of Massachusetts, N.A.
Fort Wayne National Bank
French American Banking Corporation
Frost National Bank
Fuji Bank & Trust Company (The)
Guardian Trust Company
Goldman Sachs Trust Company (The)
Harris Trust & Savings Bank
Hibernia National Bank
Huntington National Bank
IBJ Schroder Bank & Trust Company
Imperial Trust Company
Industrial Bank of Japan Trust Company (The)
Investors Bank and Trust Company
Investors Fiduciary Trust Company
LTCB Trust Company
LaSalle National Bank
Liberty Bank & Trust Company of Tulsa, National Association
Liberty National Bank and Trust Company of Louisville
Lloyds Bank Plc
M&I Marshall & Ilsley Bank
Manufacturers and Traders Trust Company
Marine Midland Bank, N A
Mark Twain Bank
Mellon Bank, N.A
Mercantile Bank of St Louis National Association
Mercantile–Safe Deposit and Trust Company
Meridian Asset Management, Inc.
Michigan National Bank
Midlantic National Bank
Mitsubishi Bank Trust Company of New York
Mitsubishi Trust & Banking Corporation (U.S.A.)
Mitsui Trust Bank (USA)
Morgan Guaranty Trust Company of New York
Morgan Stanley Trust Company
NBD Bank, N.A.
NationsBank of Georgia, N.A.
NationsBank of Texas, National Association
NationsBank Trust Company, N.A.
National City Bank
National Westminster Bank N J.
National Westminster Bank PLC
National Westminster Bank USA
Nomura International Trust Company
Northern Trust Company (The)
Norwest Bank Denver, National Association
Norwest Bank Fort Wayne, National Association
Norwest Bank Minnesota, National Association
Old Kent Bank and Trust Company
Old Kent Bank
Oppenheimer Capital Trust Company
PNC Bank, Kentucky, Inc.
PNC Bank, National Association
Provident Bank (The)
Republic National Bank of New York
Riggs National Bank of Washington, D.C. (The)
Sakura Trust Company
Santa Barbara Bank & Trust
Sanwa Bank California
Sanwa Bank Limited–N.Y. Branch
Seattle–First National Bank
Seligman (J. & W) Trust Company
Shawmut Bank Connecticut, N.A.
Shawmut Bank, National Association
Signet Trust Company
Societe Generale–New York Branch
Society National Bank
SouthTrust Bank of Alabama, N.A.
Star Bank, National Association, Cincinnati
State Street Bank and Trust Company
Sterling National Bank & Trust Company of New York
Sumitomo Bank of California
Sumitomo Trust & Banking Co. (USA)
Swiss Bank Corporation New York Branch
Texas Commerce Bank National Association
Toronto Dominion Bank (The)–New York Branch
Toyo Trust Company of New York
Trust Company Bank
Trustmark National Bank
UMB Bank, N.A
Union Bank
Union Planters National Bank
United Jersey Bank
United States National Bank of Oregon
United States Trust Company of New York
Wachovia Bank of Georgia, N A.
Wachovia Bank of North Carolina, N.A.
Wells Fargo Bank, National Association
Wells Fargo Institutional Trust Company
Wesbanco Bank Wheeling
Wilmington Trust Company
Yasuda Bank and Trust Company (U.S.A.)
Zions First National Bank

BROKER-DEALERS#

ABN AMRO Securities (USA) Inc.
Adams–Fastnow Company Inc.
Adams, Harkness & Hill, Inc
Adler, Coleman Clearing Corp.
Advest, Inc.
Affina Brokerage Services Inc.
Alexander (J.) Securities, Inc
Alger (Fred) & Company, Incorporated
Allen & Company Incorporated
Alpine Associates
American Enterprise Investment Services Inc.
Arnhold and Bleichroeder (S.), Inc.
Asiel & Co.
BA Investment Services, Inc.
BBN James Capel Inc.
BHC Securities Inc.
BHF Securities Corporation
BSE Specialist Account
BT Brokerage Corporation
BT Securities Corporation
BZW Canada Limited
Baer (Julius) Securities Inc.
Baird (Robert W.) & Co Incorporated
Banc One Capital Corporation
Barr Brothers & Co., Inc.
Barre & Company Incorporated
Baum (George K.) & Company
Bear, Stearns Securities Corp
Bernstein (Sanford C.) & Co., Inc.
Bidwell & Company
Blair (C.M.), Foster (W.O) & Co.
Blair (William) & Company
Bradford (J.C.) & Co.
Brawley Cathers Limited
Brown (Alex.) & Sons, Inc.
Brown & Company Securities Corporation
Bunting Warburg Incorporated
Burke (P.R.) & Co., Inc.
Burns Fry Inc.
Butler, Wick & Co., Inc
CS First Boston Corporation
Canaccord Capital Corporation/CDS
Cantella & Co., Inc.
Cantor Fitzgerald & Co.
Cantor Fitzgerald Partners
Cantor (S.B) & Co., Inc.
Capital Shares, Inc.
Carr Securities Corporation
Carty & Company, Inc.
Cassels Blaikie & Co., Inc
Cazenove Incorporated
Chapdelaine & Co
Charles (J.W.) Clearing, Corp
Charles Schwab & Co., Inc.
Chase Securities, Inc.
Chemical Securities, Inc.
Chicago Corporation (The)
Childs (S.W) Management Corporation
Citicorp Securities Inc.
Coast Options, Inc.
Commerzbank Capital Markets Corporation
Connor, Clark & Co. Limited
Coughlin and Company, Inc.
Cowen & Co.
Craigie Incorporated
Cresvale International, Limited
Crews & Associates, Inc.
Crowell, Weedon & Co.
Daiwa Securities America Inc
Darier, Hentsch (Canada) Inc.
Datek Securities Corporation
Davenport & Co. of Virginia, Inc.
Davidson (D.A.) & Co., Inc.
Davis (Shelby Cullom) & Co.
Dean Witter Reynolds, Inc.
Deltec Asset Management Corporation
Desjardins Securities Inc.
Deutsche Bank Securities Corporation
Diamant Investment Corp.
Dillon, Read & Co. Inc.
Doft & Co., Inc.
Dominick & Dominick, Incorporated
Donaldson, Lufkin & Jenrette Securities Corporation
Dresdner Securities (U S.A.) Inc.
ESI Securities Company
Edwards (A G.) & Sons, Inc.
Einhorn & Co
Elwood (R.W.) & Co., Inc.
Emmet & Co. Inc.
Equity Securities Trading Co., Inc.
Ernst & Co
Fagenson & Co., Inc
Fahnestock & Co., Inc
Fechtor, Detwiler & Co., Inc.
Fernandez, Bartsch & Mirra
First Alabama Investments, Inc.
First Albany Corporation
First Boston Canada Limited
First Investors Corporation
First Manhattan Co
First Marathon Securities Limited
First Miami Securities, Inc.

† *As of December 31, 1994*

PARTICIPANTS†

First of Michigan Corporation
First Options of Chicago, Inc.
First Southwest Company
Fleet Clearing Corporation
Frank (Walter N.) & Co.
Frankel (Wm. V.) & Co., Inc.
Fred Kolber & Co.
Freeman Securities Company, Inc.
Freeman Welwood & Co., Inc.
Fried (Albert) & Co.
GVR Co.
Garat & Co.
Geldermann Securities Inc.
Gewecke (Roger L.) Inc.
Glickenhaus & Co.
Goldman Sachs Canada
Goldman, Sachs & Co.
Goldman Sachs Money Markets, L.P.
Gordon & Co.
Gordon Capital Corporation
Gordon Capital Inc.
Greenline Investor Services Inc.
Gruntal & Co. Incorporated
Gruss (Oscar) & Son Incorporated
HSBC Securities, Inc.
Hanauer (J.B.) & Co.
Hancock (John) Clearing Corporation
Hanifen, Imhoff Clearing Corporation
Hartfield (J.F.) & Co., Inc.
Henderson Brothers, Inc.
Herzog, Heine, Geduld, Inc.
Hibbard Brown & Co., Inc.
Hill, Thompson, Magid & Co., Inc
Hilliard (J.J.B.), Lyons (W.L.), Inc.
Hopkins, Harbach & Co.
Hough (William R) & Co.
Howe Barnes Investments Inc
Hull Trading Co.
Hummer (Wayne) & Co.
Huntleigh Securities Corporation
Hutchinson, Shockey, Erley & Co.
Icahn & Co., Inc.
Ingalls & Snyder
Instinet Corporation
Internationale Nederlanden (U.S.) Securities Derivatives Clearing, Inc.
Interstate/Johnson Lane Corporation
InvestNet Corporation
Jacobson (Benjamin) & Sons
Janney Montgomery Scott Inc.
Jefferies & Company, Inc.
Jones (Edward D.) & Co.
K.K. & Company
Kalb, Voorhis & Co.
Kankaku Securities (America) Inc.
Kawano (H.) & Co., Inc.
Kellner, DiLeo & Co.
Kemper Clearing Corp.
Kemper Securities, Inc.
Kenny (J.J.) Drake, Inc.
Kidder, Peabody & Co. Incorporated
King (C.L.) & Associates Inc.
Koonce Securities, Inc.
LIT Clearing Services Inc.
LaBranche & Co.
Lafferty, Harwood & Partners Ltd.
Larkin (Emmett A.) & Co., Inc.
Lawrence, O'Donnell, Marcus & Co.
Lazard Frères & Co.
Legg Mason Wood Walker, Inc.
Lehman Brothers, Inc.
Lehman Government Securities Inc.
Lerner (David) Associates, Inc.
Levesque, Beaubien Inc.
Lewco Securities Corp.
Lipper & Company, L.P.
MKI Securities Corp.
Mabon Securities Corp.
MacAllaster Pitfield Mackay, Inc.
MacDougall, MacDougall & MacTier, Inc.
Madoff (Bernard L.)
Marcus Schloss & Co., Inc.
Marketing One Securities, Inc.
Marleau Lemire Inc.
Martin Nelson & Co. Inc.
Mayer & Schweitzer, Inc.
May Financial Corporation
McCourtney–Breckenridge & Company
McDonald & Company Securities, Inc.
McLean McCarthy Inc.
Meehan (M.J.) & Company
Melville (Ronald E.) Inc.
Mercator Partners
Meridian Securities International Ltd.
Merit Investment Corporation
Merrill Lynch Government Securities Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrill Lynch Specialists Inc.
Merrimack Valley Investment Inc.
Mesirow Financial, Inc
Midland Walwyn Capital Inc.
Miller, Johnson & Kuehn, Inc.
Mitchum Securities, Inc.
Montgomery Securities
Morgan (J P.) Securities Inc.
Morgan, Keegan & Company, Inc.
Morgan Stanley & Co. Incorporated
Murphey, Marseilles, Smith & Nammack
Murphy & Durieu
Nathan & Lewis Securities, Inc.
National Financial Services Corporation
NationsBanc Capital Markets, Inc.
NatWest Securities Corporation
Nesbitt Burns Inc.
Neuberger & Berman
New Japan Securities International, Inc.
Newbridge Securities Inc.
Nikko Securities Co. International, Inc. (The)
Nomura Securities International, Inc.
Nuveen (John) & Co. Incorporated
Odlum Brown Limited
Olde Discount Corporation
Oppenheimer & Co, Inc.
Pacific Brokerage Services, Inc
Pacific Post Partners, Ltd.
PaineWebber Incorporated
PaineWebber Specialists Inc.
Paloma Securities L.P
Paribas Corporation
Parker/Hunter Incorporated
Payson (H M.) & Co.
Pflueger & Baerwald Inc.
Pictet (Canada) and Company, Limited
Piper Jaffray Inc.
Preferred Technology, Inc.
Primevest Financial Services, Inc.
Principal Financial Securities, Inc.
Prudential Securities Incorporated
RAF Financial Corporation
RBC Dominion Securities Corporation
RBC Dominion Securities, Inc.
RSF Partners
Ragen MacKenzie Incorporated
Raymond, James & Associates, Inc.
Reaves (W.H.) & Co., Inc.
Redwood Trading Inc.
Refco Securities, Inc.
Regional Operations Group, Inc.
Republic New York Securities Corporation
Research Capital Corporation
Rickel & Associates Inc.
Robb, Peck, McCooey Clearing Corporation
Robertson, Stephens & Company, L.P.
Rodman & Renshaw, Inc.
Roney & Co
Roosevelt & Cross Inc.
Roulston Research Corp.
SBC Capital Markets Inc.
S.R.S. Securities, Inc.
Sage Clearing L.P.
Sage Clearing L.P. (California)
Salomon Brothers Inc
Sanwa McCarthy Securities Limited
Schapiro (M.A.) & Co., Inc.
Scotia McLeod Inc.
Scotia McLeod (USA) Inc
Scott & Stringfellow Inc.
Scottsdale Securities, Inc.
Seasongood & Mayer
Seattle–Northwest Securities Corporation
Seidler Companies, Incorporated (The)
Smith Barney, Inc.
Smith, Moore & Co.
Smith New Court, Carl Marks Inc
Societe Generale Securities Corporation
Southwest Securities, Inc.
Spear, Leeds & Kellogg
Spectrum Trading Partners, L.P.
Steichen (R.J.) & Company
Stephens, Inc.
Stern & Kennedy
Stern (M.L.) & Co., Inc.
Sterne, Agee & Leach, Inc.
Stifel, Nicolaus & Company Incorporated
StockCross, Inc.
Stoever, Glass & Co., Inc.
Stone & Youngberg
Streicher (J.) & Co.
Swiss American Securities Inc.
TCW Inc.
Thomson Kernaghan & Co., Ltd.
Timber Hill Inc.
Titus & Donnelly Inc.
Transatlantic Securities Company
UBS Securities Inc.
U.S. Clearing Corp.
Van Kampen Merritt, Inc.
WG Trading Company, L.P.
W.S. Clearing, Inc.
WSI Stock Loan
Wachovia Securities, Inc.
Wachtel & Co., Inc.
Wagner Stott Clearing Corp.
Wall Street Equities Incorporated
Warburg (S.G.) & Co. Inc.
Waterhouse Securities Inc.
W&D Securities, Inc.
Wedbush Morgan Securities Inc.
Weiss, Peck & Greer
Wellington (H G) & Co. Inc.
Wheat, First Securities, Inc.
Wilshire Associates Incorporated
Wilson (L.W) & Co., Inc.
Wolfe & Hurst Bond Brokers, Inc.
Wood Gundy Corp.
Wulff, Hansen & Co.
Yamaichi International (America), Inc.
Yorkton Securities Inc.
Ziegler (B.C.) and Company
Ziegler Thrift Trading, Inc.

CLEARING AGENCIES

Canadian Depository for Securities Limited (The)
Central Depository (Pte.) Ltd (Singapore)
Deutscher Kassenverein AG
International Securities Clearing Corporation
Japan Securities Clearing Corp.
Midwest Securities Trust Company
National Securities Clearing Corporation
Options Clearing Corporation (The)
Philadelphia Depository Trust Company

 # Excludes some firms with limited activity.

STOCKHOLDERS*

American Stock Exchange Clearing Corporation
American Stock Exchange Inc.
American Express Trust Company
AmSouth Bank, N.A.
Arnhold and Bleichroeder (S.), Inc.
BT Securities Corporation
Baer (Julius) Securities Inc.
Bank of America Illinois
Bank of America NT & SA
Bank of America Nevada
Bank of California (The)
Bank of New York (The)
Bank of Tokyo Trust Company (The)
Bank One, Arizona, N.A.
Bank One, Denver, N.A.
Bank One Ohio Trust Company, N.A.
Bankers Trust Company
Barclays Bank PLC, New York Branch
Barnett Banks Trust Company, N.A.
Bear, Stearns Securities Corp.
Boatmens National Bank of St. Louis (The)
Boston Safe Deposit and Trust Company
Brown (Alex.) & Sons, Inc
Brown Brothers Harriman & Co.
Cantella & Co., Inc.
Carty & Company, Inc.
Cazenove Incorporated
Central Trust Bank (The)
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Chicago Corporation (The)
Cincinnati Stock Exchange (The)
Citibank, N.A.
Citicorp Securities, Inc
City National Bank
Compass Bank
CoreStates Bank, N.A
Craigie Incorporated
Crews & Associates, Inc.
CS First Boston Corporation
Custodial Trust Company
Daiwa Securities America, Inc.
Davenport & Co. of Virginia, Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Dreyfus Investments Services Corporation
Edward D. Jones & Co.
Edwards (A.G.) & Sons, Inc.
ESI Securities Company
Fagenson & Co., Inc.
Fahnestock & Co., Inc.
Fiduciary Trust Company International
Fiduciary Trust Company of Boston
First Alabama Investments, Inc.
First Albany Corporation
First Fidelity Bank, N.A., Pennsylvania
First Fidelity Bank, National Association, New Jersey
First Interstate Bank of California
First Interstate Bank of Denver, N.A.
First Interstate Bank of Oregon, N.A.
First National Bank of Boston (The)
First National Bank of Chicago (The)
First National Bank of Maryland (The)
First Tennessee Bank N.A. Memphis
First Trust National Association
Fleet Bank of Massachusetts, N.A.
Fort Wayne National Bank
Frost National Bank
Goldman Sachs Money Markets, L.P.
Goldman, Sachs & Co.
Hough (William R.) & Co.
Huntington National Bank
Imperial Trust Company
Investors Bank and Trust Company
John Hancock Clearing Corporation
LaBranche & Co.
Lehman Government Securities Inc.
Lewco Securities Corp.
Liberty Bank & Trust Company of Tulsa, National Association
MacAllaster Pitfield Mackay, Inc.
Manufacturers and Traders Trust Company
Marcus Schloss & Co., Inc.
Marine Midland Bank, N.A.
Marketing One Securities, Inc.
Mayer & Schweitzer, Inc.
May Financial Corporation
Mellon Bank, N.A.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Michigan National Bank
Midlantic National Bank
Morgan Guaranty Trust Company of New York
Morgan Stanley & Co. Incorporated
National Association of Securities Dealers, Inc.
National City Bank
National Westminster Bank N.J.
National Westminster Bank PLC
National Westminster Bank USA
NationsBanc Capital Markets, Inc.
NationsBank of Georgia, N.A.
NationsBank of Texas, National Association
NationsBank Trust Company, N.A.
NatWest Securities Corporation
NBD Bank, N.A.
New York Stock Exchange, Inc.
Nikko Securities Co. International, Inc. (The)
Nomura Securities International, Inc.
Northern Trust Company (The)
Norwest Bank Minnesota, National Association
Oppenheimer & Co., Inc.
Oscar Gruss & Son Incorporated
PaineWebber Incorporated
Paribas Corporation
Reaves (W.H.) & Co., Inc.
Regional Operations Group, Inc.
Republic New York Securities Corporation
Roosevelt & Cross Inc.
Roulston Research Corp.
Salomon Brothers Inc
Santa Barbara Bank & Trust
Sanwa Bank California
SBC Capital Markets Inc.
Scott & Stringfellow, Inc.
Seattle–Northwest Securities Corporation
Shawmut Bank Connecticut, N.A.
Shawmut Bank, National Association
Smith New Court, Carl Marks Inc.
Society National Bank
Star Bank, National Association, Cincinnati
State Street Bank and Trust Company
Stock Clearing Corporation
Swiss American Securities Inc.
Swiss Bank Corporation New York Branch
Texas Commerce Bank, National Association
Timber Hill Inc
Trust Company Bank
UMB Bank, N.A.
United States Trust Company of New York
Van Kampen Merritt, Inc.
Wachovia Bank of Georgia, N.A.
Wachovia Bank of North Carolina, N.A.
Waterhouse Securities Inc.
Wells Fargo Bank, National Association
Wilmington Trust Company
Wood Gundy Corp.
Zions First National Bank

** As of March 31, 1995*

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