

NATIONAL
SECURITIES
CLEARING
CORPORATION

ANNUAL
REPORT
1986



The First Decade of Innovation and Service

NATIONAL SECURITIES CLEARING CORPORATION IS A REGISTERED CLEARING AGENCY ESTABLISHED IN 1976 TO CONSOLIDATE THE CLEARING OPERATIONS OF THE NEW YORK AND AMERICAN STOCK EXCHANGES AND THE NATIONAL ASSOCIATION OF SECURITIES DEALERS.

OWNED JOINTLY BY THE TWO EXCHANGES AND THE NASD, NSCC'S PRIMARY MISSION IS TO DEVELOP INNOVATIVE SYSTEMS AND SERVICES WHICH ADDRESS THE FINANCIAL INDUSTRY'S NEEDS FOR COST-EFFECTIVE, LOW-RISK, HIGH-VOLUME TRADE PROCESSING.

TODAY, NSCC, IN CONJUNCTION WITH THE DEPOSITORY TRUST COMPANY, IS THE LARGEST PROCESSOR OF EQUITY, CORPORATE AND MUNICIPAL BOND AND MUTUAL FUND TRANSACTIONS IN THE UNITED STATES.

NSCC'S TWO SUBSIDIARIES, INTERNATIONAL SECURITIES CLEARING CORPORATION AND GOVERNMENT SECURITIES CLEARING CORPORATION, WERE RECENTLY ESTABLISHED TO FOCUS ON THE PROCESSING REQUIREMENTS OF NEW AND GROWING MARKETS OF THE FINANCIAL SERVICES INDUSTRY.

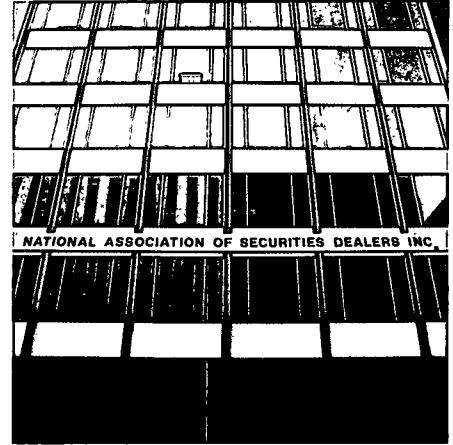
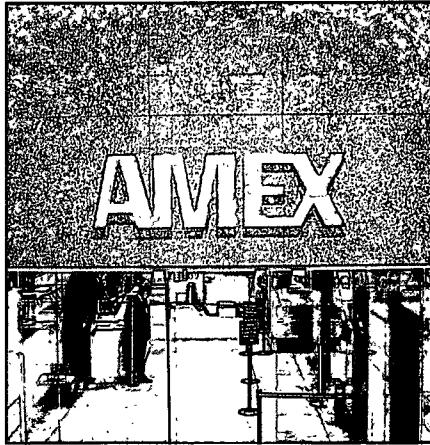
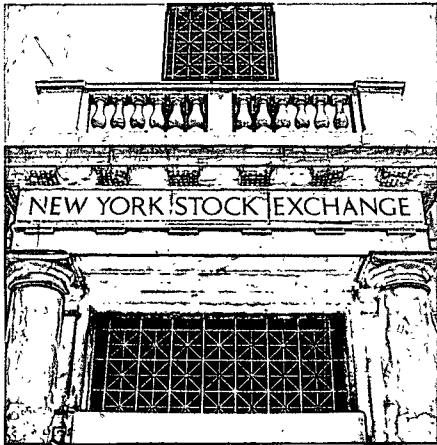


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*David M. Kelly, NSCC President and
CEO (foreground) and Gerard P. Lynch,
Chairman of the Board*



TO NSCC PARTICIPANTS

In 1986, National Securities Clearing Corporation marked its tenth year of service to the financial industry. This Annual Report highlights milestones and key people in NSCC's history, reviews 1986 activities and focuses on our plans to meet the challenges that lie ahead.

The financial services industry has experienced unprecedented growth during the last decade, and we are proud to be one of many organizations contributing to its success.

In the late 1960s and early 1970s, the industry lacked the operational efficiencies necessary to support the markets' growing volumes. The need for sweeping changes received national focus when trading hours were curtailed, and some firms, unable to control their businesses, failed.

NSCC was organized in early 1976 to address the industry's existing and evolving post-trade processing needs. In a major step toward a national clearance and settlement system, the clearing corporations of the New York and American Stock Exchanges and the National Association of Securities Dealers were merged and NSCC became the successor corporation.

NSCC was granted conditional registration as a clearing agency in 1977 and began to assume a leadership role in the national clearance and settlement system, a position which it maintains today.

Consolidation of systems for processing listed and over-the-counter transactions reduced participants' costs and enhanced operational capabilities. NSCC, with its facilities manager, the Securities Industry Automation Corporation (SIAC), kept pace with ever-increasing trading volumes through effective planning and innovative use of data processing and technology. With the necessary volume capacity in place, we have been able to focus attention and resources on the development of new capabilities.

NSCC is a user-guided cooperative committed to responding to the evolving needs of the participants and marketplaces we serve. Through open and effective dialogue with the industry, we have developed many new programs such as the Municipal Bond Processing System, Fund/SERV for mutual fund orders, and the ACAT Service for automated transfer of customer accounts.

In 1986, NSCC took a proactive role in the development of services for new and growing markets. NSCC, formed in 1985 to support US firms'

expanding international business, initiated its first international clearing link with The Stock Exchange in London. In addition, with the support of the NSCC Board and an industry Ad Hoc Committee, we formed GSCC which will bring automated trade comparison and netting to the settlement of US government securities.

NSCC officers and staff are our most valuable resource, and through their efforts, we have earned the credibility necessary to expand our role in the industry.

We thank our participants for their support, and trust that our efforts will continue to receive the industry commitment and high priority necessary for effective implementation.

We owe a special debt of gratitude to our current and past Board members for their guidance and invaluable contributions of time and effort.

The experience gained by NSCC and the industry over the last decade has prepared us well for the next. Our mission is clear, our course is charted and we look to the future with confidence and enthusiasm.

David M. Kelly
President and CEO

Gerard P. Lynch
Chairman of the Board



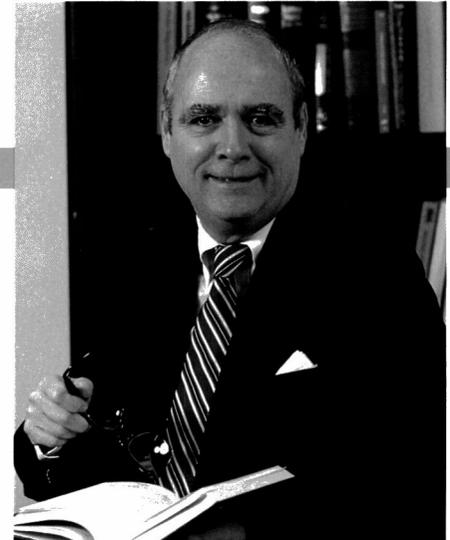
A LOOK BACK



NSCC consolidated the clearing operations of the NYSE, the Amex and the NASD.



Founding President Jack Nelson (right) and Bob Woldow, General Counsel, defended NSCC's registration in Court.

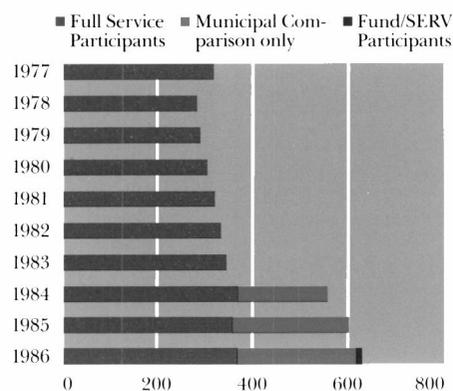


*Robert M. Flanagan
Chairman of the Board
1977-1979*

1976-1977

- NSCC was incorporated in 1976 to consolidate the clearance and settlement of listed and OTC securities transactions on a nationwide basis.
- The SEC approved NSCC's application for conditional registration in January 1977. NSCC assumed control of the clearing operations of the NYSE, Amex and NASD.
- NSCC and the SEC defended NSCC's registration in the US Circuit Court of Appeals.

PARTICIPATION

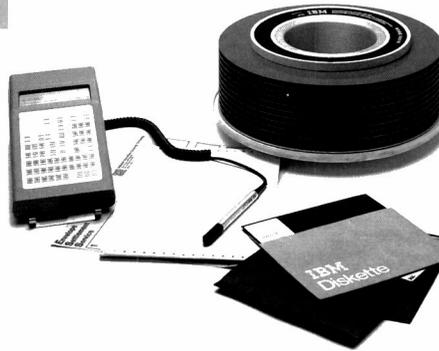


1978-1979

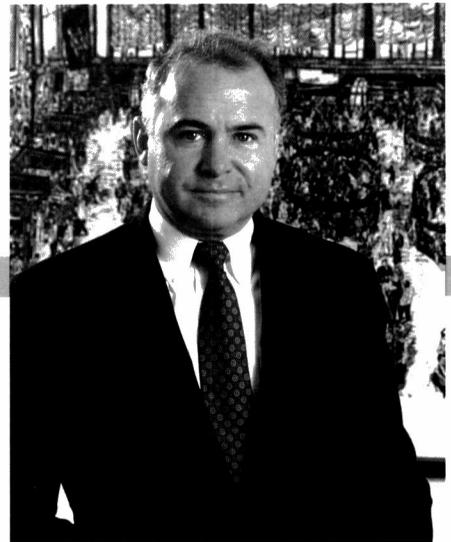
- The US Court of Appeals affirmed the SEC's grant of registration to NSCC in September 1978.
- The listed and OTC CNS systems were consolidated under one facilities manager, SIAC, which reduced participants' annual clearing charges by \$11.8 million in 1979.
- NSCC's regional participants began processing NYSE and Amex transactions through NSCC's branch facilities.



*Robert P. Rittereiser
Chairman of the Board
1980*



NSCC began a pilot operation of its Envelope Control System to better control envelope deliveries.

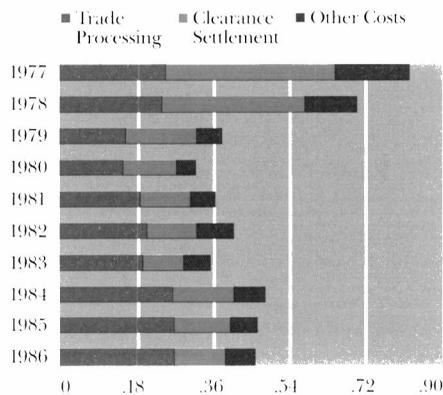


*Paul Underwood
Chairman of the Board
1981*

1980

- The OTC Comparison System was enhanced to streamline the processing cycle.
- SIAC's newly installed IBM 3033N8 computer upgraded NSCC's processing capabilities.
- NSCC introduced the Stock Borrow Program which enabled participants to lend securities to CNS to satisfy certain delivery requirements.
- NSCC's rule filing for processing municipal bonds was approved by the SEC.

AVERAGE COST PER TRANSACTION
(In Dollars)



1981

- NSCC implemented a centralized comparison system for all OTC transactions including those from the regional clearing corporations.
- NSCC implemented the Fully-Paid-For account to help reduce participants' reliance on borrowing to meet their customer segregation requirements.
- NSCC offered a full range of automated output through its direct CPU-to-CPU transmission.

A LOOK BACK



NSCC developed a centralized, automated comparison system for municipal bonds.



*J. Phillip Smith
Chairman of the Board
1982 and 1983*

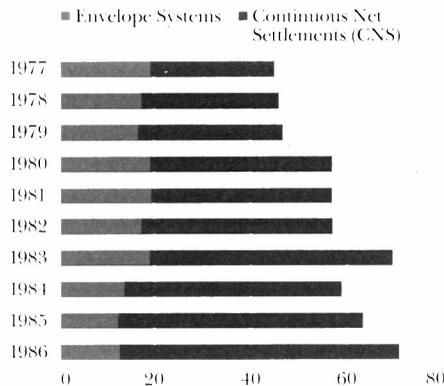


Marketplaces began to develop automated execution systems which lock-in trades for clearance.

1982

- NSCC implemented the Envelope Control System, a bar code technique which improved controls in the Envelope Settlement Services.
- Participants received comparison data for listed and OTC equity trades on TCARS reports which disclosed firms' performance and encouraged improvement.
- Conversion of Boston Stock Exchange member firms to NSCC and DTC systems was completed.

AVERAGE DAILY VOLUME OF DELIVERIES
(In Thousands)

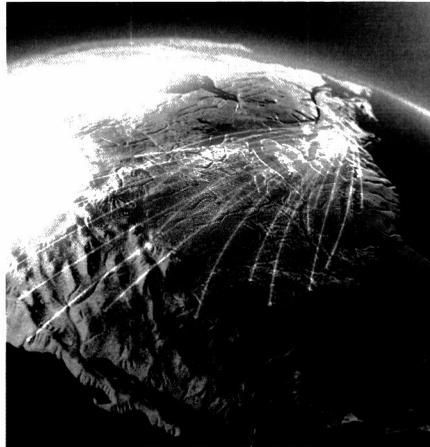


1983

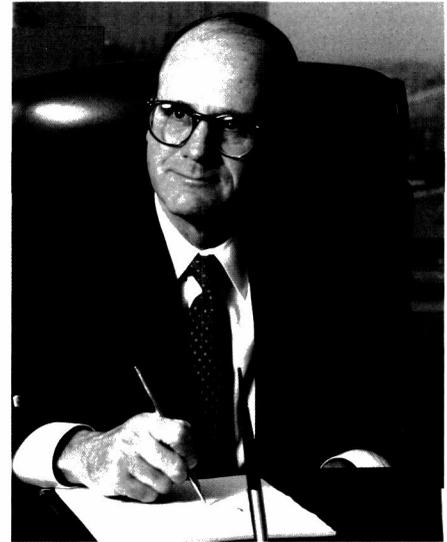
- NSCC was granted permanent registration.
- Processing efficiency increased as marketplaces began to report trades to NSCC as locked-in for comparison through automated trading systems.
- The MSRB mandated processing of municipal bond trades through an automated clearing agency by August 1, 1984.
- The industry suffered the loss of Jack Nelson, NSCC's founding president and visionary.



*J. Ronald Morgan
Chairman of the Board
1984*



*Growing industry focus
on global trading led NSCC
to begin to develop
international clearing links.*

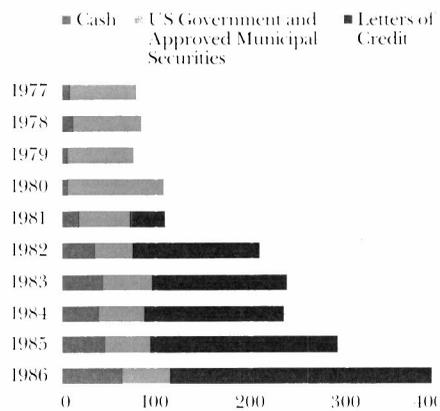


*Gerard P. Lynch
Chairman of the Board
1985 and 1986*

1984

- NSCC set a processing record on August 6 when one million sides were submitted for comparison.
- A special CNS clearance facilitated the AT&T divestiture, processing 342 million shares for net deliveries of 112 million.
- NSCC established a link with the Canadian Depository for Securities Limited, facilitating the clearance of trades executed in the US by Canadian firms.

CLEARING FUND BALANCES
(In Millions)

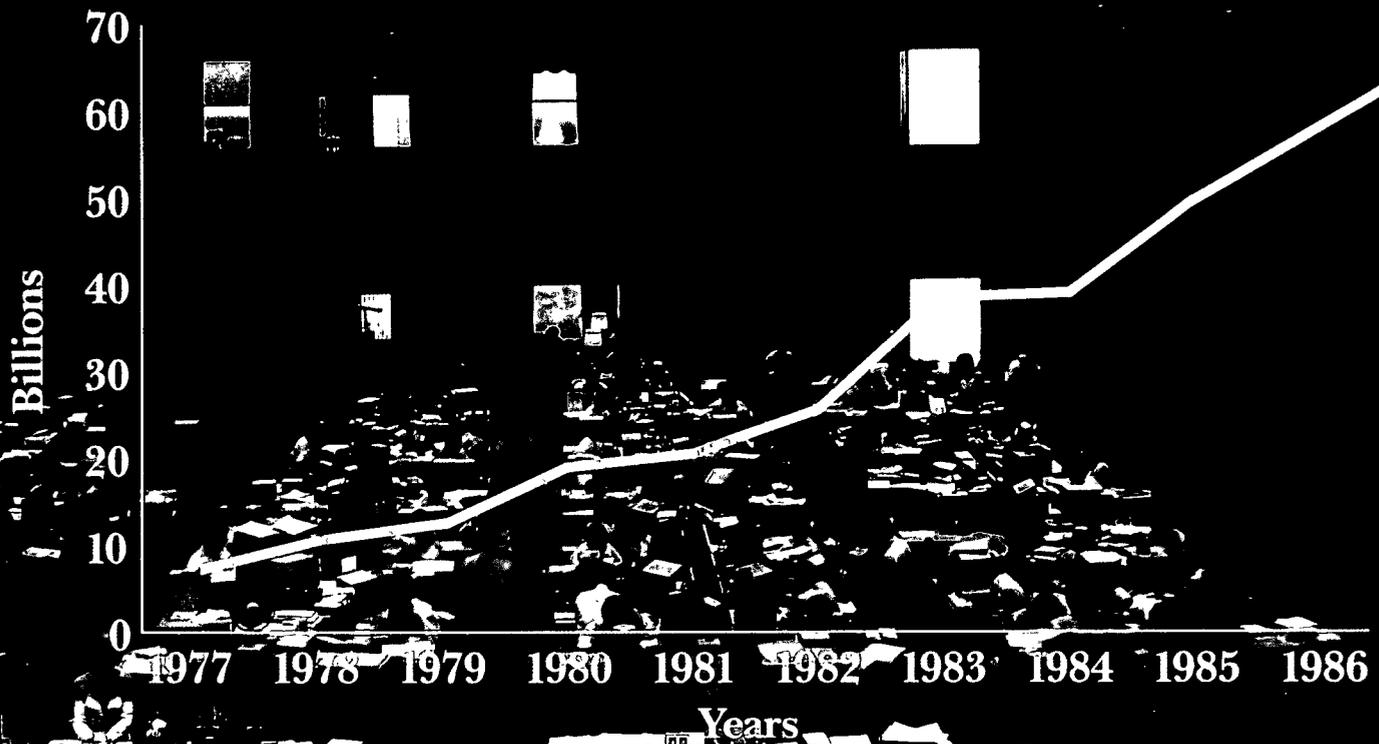


Note: 1986 Includes ISCC Clearing Fund Requirements

1985

- NSCC implemented the ACAT service to address customer account transfer delays.
- Fund/SERV, a processing system for mutual fund orders, was designed by NSCC to meet the industry's needs for automation.
- ISCC was incorporated to support increased international trading by US brokers, dealers and banks.
- One third of all listed and OTC trades reported to NSCC were executed as locked-in.

YEARLY SHARE VOLUMES (NYSE, Amex and NASD)



Trading volume in the major US markets has increased nearly tenfold in the past decade.

1986 IN REVIEW

Nineteen eighty-six was another record-breaking year for the major United States markets and the financial services industry. Trading volumes in listed and OTC markets reached a record 67.4 billion shares, up from 50.2 billion in 1985. Since 1977, NSCC's first full year of operation, trading volume has increased nearly tenfold.

Technological advances made by marketplaces, participants and NSCC make possible the efficient handling of peak volumes. In 1986, NSCC processed the largest volume of equity and corporate and municipal bond transactions ever through its facilities manager, SIAC, and its affiliated depository facility, DTC.

NSCC's processing capabilities were enhanced through the acquisition of a new mainframe computer at SIAC. The IBM 3084Q has twice the capacity of the three computers it replaced and double the processing speed.

The system became fully operational in 1986 and enabled NSCC to



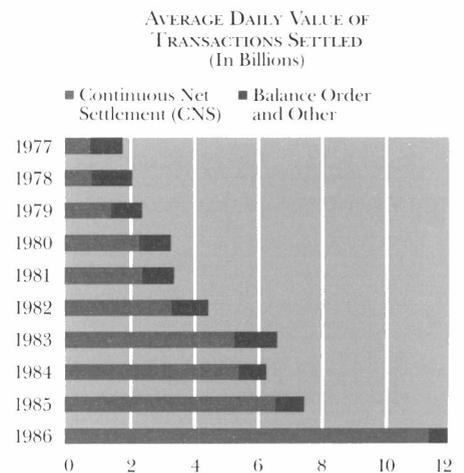
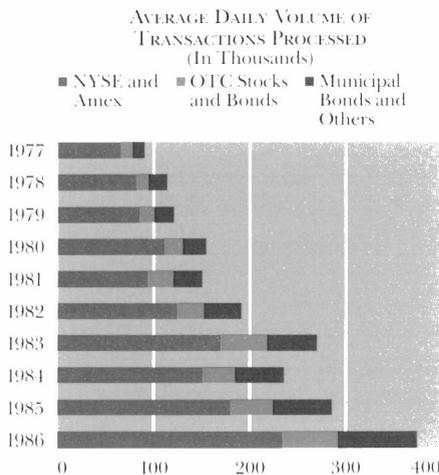
NSCC's processing capacity was enhanced through acquisition of a new IBM mainframe computer, discussed here by Bob Schultz, NSCC Senior Vice President (left) and Bob Van Kirk, SIAC Senior Vice President.

process an average of 376,400 transactions per day valued at over \$12 billion. In March, the year's peak volume month, NSCC processed an average daily volume of 459,461 transactions valued at more than \$14 billion. Fewer than 77,000 deliveries were made each day due to the efficiencies gained through the Continuous Net Settlement (CNS) System.

Innovative use of data processing and communications technology enables NSCC to reduce costs and in-

crease efficiency. In 1986, the number of firms interfacing computer to computer with NSCC increased by 57%. And, more than one-third of all listed and OTC trades reported to NSCC were executed as locked-in systems trades.

In 1986, NSCC implemented several ambitious programs to bring greater processing efficiency to participants in multiple marketplaces.





NSCC works closely with the Mutual Fund industry to develop enhancements and new applications for the Fund/SERV system.



NEW AND ENHANCED SERVICES

Fund/SERV, NSCC's mutual fund processing system implemented in 1986, enables mutual fund distributors and broker-dealers to process purchase and redemption orders in a centralized, automated environment.

The need for a central processor was reinforced when mutual fund sales exceeded \$200 billion in 1986, almost double the 1985 record.

Fund/SERV was piloted in March with one fund group and two brokers. Volume and participation increased steadily, and at year end, Fund/SERV had processed nearly 100,000 orders for 10 fund groups and 8 brokers with a total settlement value of over \$800 million.

Fund/SERV is being enhanced to enable processing of exchange transactions within families of funds, and transfer of accounts with mutual funds through the Automated Customer Account Transfer (ACAT) Service.

ACAT Service was fully implemented in 1986, and provides for the automated transfer of customer account assets from one broker to another. By year end, over 500,000 accounts with \$13 billion in assets had been transferred.

Photo: A mutual funds working meeting (standing) Joel Hammer, NSCC; (seated left to right) Jack Kutner, Merrill Lynch, Pierce, Fenner & Smith Inc.; Frank Isola, Franklin Distributors, Inc.; Richard Kent, NSCC; John Cirrito, Prudential Bache Securities Inc.; Manny Hernandez, Colonial Investors Service Center, Inc.; Bill Winter, A.G. Edwards & Sons, Inc.; Frank Diaz, Kemper Financial Services, Inc.; Jerry Clair, Smith Barney, Harris Upham & Co. Incorporated.



Improvement in the municipal bond comparison rate, a major focus in 1986, is discussed by (left to right) Steve Labriola, First Vice President, NSCC; Edward Pandolfo, Chairman, NSCC Municipal Securities Advisory Committee; J. Kevin Kenny, Chairman, NSCC Board Municipal Bond Committee.

NSCC recently implemented a link with The Options Clearing Corporation to enable transfer of options assets, and will link with regional clearing corporations to make the ACAT Service available to their participants.

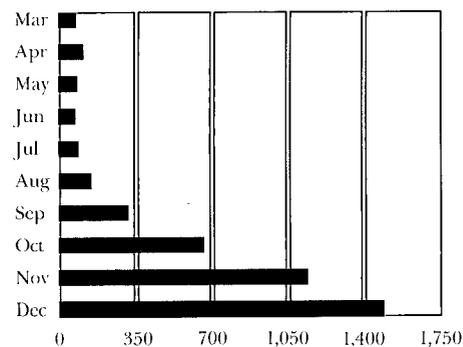
The National System for Municipal Bond Processing was expanded to automate processing of syndicate, when-issued and extended settlement trades, and recently, conditional trades. Now, all inter-dealer trades can be processed through NSCC's system.

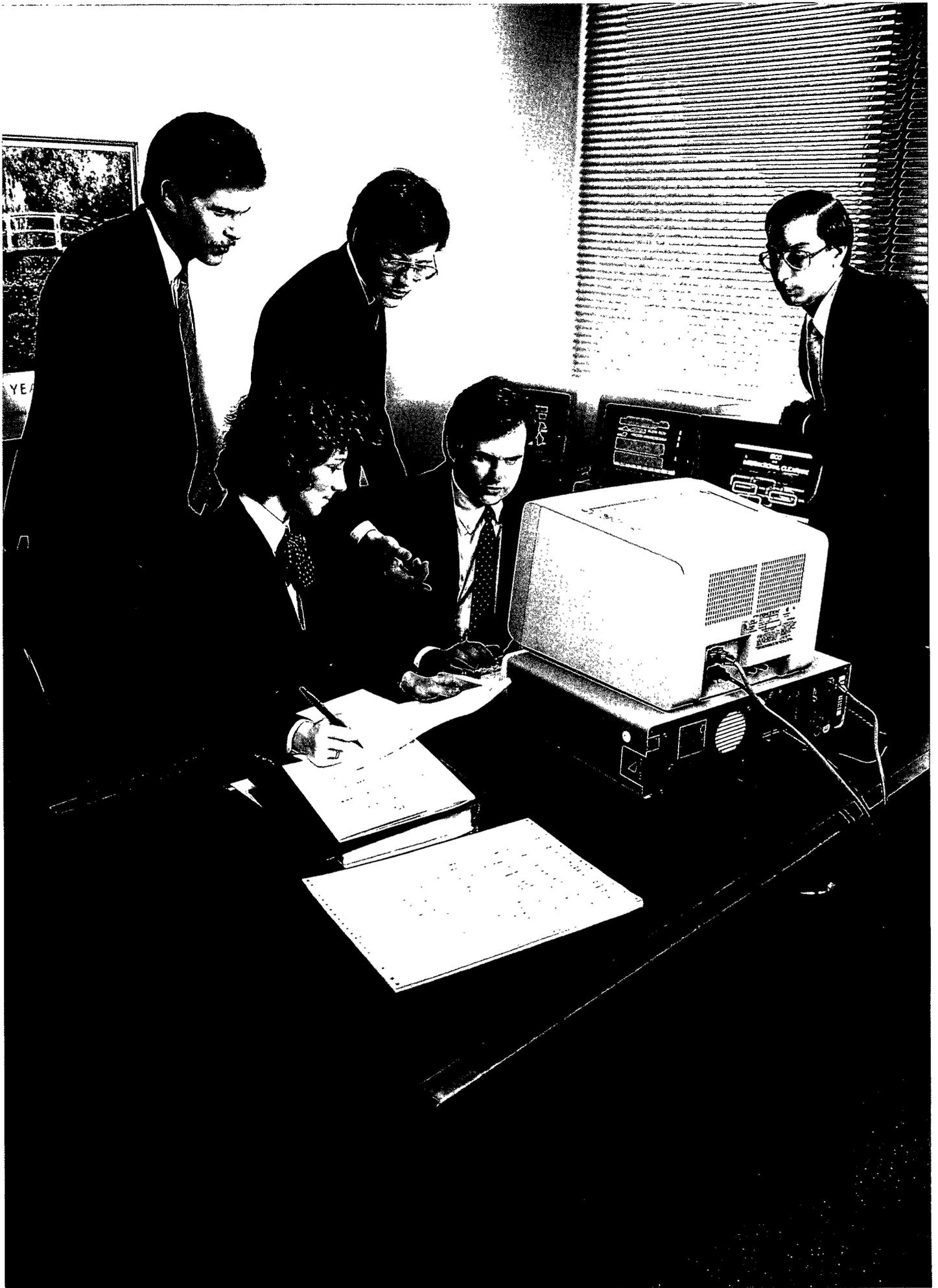
Industry concern over the higher-than-desirable percentage of uncompleted trades led to the formation of a Municipal Bond Task Group. Major firms agreed to work with NSCC to

review data, identify areas of concern and take corrective action to improve performance. The work of the Task Group has contributed to a steady improvement in trade submission and comparison rates.

As processing for its core services became more efficient, NSCC focused on the emerging needs of new and growing markets of the financial services industry.

NSCC FUND/SERV SYSTEM
1986 AVERAGE DAILY CONFIRMED TRADES





*Participants in ISCC's clearing link with
The Stock Exchange in London are briefed
on the TALISMAN System and data
entry requirements.*



NEW MARKETS

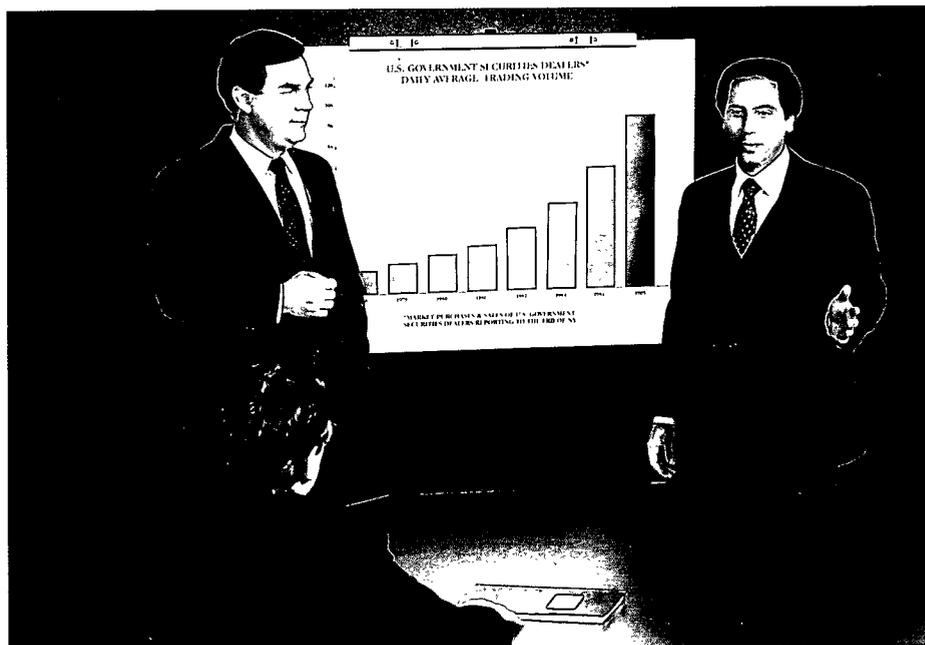
International Securities Clearing Corporation (ISCC), formed in 1985 to facilitate clearance and settlement of US firms' global trading, began operations in 1986.

ISCC's strategy is to link with central clearing and depository organizations in other countries to provide locally accessible clearance and settlement capabilities for US firms dealing in foreign securities, and foreign firms dealing in US securities.

In 1986, ISCC worked with SIAC, DTC and The Stock Exchange in London (SE) to establish its first clearing link. A pilot program began in October with four US firms submitting trades in UK equities through the link to the SE's TALISMAN System.

Participation in the pilot will be expanded in 1987. Members of ISCC and the SE will benefit from the efficiencies gained through access to each other's comparison, settlement and custodial services when the link becomes bilateral in 1987.

ISCC's primary objective is to offer its members as much flexibility as practical for the clearance and settlement of their international trades. To this end, ISCC has begun discussions to establish clearing relationships with



Industry concerns in the clearance of government securities, which led to the formation of GSCC, were presented to the NSCC Board by Bob Woldow, Senior Vice President (left) and Tom Costa, First Vice President.

Cedel and Euro-clear, two major international clearing and safekeeping organizations, and with Japan Securities Clearing Corporation in Tokyo.

Government Securities Clearing Corporation (GSCC), was created in 1986 through an industry effort to address risk and operational concerns in clearance and settlement of US government securities.

The growth in government securities trading volume caused the industry to focus on the need for more efficient processing systems which would reduce the risk associated with daylight overdraft and alleviate peak traffic periods and delayed closings on the FedWire.

An Ad Hoc Committee consisting of Primary and Aspiring Primary Dealers, Brokers and Clearing Agent

Banks concluded that NSCC's expertise in automated comparison and netting systems made it uniquely qualified to develop such a system for government securities, initially US Treasury securities.

The NSCC Board formed GSCC in December and elected officers and an interim Board of Directors.

In 1987, GSCC will work closely with its newly established Operations Advisory Committee, the Ad Hoc Committee and the Federal Reserve Bank of New York to develop a system that will bring operational and risk management benefits to the clearance of government securities.

Photo: A training session for the first US firms to use the pilot link (seated left to right) Mary Burke Quinn, Merrill Lynch, Pierce, Fenner & Smith Inc.; Michael Kiernan, Drexel Burnham Lambert Incorporated; (standing) Charles Cacici, Salomon Brothers Inc; Graeme Smith, ISCC, Thomas Farraye, Morgan Stanley & Co. Incorporated.





NSCC Senior Management



A LOOK FORWARD

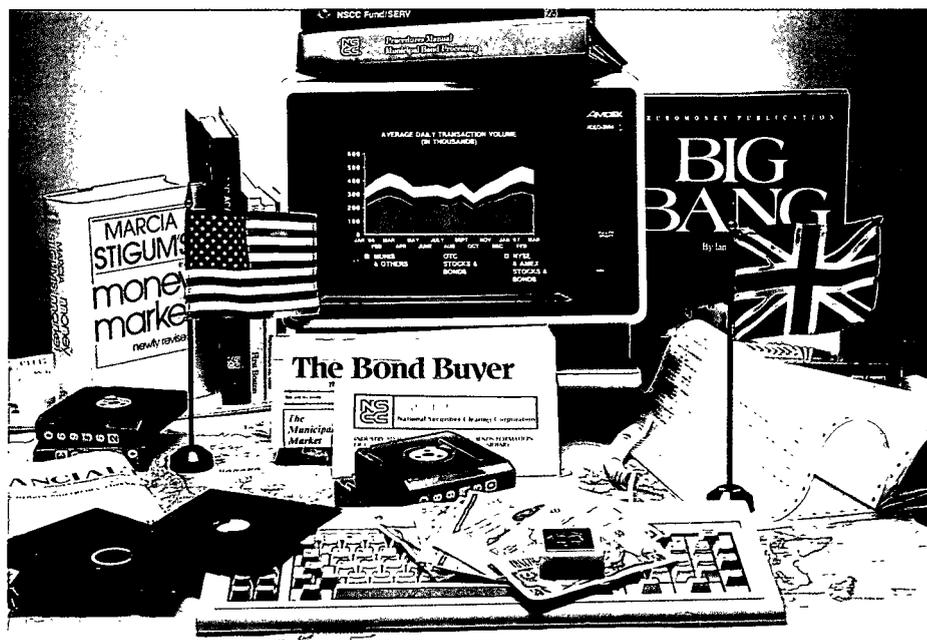
NSCC's first decade was one of growth and progress, transition and evolution. Early efforts focused on the registration process, operational consolidation, the establishment of an appropriate risk management mechanism and the continuing need for systems enhancements to handle significantly higher trading volumes.

At the five-year mark, NSCC began to position itself to be able to satisfy the industry's rapidly changing processing needs.

In 1984, a group of senior managers and Board members developed a strategic plan for NSCC's future direction. While reinforcing its commitment to the corporate securities markets, NSCC resolved to anticipate and respond to the industry's needs with new and innovative programs, serving a much broader range of participant needs and thus a growing customer base.

The accomplishments of 1985 and 1986 provide a solid foundation for meeting these objectives. Although proud of past achievements, NSCC's primary focus is on the future.

NSCC's commitment to smooth processing of ever-increasing trading volumes is long-term, and guarantees the continued efficiency of traditional



The NSCC organization is positioned to fulfill its diverse and ambitious agenda.

services. As more sophisticated trading and execution systems are developed, NSCC will work with the marketplaces to facilitate automated links for clearance and settlement.

Additional applications for the Fund/SERV system will be explored as broader issues such as standardization, decertification and an automated system for exchange of shareholder information are addressed by the industry.

NSCC's next step in meeting its commitment to the Municipal Bond industry will be to introduce netting for when-issued transactions.

ISCC will participate on behalf of the US financial community with clearing and depository organizations around the world in the cooperative development of a standardized global clearance and settlement system. This

complex challenge must be met by the US clearance community if capital markets and trading are to become truly global.

The formation of GSCC is a result of the open dialogue NSCC maintains with its constituents. While GSCC's immediate focus is on Treasury securities, the potential for a much broader involvement over time is clear.

The NSCC organization is positioned to fulfill this diverse and ambitious agenda. At its center is a team of talented professionals whose expertise and perspective enable NSCC to respond quickly to new challenges while maintaining sound and effective delivery of traditional services.

Photo: NSCC Senior Management (seated left to right) Robert J. Woldow, John L. Kinnaman, Robert A. Schultz, (standing) John F. Elberfeld, John C. Henderson, Thomas F. Costa, Steve M. Labriola, Richard W. Myers, Joel Hammer, William S. Mason, Jr., Armand Keim.





The NSCC Board of Directors (seated left to right) Messrs. Kelly, Lynch, Tierney, Kenny, Readmond, Thiel, (standing) Messrs. Moran, Kalimowski, Levitt, Taub, Callaghan, Justice, Muddell, Grasso, Stream, Madoff. Not pictured: Mr. Stevens.



BOARD OF DIRECTORS

NSCC Board of Directors

*Gerard P. Lynch
Chairman of the Board
Managing Director
Morgan Stanley & Co. Incorporated*

*Jeremiah M. Callaghan
Managing Director
Bear, Stearns & Co., Inc.*

*Richard A. Grasso
Executive Vice President
New York Stock Exchange, Inc.*

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

*Raymond J. Kalinowski
Vice Chairman and Director
A.G. Edwards & Sons, Inc.*

*David M. Kelly
President and CEO
NSCC*

*J. Kevin Kenny
President and CEO
J.J. Kenny Co., Inc.*

*Herbert I. Levitt
General Partner
Spear, Leeds & Kellogg*

*Bernard L. Madoff
Sole Proprietor
Bernard L. Madoff*

*Charles A. Moran
Senior Vice President
Manufacturers Hanover Trust Co.*

*Bruce T. Muddell
President and CEO
Chemical Bank (Delaware)*

*Ronald W. Readmond
Managing Director
Alex. Brown & Sons, Inc.*

*Richard J. Stream
Managing Director
Piper, Jaffray & Hopwood, Inc.*

Paul G. Stevens
Executive Vice President
American Stock Exchange, Inc.*

*Melvin B. Taub
Executive Vice President
E.F. Hutton & Company, Inc.*

*Wilbert A. Thiel
Executive Vice President
The Chicago Corporation*

*William J. Tierney, Jr.
Managing Director
Salomon Brothers Inc*

**Effective March 24, 1987*

NSCC's Board is comprised of senior executives from member firms and marketplaces, representing a broad spectrum of financial services organizations. Working with NSCC senior management, the Board establishes corporate objectives, monitors progress in achieving those goals, and guides efforts in areas such as product development, operational planning, risk and financial oversight.

Thirteen of the 17 Directors are elected from participant firms including Gerard P. Lynch of Morgan Stanley who is completing his second year as Chairman. Other Board members include NSCC's President and CEO, David M. Kelly, and three Shareholder Directors designated by the NYSE, the NASD and the Amex: Richard A. Grasso, C. Richard Justice and Paul G. Stevens, respectively.

The Board has seven standing Committees whose members have ex-

pertise in specific areas. The Executive Committee is responsible for adherence to Board policy and achievement of corporate goals. The Finance/Audit Committee ensures NSCC's financial integrity and oversees internal auditing procedures. The Membership Committee monitors participants' financial and operational accountability and compliance with NSCC's rules.

The International, Municipal Bond, Mutual Fund and Government Securities Committees provide the direction necessary for the operational success of new and developing NSCC products.

NSCC's Nominating Committee, selected from the executive ranks of member firms, began the 1987 annual electoral process in late 1986 with an invitation to participants to propose nominees for Participant Director vacancies.



Nominees to the NSCC Board: Howard A. Shallcross (left) Senior Vice President, Merrill Lynch, Pierce, Fenner & Smith Inc.; Leonard V. Haynes, Senior Executive Vice President, Shearson Lehman Brothers, Inc.





The ISCC Board of Directors (seated left to right) Messrs. Kelly and Birk, (standing) Messrs. Caporale, Anastasio, Talbott, Mastrangelo, Reddy, Justice, Lynch, Kinnaman, Raven, Gitterman, Smith, Madoff. Not pictured: Messrs. Keith and Meyjes.



BOARD OF DIRECTORS

ISCC Board of Directors

*Roger E. Birk
Chairman of the Board
ISCC*

*David M. Kelly
Vice Chairman and CEO
ISCC*

*Joseph Anastasio
Director
Salomon Brothers Inc*

*Nicola L. Caporale
General Partner
Goldman Sachs & Co.*

*Joseph L. Gitterman, III
Managing Partner
LaBranche & Co.*

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

*Christopher Keith
Senior Vice President
New York Stock Exchange, Inc.*

*John L. Kinnaman
President and COO
ISCC*

*Gerard P. Lynch
Managing Director
Morgan Stanley & Co.
Incorporated*

*Bernard L. Madoff
Sole Proprietor
Bernard L. Madoff*

*Ralph M. Mastrangelo
Senior Vice President
Morgan Guaranty Trust
Company of New York*

*C. Robert P. Meyjes
Senior Vice President
Citibank, N.A.*

*Stephen E. J. Raven
Managing Director
County Securities Limited*

*Michael T. Reddy
Senior Vice President
Merrill Lynch, Pierce, Fenner
& Smith Inc.*

*Mark T. Smith
Vice President
American Stock Exchange, Inc.*

*Fenton R. Talbott
Managing Director
The First Boston Corporation*

The Committee nominated Leonard V. Haynes and Howard A. Shallcross as new Directors. J. Kevin Kenny and Bernard L. Madoff, whose terms expire in May 1987, were nominated to additional terms. Charles A. Moran resigned from the NSCC Board to become President and COO of GSCC.

The Nominees will become Participant Directors at NSCC's Annual Meeting in May 1987. Retiring from the Board are Gerard P. Lynch and William J. Tierney, Jr.

The ISCC user Board, representing member firms participating in global securities markets, was expanded to 16 members when Stephen E. J. Raven of County Securities Limited was named a Shareholder Director. The Amex designated Mark T. Smith to replace Shareholder Director Michael Black. When Participant

Director Ralph Mastrangelo left the Board, David L. Roscoe of Morgan Guaranty Trust Co. filled the vacancy.

Recognizing the need for a strong leader with international visibility and credibility, the ISCC Board appointed Roger E. Birk, Chairman Emeritus of Merrill Lynch & Co., Inc., to serve as ISCC's Chairman in November 1986. Gerard P. Lynch stepped down as ISCC's Chairman but remains on the Board as a Participant Director.

GSCC will elect its first user Board in 1987 based on recommendations from participants and the Ad Hoc Committee. Until then, the members of the NSCC Board Government Securities Committee are serving as GSCC's interim Board of Directors.



Until a user Board is elected, GSCC will be guided by an interim Board of Directors with advice from the Ad Hoc Committee: (seated left to right) Charles A. Moran, GSCC President and COO; William J. Tierney, Jr., Managing Director, Salomon Brothers Inc and Chairman of the GSCC Board; (standing) Ad Hoc Committee members James M. Avena, President, Cantor Fitzgerald Securities Co. and Nicola L. Caporale, General Partner, Goldman Sachs & Co.





National Securities Clearing Corporation 1986 Audited Financial Statements
CONSOLIDATED BALANCE SHEET

December 31,	1986	1985
Assets		
Current Assets:		
Cash	\$ 9,086,000	\$ 2,512,000
Temporary investments at cost (approximates market)	119,750,000	87,693,000
Accounts receivable, less allowance for doubtful accounts of \$493,000 at December 31, 1986 and 1985	5,066,000	4,289,000
Settlement accounts receivable	5,576,000	9,052,000
Other current assets	763,000	354,000
Total current assets	140,241,000	103,900,000
Clearing Fund	288,202,000	222,310,000
Fixed assets, less accumulated depreciation of \$1,180,000 and \$778,000 at December 31, 1986 and 1985	1,254,000	1,453,000
Deposits and other noncurrent assets	3,217,000	3,396,000
Total assets	\$432,914,000	\$331,059,000
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 5,350,000	\$ 3,956,000
Regulatory fees payable	1,862,000	1,074,000
Settlement accounts payable	60,674,000	51,962,000
Accrued taxes and other expenses	3,976,000	2,405,000
Total current liabilities	71,862,000	59,397,000
Clearing Fund:		
Participants' cash deposits	60,800,000	43,952,000
Balance of requirement	288,202,000	222,310,000
	349,002,000	266,262,000
Notes payable	3,250,000	—
Commitments and contingent liabilities (See Notes)		
Shareholders' Equity:		
Common stock authorized, issued and outstanding, 30,000 shares of \$.50 par value	15,000	15,000
Capital in excess of par	885,000	885,000
Retained earnings	7,900,000	4,500,000
	8,800,000	5,400,000
Total liabilities and shareholders' equity	\$432,914,000	\$331,059,000

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.





National Securities Clearing Corporation
**CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS**

For the year ended December 31,	1986	1985*
Revenue from clearing services	\$62,316,000	\$50,293,000
Interest income	3,088,000	2,209,000
Total revenues	65,404,000	52,502,000
Expenses:		
Securities Industry Automation Corporation processing expenses	34,184,000	29,291,000
Regional facility network fees	1,640,000	1,648,000
The Depository Trust Company fees	11,356,000	9,679,000
General and administrative	11,768,000	8,634,000
Total expenses	58,948,000	49,252,000
Income before income taxes	6,456,000	3,250,000
Provision for income taxes	3,056,000	1,750,000
Net income	3,400,000	1,500,000
Retained earnings, beginning of the year	4,500,000	3,000,000
Retained earnings, end of the year	\$ 7,900,000	\$ 4,500,000

*Reclassified to conform with 1986 presentation.

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.





National Securities Clearing Corporation
**CONSOLIDATED STATEMENT OF CHANGES
 IN FINANCIAL POSITION**

For the year ended December 31,	1986	1985
Financial resources were provided by (used for):		
Net income	\$ 3,400,000	\$ 1,500,000
Depreciation and amortization charges not affecting working capital	409,000	368,000
Working capital provided from operations	3,809,000	1,868,000
Clearing Fund cash deposits	16,848,000	6,171,000
Purchase of fixed assets	(241,000)	(245,000)
Disposal of fixed assets	31,000	1,000
Deposits and other non-current assets	179,000	(605,000)
Notes payable	3,250,000	—
Increase in working capital	\$23,876,000	\$ 7,190,000
Analysis of Changes in Working Capital		
Increase (decrease) in current assets:		
Cash	\$ 6,574,000	\$ 1,444,000
Temporary investments	32,057,000	24,532,000
Accounts receivable	777,000	150,000
Settlement accounts receivable	(3,476,000)	(9,650,000)
Other current assets	409,000	221,000
	36,341,000	16,697,000
(Increase) in current liabilities:		
Accounts payable	(1,394,000)	(90,000)
Regulatory fees payable	(788,000)	(369,000)
Settlement accounts payable	(8,712,000)	(7,956,000)
Accrued taxes and other expenses	(1,571,000)	(1,092,000)
	(12,465,000)	(9,507,000)
Increase in working capital	\$23,876,000	\$ 7,190,000

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.





National Securities Clearing Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Operations:

National Securities Clearing Corporation (NSCC — the Company), a clearing agency registered with the Securities and Exchange Commission, provides various services to the financial community consisting principally of trade comparison, clearance and settlement. All of the Company's shares are owned equally by the New York Stock Exchange, Inc. (NYSE), American Stock Exchange, Inc. (Amex), and the National Association of Securities Dealers, Inc. (NASD). The Company is managed by its staff and controlled by an independent user Board of Directors which is responsible for its policies, operations and financing.

The Company is the sole shareholder of International Securities Clearing Corporation (ISCC) which was established to support US brokers, dealers and banks through bilateral linkages with central clearing and depository organizations in other countries.

The Company has also established Government Securities Clearing Corporation (GSCC), which was formed to provide automated comparison and netting services to the US Government securities industry and is anticipated to be capitalized and commence operations in 1987.

The Board of Directors of the Company determines any additions to retained earnings it wishes to establish in a given year, having due regard to current and anticipated needs. The Company does not plan to declare dividends to shareholders, but has provided rebates on its billings to participants of \$6,121,000 and \$4,661,000 in 1986 and 1985, respectively. Revenue from clearing services is shown net of such rebates.

Note 2 – Summary of Significant Accounting Policies:

(a) Principles of consolidation:

The consolidated financial statements include National Securities Clearing Corporation and International Securities Clearing Corporation (ISCC), a wholly owned subsidiary, after the elimination of intercompany transactions.

(b) Temporary investments:

Temporary investments consist of US Treasury securities maturing primarily in less than one year, and are carried at cost adjusted for amortization of premiums and accretion of discounts. At December 31, 1986, \$50,986,000 of such investments were held in an account for the exclusive benefit of participants to facilitate participants' compliance with the customer segregation rules of the Securities and Exchange Commission (\$41,759,000 at December 31, 1985).

(c) Settlement accounts:

Settlement accounts receivable and payable generally arise from one-day time lags in the cash settlement process between the Company and participants or other registered clearing agencies. The nature of the Company's business involves significant money transfers on a daily basis, certain of which are executed via Federal Funds and given effect on the basis of one-day earlier Clearing House Funds.

(d) Notes payable:

In June 1986, ISCC issued \$3,250,000 of ten-year Notes due June 15, 1996. The 9% per annum stated interest rate is being amortized over a ten-year period resulting in an annual effective rate of 8.1%; the first interest payment is due June 15, 1988. Deferred interest payable at December 31, 1986, which is included in accrued taxes and other expenses, amounted to \$143,000.

(e) Income taxes:

The Company and its wholly owned subsidiary file consolidated Federal, New York State and City income tax returns. The difference between the 47.3% effective tax rate for the year ended December 31, 1986 (53.8% for the year ended December 31, 1985) and the 46.0% federal statutory tax rate is primarily attributable to state and local taxes in 1986 and 1985.





National Securities Clearing Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 – Clearing Fund:

The rules of the Company require each participant to deposit in the Clearing Fund an amount based on its settlement activity. The Fund is available to secure participant obligations to the Company and certain liabilities of NSCC, should they occur.

The Clearing Fund consists of cash, securities issued or guaranteed by the US Government, its states and their political subdivisions, or by Letters of Credit issued by authorized banks.

Note 4 – Facilities Management Agreement:

Under the terms of an agreement, the Securities Industry Automation Corporation (SIAC) provides facilities, personnel and services in support of the Company's operations. SIAC's charge is based on its direct, computer and overhead costs arising from providing such services. The agreement has no expiration date and continues in effect unless notice of cancellation is given by either party. Under the terms of this agreement the Company was liable, in the event of cancellation, for computer equipment leases in the amount of \$6,403,000 at December 31, 1986. This amount decreases to zero in 1991.

Note 5 – Transactions with Related Parties:

NSCC collects regulatory fees on behalf of NYSE, Amex and NASD. At December 31, 1986, amounts collected and not yet remitted were \$1,717,000 due to NYSE and \$145,000 due to NASD (at December 31, 1985, amounts due to NYSE were \$1,074,000).

The Company rents certain office space from SIAC, which is an entity owned by the NYSE and Amex. Rental payments amounted to \$602,000 and \$592,000 in 1986 and 1985, respectively.

The NYSE owns a minority interest in The Depository Trust Company (DTC), whose facilities are used by the Company. DTC fees included \$7,830,000 and \$6,632,000 in 1986 and 1985, respectively, relating to charges for NSCC participants which the Company sponsors at DTC. NSCC passes through these charges to the sponsored participants.

Amounts payable at December 31, 1986 and 1985 to SIAC and DTC were as follows:

	1986	1985
SIAC	\$3,768,000	\$3,024,000
DTC	778,000	312,000

Note 6 – Lease Commitments:

At December 31, 1986, minimum annual rental payments under all non-cancellable operating leases totalled \$836,000 payable as follows: \$724,000 in 1987, \$91,000 in 1988 and \$21,000 in 1989.

Note 7 – Contingencies:

The Continuous Net Settlement (CNS) system interposes the Company between participants in each security position on a daily basis. The failure of participants to deliver securities to the Company, and the corresponding failure of the Company to redeliver such securities results in open positions. Open positions are marked to the market daily and debited or credited through the settlement process to participants involved.

At the close of business on December 31, 1986, open positions due the Company approximated \$963,000,000 (\$817,000,000 at December 31, 1985), and the amounts due from the Company approximated \$626,000,000 (\$500,000,000 at December 31, 1985) for open positions and \$337,000,000 (\$317,000,000 at December 31, 1985) for securities borrowed through the Company's Stock Borrow Program.





Note 8 – Pension Plan:

The Company has a trustee non-contributory pension plan. Accrued pension expense is funded on a current basis and amounted to \$214,000 and \$171,000 for 1986 and 1985, respectively. The rate of return used in determining the actuarial present value of accumulated plan benefits was 7.5% in 1986 and 1985. Benefits and net assets for the pension plan are presented below:

January 1,	1986	1985
Actuarial present value of accumulated plan benefits:		
Vested	\$ 635,000	\$551,000
Nonvested	82,000	35,000
	\$ 717,000	\$586,000
Net assets available for plan benefits	\$1,319,000	\$953,000

REPORT OF INDEPENDENT ACCOUNTANTS

153 East 53rd Street
New York, NY 10022

Price Waterhouse



February 23, 1987

To the Board of Directors and Shareholders of
National Securities Clearing Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of National Securities Clearing Corporation and its subsidiary at December 31, 1986 and 1985, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse





PARTICIPATING ORGANIZATIONS

(as of December 31, 1986)

- ABD Securities Corporation
Adams, Harkness & Hill, Inc.
Adler, Coleman & Co., Inc.
Advest, Inc.
Agora Securities, Inc.
Fred Alger & Company
Incorporated
Allen & Company Incorporated
Alpine Associates
Amalgamated Bank of New York
American Investment Group, Inc.
American Securities Corporation
American Stock Exchange Clearing
Corporation
Arnhold and S. Bleichroeder, Inc.
Asiel & Co.
B.E.S. Partners
BHF Securities Corporation
B&S Financial Services Inc.
BT Brokerage Corporation
Julius Baer Securities Inc.
Robert W. Baird & Co.,
Incorporated
Baird, Patrick & Co., Inc.
Bank of Montreal, New York
Branch
The Bank of New York
The Bank of New York – Brokers
Clearance
Bankers Trust Broker Clearing Unit
Bankers Trust – Clearance
Bankers Trust Company
Adams, McEntee & Company
Brean Murray, Foster
Securities Inc.
Buchanan & Co., Inc.
Cantor, Fitzgerald & Co., Inc. –
Retail Dealer
Citizens First National Bank of
New Jersey
Citizens Trust Company
Langdon P. Cook & Co.
Incorporated
Crocker National Bank
First Commercial Bank of Little
Rock
First Interstate Bank of Nevada
First Wisconsin National Bank of
Milwaukee
Fleet National Bank
Glickenhau – LTG & Co.
Grigsby, Brandford & Co., Inc.
Midlantic National Bank
National City Bank, Cleveland
D.A. Pincus & Co., Inc.
Refco Municipal Securities Co.
RepublicBank Dallas N.A.
Sterling, Grace Municipal
Securities Corporation
Strahsmeier Securities Co.
The Summit Trust Company
Tollner & Bean, Inc.
United Virginia Bank
Wheeler Municipals Corp.
Bankers Trust/Investment Services
Bankers Trust – J.J. Kenny Co., Inc.
Barclays Bank International
Limited
Barrett & Company
- Bear, Stearns & Co., Inc.
Bear, Stearns Specialist
Beare Brothers & Co. Inc.
Beauchamp & Co.
Benton & Company
Sanford C. Bernstein & Co., Inc.
William Blair & Company
Blinder, Robinson & Co., Inc.
Bocklett & Co.
Boettcher & Company, Inc.
Boston Stock Exchange Clearing
Corp.
ABD Securities Corp.
Bodell Overcash Anderson &
Co., Inc.
Buell Securities Corp.
Cantella & Co. (Retail)
Robert C. Carr & Co., Inc.
Clayton, Polleys & Co.
Diamant Investment Corp.
Gage-Wiley & Co., Inc.
Gowell Securities Corporation
(Retail)
Instant Funds Incorporated
Investors Discount Corporation
Kimball & Cross
Linsco Corp.
Merrimack Valley Investment Inc.
Oftring & Co., Inc.
H.M. Payson & Co.
Shelter Rock Securities Corp.
Sunrise Capital Corporation
Trusteed Funds, Inc.
Arthur W. Wood Company
Boston Stock Exchange Specialist
Account
Steven J. Agoston
Andrew Company
John N. Aufiero
Blodgett & Co., Inc.
Cantella & Co.
Dietrich & Company
Feigelman Securities
Gus N. Ganoudis
Garden State Securities, Inc.
Gowell Securities Corp.
H.T.N. Securities
Hawthorne Securities
Corporation
Jorgenson Securities, Inc.
K. and S., Inc.
King, Keller & Co.
May & Gannon, Inc.
Mermelstein & Co.
Gerald P. Michaud
John Murphy & Associates
Olwell, McCallion, Inc.
J.C. Bradford & Co.
Branch, Cabell & Co.
Broadcort Capital Corporation
Brokerage Clearance Services Inc.
Brounoff, Claire & Co., Inc.
Brown Brothers Harriman & Co.
Brown & Company Securities
Corporation
Brown, Lisle/Cummings, Inc.
Alex. Brown & Sons, Incorporated
P.R. Burke & Co.
Burns Fry & Timmins Inc.
Burns, Pauli & Co., Inc.
- Cable, Howse & Ragen
Canadian Depository for Securities
Limited
Andras Canavest Hetherington
Limited
Bache Securities Inc.
Alfred Bunting & Company Ltd.
Burgess Graham Securities
Limited
Burns Fry Limited
Connor, Clark & Company Ltd.
Darier Management Corporation
Inc.
Davidson Partners Limited
F.H. Deacon, Hodgson Inc.
Disnat Investment Inc.
Dominick Corporation of Canada
Limited
Dominion Securities Pitfield
Limited
First Canada Securities
Corporation
First Marathon Securities Limited
Gardiner Group Stockbrokers
Inc.
Geoffrion, Leclerc Inc.
Gordon Capital Corporation
Guardian Trust Company
Levesque, Beaubien Inc.
Loewen, Ondaatje, McCutcheon
& Company, Ltd.
MacDougall, MacDougall &
MacTier Ltd.
McLeod Young Weir Limited
McNeil, Mantha, Inc.
Merit Investment Corporation
Midland Doherty Limited
Molson Rousseau
Odlum Brown Limited
Osler Inc.
Pemberton Houston Willoughby
Incorporated
Pictet (Canada) and Company,
Limited
Richardson Greenshields of
Canada, Ltd.
Thomson Kernaghan & Co. Ltd.
Walwyn Stodgell Cochran Murray
Limited
Wood Gundy Inc.
Canadian Imperial Bank of
Commerce
S.B. Cantor & Co., Inc.
Cantor, Fitzgerald & Co., Inc.
Capital Shares, Inc.
Carolina Securities Corporation
Carr Securities Corp.
Carr & Thompson, Inc.
Carroll McEntee & McGinley
Incorporated
Challenge Securities, Inc.
Chase Dealer & Investment
The Chase Manhattan Bank, N.A.
Chase/Syndicate
Chemical Bank
Chemical Bank – Municipal Dealer
The Chicago Corporation
The Cincinnati Stock Exchange
Citibank Dealer – Municipal
Operations
- Citibank/IFI Custody
Citibank, N.A.
Simmons First National Bank
Citibank – Private Banking Division
Common Back Office Inc.
Conklin, Cahill & Co.
The Connecticut Bank and Trust
Company, N.A.
The Connecticut Bank and Trust
Company, N.A./Municipal Bond
Dealer Department
Connecticut National Bank
Cosentino & DeFelice, Inc.
Coughlin & Co., Inc.
County Securities Corporation USA
Cowen & Co.
Craig-Hallum, Inc.
Craigie Incorporated
Cresvale International, Inc.
Custodial Trust Company
(affiliate of Bear, Stearns & Co.,
Inc.)
Cutter & Dixon
DLJ Fixed-Income
Dain Bosworth Incorporated
Daiwa Securities America Inc.
Davenport & Co. of Virginia, Inc.
Shelby Cullom Davis & Company
Dean Witter Reynolds Inc.
deCordova, Cooper & Co.
Deltec Securities Corporation
The Depository Trust Company
Citizens Commercial & Savings
Bank (Municipal Dealer)
The First National Bank of
Cincinnati
The First National Bank of
Louisville
Manufacturers National Bank of
Detroit – Municipal Bond Dept.
Wachovia Bank & Trust
Company, N.A.
Deutsche Bank Capital Corporation
Dillon, Read & Co. Inc.
Doft & Co., Inc.
Dominick Investor Services Corp.
Dominion Securities Pitfield Inc.
Drexel Burnham Lambert
Incorporated
E.I. Loan Services
Easton & Co.
Eberstadt Fleming Inc.
A.G. Edwards & Sons, Inc.
Einhorn & Co.
Engler-Budd & Company, Inc.
Eppler, Guerin & Turner, Inc.
Equity Securities Trading Co., Inc.
Ernst & Company
EuroPartners Securities
Corporation
Evans & Co., Incorporated
Exchange Services, Inc.
Execution Services Incorporated
Fagenson & Company, Inc.
Fagenson & Company, Inc. – Retail
Fahnestock & Co., Inc.
George R. Fairweather
Securities, Inc.
Fechtor, Detwiler & Co., Inc.





Fernandez, Bartsch & Mira
Fiduciary Trust Company of
New York
Financial Clearing & Services
Corporation
First Albany Corporation
First Birmingham Securities
Corporation
The First Boston Corporation
First Financial Group
First Jersey National Bank
First Jersey Securities, Inc.
First Manhattan Co.
First of Michigan Corporation
First Options of Chicago, Inc.
First Southwest Company
First Wachovia Brokerage Service
Corporation
Fossett Corporation
Walter N. Frank & Co.
Wm. V. Frankel & Co., Inc.
Freeman Securities Company, Inc.
Freeman Welwood & Co., Inc.
French American Banking Corp.
Albert Fried & Company
Fundamental Corporate Bond
Brokers, Inc.
J.W. Gant & Associates, Inc.
Gintelco, Inc.
Goldberg Securities, Inc.
Goldman, Sachs & Co.
Gordon & Co.
Gradison & Company Incorporated
Greenfield Partners
Oscar Gruss & Son Incorporated
Halcyon Investments
Hanifen, Imhoff Inc.
J.F. Hartfield & Co., Inc.
The Heitner Corporation
Henderson Brothers, Inc.
Herzog, Heine, Geduld, Inc.
Hill, Thompson, Magid & Co., Inc.
J.J.B. Hilliard, W.L. Lyons, Inc.
Hirshon, Roth & Co.
Hopper Soliday & Co., Inc.
Howard, Weil, Labouisse,
Friedrichs Incorporated
Wayne Hummer & Co.
E.F. Hutton & Company Inc.
IFB Managing Partnership, L.P.
Icahn & Co., Inc.
The Illinois Company Incorporated
Ingalls & Snyder
Interstate Securities Corporation
InvestNet Corporation
Irving Trust Company
The First National Bank in
Albuquerque
Mitsui Manufacturers Bank
United Bank of Arizona
Irving Trust/Investment/Dealer
JMS Execution Services
Benjamin Jacobson & Sons
Jamie Securities Co.
Janney Montgomery Scott Inc.
Jefferies & Co., Inc.
Jesup & Lamont Clearing Corp.
Johnson, Lane, Space, Smith &
Co., Inc.

Johnston, Lemon & Co.
Incorporated
Edward D. Jones & Co.
Josephthal & Co. Incorporated
Kalb, Voorhis & Co.
Kaufmann, Alsberg & Co., Inc.
Kavanewsky and Associates
Kellner, DiLeo & Co.
J.J. Kenny Co., Inc.
Kidder, Peabody & Co.
Incorporated
C.L. King & Associates, Inc.
Koonce Securities Inc.
Henry Krieger & Co.
LaBranche & Co.
Lafer Amster & Co.
Lashco, Inc.
Lasker, Stone & Stern
Cyrus J. Lawrence Incorporated
Lawrence, O'Donnell & Co.
Lazard Freres & Co.
Legg Mason Masten Inc.
Lewco Securities Corp.
S.B. Lewis & Company
MKI Securities Corp.
MN Services
M S Securities Services Inc.
MacAllaster Pitfield Mackay Inc.
McCourtney-Breckenridge &
Company
McDonald & Company
Securities, Inc.
McLeod Young Weir Incorporated
Mabon, Nugent & Co.
Bernard L. Madoff
Manufacturers and Traders Trust
Company
Manufacturers Correspondent
Clearing Services
Manufacturers Hanover Trust
Company
Alamo National Bank
The Arizona Bank
Banco Popular de Puerto Rico
BancOhio National Bank
Bank of Virginia
Bank of Virginia - Trading
Bankers Trust of South Carolina
Boatmen's National Bank of
St. Louis
Central Fidelity Bank -
Investments
Central Fidelity Bank
(Lynchburg, Va.)
Central Fidelity Bank
Corpus Christi National Bank
The Exchange National Bank of
Chicago
The First National Bank of
Shreveport
The First National Bank of South
Carolina
First Union National Bank
Hibernia National Bank in New
Orleans
Imperial Bank (Los Angeles)
Landmark First National Bank
NCNB National Bank of North
Carolina

Old Stone Corporation
Pittsburgh National Bank
South Carolina National Bank
Southeast Bank, N.A.
Southtrust Bank of Alabama, N.A.
Sovran Bank, N.A.
Sovran Bank, N.A. - Trading
Account
Unibanc Trust
United Bank and Trust Company
Manufacturers Hanover Trust
Company - Municipal Dealer
Operations
Marcus & Company
Marcus Schloss & Co., Inc.
Marine Midland Bank, N.A. -
Capital Markets Clearance
Marine Midland Bank - New York
The First National Bank of Toms
River, N.J.
Second National Bank of Saginaw
United Jersey Bank
Carl Marks & Co., Inc.
Mayer & Schweitzer, Inc.
M.J. Meehan & Co.
Mellon Securities Trust Co.
Mericka & Co., Inc.
Merrill Lynch, Pierce, Fenner &
Smith Inc.
Mesirow and Company, Inc.
Metropolitan Securities
Midland Doherty Inc.
Midwest Clearing Corporation
Bartlett & Co.
Alan Bush Brokerage Company
Equitable Securities Corporation
Howe, Barnes & Johnson, Inc.
I.K. Corporation
The Milwaukee Company
Texas First Brokerage Services
Montgomery Securities
Morgan Guaranty Trust Company
of New York
Morgan Guaranty Trust Company
of New York - Muni Bond Dealer
Morgan, Keegan & Company, Inc.
Morgan, Olmstead, Kennedy &
Gardner Incorporated
Morgan Stanley & Co. Incorporated
Muller and Company, Inc.
Murphey, Marseilles, Smith &
Nammack, Inc.
Murphy & Durieu
NASD Market Services, Inc.
NB Clearing Corporation
National Financial Services
Corporation
National Westminster Bank USA
Neuberger & Berman
New Japan Securities
International, Inc.
Newbridge Securities Inc.
Newhard, Cook & Co. Incorporated
J.F. Nick & Co.
The Nikko Securities Co.
International, Inc.
Nippon Kangyo Kakumaru
International, Inc.
Nomura Securities
International, Inc.

John Nuveen & Co. Incorporated
O'Connor & Associates
O'Connor Securities
O'Flanagan & Co., Inc.
Olde Discount Corporation
Oppenheimer & Co., Inc.
Outwater & Wells, Inc.
Pacific Brokerage Services, Inc.
Pacific Clearing Corporation
Crowell, Weedon & Co.
INC Trading Corporation
PaineWebber Incorporated
S.C. Parker & Co., Inc.
Pershing Division of Donaldson,
Lufkin & Jenrette Securities
Corporation
Carl H. Pforzheimer & Co.
Piper, Jaffrey & Hopwood
Incorporated
Pitcock Financial Corporation
Prescott, Ball & Turben, Inc.
Prudential-Bache Securities Inc.
Purcell, Graham & Co., Inc.
Q&R Clearing Corporation
E.J. Quinn & Co., Inc.
RSF Partners
T.J. Raney & Sons, Inc.
Rauscher Pierce Refsnes, Inc.
Raymond, James & Associates, Inc.
W.H. Reaves & Co., Inc.
Regional Clearing Corp.
Reich & Co. Inc.
Richardson Greenshields
Securities Inc.
M. Rimson & Co., Inc.
Robb, Peck, McCooney Clearing
Corporation
Robertson, Colman & Stephens
Rodman & Renshaw, Inc.
Roney & Co.
Rose & Company Investment
Brokers, Inc.
L.F. Rothschild, Unterberg,
Towbin, Inc.
Roulston Research Corp.
R. Rowland & Co., Incorporated
Ryan, Beck & Co.
SLB Services
SLK Specialists
Sage, Ruddy & Co., Inc.
Salomon Brothers Inc
M.A. Schapiro & Co., Inc.
J. Henry Schroder Bank & Trust
Company
Charles Schwab & Co., Inc.
Scott & Stringfellow, Inc.
Seasongood & Mayer
Securities Corp. (Allen)
Securities Settlement Corporation
Security Pacific Clearing &
Services Corp.
American Municipal Securities Inc.
James Baker & Company
Berghoff, Marsh & Company
A.F. Best Securities, Inc.
Bowman & Company
Incorporated
Bryan, Worley & Co., Inc.
Caffrey Ceresse & Patti
Securities Inc.





Capitol Municipal Securities, Inc.
 Carl & Company Incorporated
 Carty & Company, Inc.
 Chase Lincoln First Bank, N.A.
 Chilton & O'Connor, Inc.
 Cranston Securities Company
 Crews & Associates, Inc.
 Croake, Roberts, Inc.
 Dayton, Kahn, Heppe,
 Hancock & Co.
 Dolphin & Bradbury
 Incorporated
 Dorsey & Company Incorporated
 A. Webster Dougherty & Co., Inc.
 Duncan-Williams, Inc.
 Dupree & Company, Inc.
 R.W. Ellwood & Co., Inc.
 Emmet & Co., Inc.
 First Eastern Bank, N.A.
 First Miami Securities
 First St. Louis Securities, Inc.
 Fiser Financial & Investment
 Services
 Flagship Securities, Inc.
 GFC Securities Corporation
 Gibraltar Securities Co.
 Griffin, Kubik, Stephens &
 Thompson, Inc.
 J.B. Hanauer & Co.
 Henry/Kearns Municipals, Inc.
 Horizon Securities, Inc.
 Investment Securities of
 Oklahoma, Inc.
 A.D. Jack & Company
 Lasater & Company
 Lawyer-Mills Securities, Inc.
 The Leedy Corporation
 David Lerner Associates, Inc.
 M.G. Lewis & Co., Inc.
 McGowan, O'Meara &
 Company, Inc.
 Matthews & Wright, Inc.
 Meuse, Rinker & Chapman
 Incorporated
 Mid-State Securities Corp.
 Municipal Securities, Inc.
 National Bank of Commerce
 (Birmingham, Ala.)
 National Bank of Commerce
 (Memphis, Tenn.)
 Leo Oppenheim & Co., Inc.
 Pacific Securities Inc.
 Plansmith Securities, Inc.
 Arch W. Roberts & Co.
 Russell, Rea & Zappala, Inc.
 Scharff & Jones, Inc.
 R. Seelaus & Co., Inc.
 Southeastern Municipal
 Bonds, Inc.
 Spelman & Co., Inc.
 Townes & Co., Inc.
 Vining-Sparks Securities, Inc.
 Michael A. Weisser, Inc.
 Westcap Securities, Inc.
 A.H. Williams & Co., Inc.
 Young Moore & Company, Inc.
 B.C. Ziegler & Company
 Ziegler Securities, Inc.

Security Pacific Loan Group
 Security Pacific Retail Services
 Seidler Amdec Securities Inc.
 Seligman Securities, Inc.
 H.B. Shaine & Co., Inc.
 Shatkin Investment Corp.
 Shatkin-Lee Clearance
 Shatkin-Lee Securities Co.
 Shearson Lehman Brothers, Inc.
 I.M. Simon & Company, Inc.
 Smith Barney, Harris Upham &
 Co. Incorporated
 Smith, Moore & Co.
 Southwest Securities Incorporated
 Spear, Leeds & Kellogg
 Spear Securities & Co., Inc.
 Stanton Securities Corp.
 State Street Boston Securities
 Services Corp.
 R.J. Steichen & Co.
 Stern & Kennedy
 Sterne, Agee & Leach, Inc.
 Stifel, Nicolaus & Company
 Incorporated
 Stock Clearing Corporation
 Stock Clearing Corporation of
 Philadelphia
 Butcher & Singer, Inc.
 StockCross, Inc.
 Stokes, Hoyt & Co.
 J. Streicher & Co.
 The Stuart-James Company, Inc.
 Swiss American Securities, Inc.
 Swiss Bank Corporation
 International Securities Inc.
 Thomson McKinnon Securities Inc.
 A.B. Tompane & Co.
 The Toronto-Dominion Bank
 Transaction Services, Inc.
 Transatlantic Securities Company
 Tucker, Anthony & R.L. Day, Inc.
 UBS Securities Inc.
 Underwood, Neuhaus & Co.,
 Incorporated
 United Missouri Bank of Kansas
 City, N.A.
 United States Trust Company of
 New York
 Universal Securities Corporation
 Vail Securities Investment, Inc.
 Van Kampen Merritt Inc.
 Edward A. Viner & Co., Inc.
 W&D Securities, Inc.
 Wagner Stott Clearing Corp.
 Wall Street Clearing Company
 Wall Street Trust, A Bank of New
 York Division
 Jefferson Guaranty Bank
 Maryland National Bank
 NCNB National Bank of North
 Carolina - a/c Cape Securities
 Walsh, Greenwood & Co.
 S.G. Warburg & Co., Inc.
 Weber, Hall, Sale & Associates, Inc.
 Wechsler & Krumholz, Inc.
 Wedbush, Noble, Cooke, Inc.
 Weiss, Peck & Greer
 H.G. Wellington & Co., Inc.
 Wells Fargo Bank, N.A.

Wheat, First Securities, Inc.
 Williams Securities Group, Inc.
 Wilshire Associates
 Windsor Associates
 Wolfe & Drizos Corporates, Inc.
 Wood Gundy Corp.
 Yamaichi International
 (America) Inc.
 Ziegler Thrift Trading, Inc.

For Municipal Comparison Only:

Acker, Wolman Securities Corp.
 Allied Bank of Texas
 M.E. Allison & Co., Inc.
 Allison-Williams Co.
 American Fletcher National Bank
 & Trust Co.
 American National Bank - St. Paul
 American Security Bank, N.A.
 (Washington, D.C.)
 AmSouth Bank, N.A.
 Atlantic National Bank of Florida
 A.E. Aub & Co.
 BancTexas Dallas N.A.
 Bank IV Topeka, N.A.
 Bank IV Wichita, N.A.
 Bank of America, BISD Dealer-
 Portfolio
 Bank of California
 Bank of Hawaii
 Bank of New England, N.A. Dealer
 Bank
 Bank of Oklahoma, N.A.
 Bank South, N.A. (Atlanta)
 Bankers Trust Company -
 Investment Dealer
 Barnett Bank of Jacksonville, N.A.
 Barr Brothers & Co., Inc.
 BayBank Boston, N.A.
 Blank, Conger and Sena
 Branch Banking & Trust Co.
 Brislin & Woram
 Buetti, Cannon & Co., Inc.
 K.R. Butler, Inc.
 Cain Brothers, Shattuck &
 Company
 Cantor, Fitzgerald Municipal
 Brokers, Inc.
 Capital Markets Corporation
 Carolan & Co., Inc.
 Centerre Bank, N.A. St. Louis
 Central Bank of Denver
 Central Bank of the South
 The Central Trust Co. N.A.
 (Cincinnati)
 Chapelaine & Co.
 Citizens Fidelity Bank & Trust
 Company (Louisville, KY)
 The Citizens & Southern National
 Bank - Dealer Account
 City National Bank, Beverly Hills,
 California
 Colorado National Bank of Denver
 Comerica Bank - Detroit
 Commerce Bank of
 Kansas City, N.A.
 Commerce Bank of St. Louis, N.A.
 Commerce Union Bank
 Commercial National Bank of
 Peoria

Commonwealth Securities and
 Investments, Inc.
 Connecticut National Bank -
 Investment Dealer
 Connors & Company
 Coogan, Gilbert & Co., Inc.
 R.W. Corby & Company, Inc.
 Cotham & Co., Inc.
 Country Club Bank, Kansas City
 R.L. Cray & Co., Inc.
 Cumberland Securities
 Company, Inc.
 Dahlke & Company, Inc.
 Denver National Bank -
 Investment Dept.
 Deposit Guaranty National Bank,
 Jackson, MS
 Ladd Dinkins & Company
 Discount Corporation of New York
 Municipals
 Doley Securities Inc.
 Dominion Bank, N.A.
 (Roanoke, VA)
 Douglas & Co. Municipals, Inc.
 Harry Downs & Co., Inc.
 Clifford Drake & Company, Inc.
 Duke McElroy & Company, Inc.
 R.J. Edwards, Inc.
 Egan, Marrin & Rubano, Inc.
 Ehrlich-Bober & Co., Inc.
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 First Bank (N.A.) Milwaukee
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 Company
 First City National Bank of
 Houston - Safekeeping
 First Commercial Bank
 First Fidelity Bank, N.A., New
 Jersey/Municipal Dealer
 First International Investment
 Corporation
 First Interregional Equity Corp.
 First Interstate Bank of
 Arizona, N.A.
 First Interstate Bank of California -
 Dealer Bond Department
 First Interstate Bank of Denver, N.A.
 First Interstate Bank of Oklahoma
 City - Investment Division
 First Interstate Bank of
 Oregon, N.A.
 First Interstate Bank of
 Washington - Bank Investment
 Department
 First Investment Securities, Inc.
 First Missouri Bank & Trust
 Company





The First National Bank & Trust
Co. of Tulsa – Investment Division
First National Bank in Palm Beach –
Bond Department
First National Bank of Atlanta
The First National Bank of Boston –
Dealer
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First National Bank of Maryland
First National Bank of Minneapolis –
Bond Dealer
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The First National Bank of St. Paul
First of America Bank –
Detroit, N.A.
First Southern Securities, Inc.
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Florida National Bank (Jacksonville)
Fox Reusch & Co., Inc.
The Frazer Lanier Company
Frost National Bank – Bond Dept.
GIMB
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A.F. Green & Co., Inc.
Halliburton & Associates, Inc.
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Harper, McLean & Company
Chester Harris & Co., Inc.
Hatcher & Co., Inc.
Hattier, Sanford & Reynoir
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John F. Houlahan & Co., Inc.
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Hutchinson, Shockey, Erley & Co.
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Indiana National Bank
InterFirst Bank Dallas – Dealer
International Bank
JMC Securities, Inc.
Johnston, Brown, Burnett &
Knight, Inc.
Lex Jolley & Co., Inc.
Joe Jolly & Co., Inc.
KMS Corporate Brokers
Kansas State Bank & Trust
Company (Wichita, KS)
Keenan & Clarey, Inc.
Kemper Sales Company
Kirchner, Moore & Company
W.L. Knox & Company
Landmark Bank of Fort Worth
Landmark Investments, Inc.
LaSalle National Bank/Dealer
Operations
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Lebenthal & Co., Inc.
B.J. Leonard & Company, Inc.
Liberty National Bank and Trust
Company (Louisville, KY)
Liberty National Bank & Trust
Company Investment Dept.
(Oklahoma City, OK)
Lovett Mitchell Webb &
Garrison, Inc.

MBank Austin N.A.
MBank Dallas
MBank Houston, N.A.
MCG Portfolio Management Corp.
M&I Marshall & Ilsley Bank
McLaughlin, Piven, Vogel Inc.
McLincy and Company
Mann, Urfer Inc.
Manufacturers and Traders Trust
Co. – Muni Trading &
Safekeeping
Manufacturers Hanover Securities
Corporation
Marcotte Hume & Associates
Incorporated
Marine Bank, N.A. (Milwaukee)
Mark Twain National Bank
(St. Louis, MO)
Hugo Marx & Co., Inc.
Masterson & Company
Mellon Bank (East), N.A.
Mellon Bank, N.A.
Mercantile Trust Company, N.A.
Merchants National Bank & Trust
Company of Indianapolis
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Michigan National Bank of Detroit
Miller & Schroeder Financial Inc.
E.A. Moos & Co. Incorporated
Mounger & Bartlett, Incorporated
Mountaineer Securities Co.
Municipal Investors Service, Inc.
NCNB National Bank of Florida
National Bank of Commerce Trust
& Savings Association – Dealer
National Bank of Detroit
National Bank of Georgia – Dealer
The National Bank of Washington
Newman and Associates, Inc.
Norstar Bank, N.A. – Buffalo
Norstar Bank of Upstate New York
(Albany)
Norstar Bank, Rochester
Norwest Investment Services
O'Brien & Shepard, Inc.
Old National Bank of Washington
Oregon Bank
J.A. Overton & Co.
Park Investment Corporation
Peoples National Bank of
Washington
R.W. Peters, Rickel & Co., Inc.
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Corestates Capital Markets Group
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Porter, White & Yardley, Inc.
Rainier National Bank
RepublicBank First National
Midland (TX)
Rhode Island Hospital Trust
National Bank
Rogers & Lamb
Roosevelt & Cross, Incorporated
Ross Capital Group, Inc.
SSB – Bank Portfolio
Schaffer, Necker & Co.
Scheetz, Smith & Company, Inc.
Schmidt Securities, Inc.
Seasegood & Mayer Municipals

Seattle First National Bank
Seattle Northwest Securities
Corporation
SecuriCorp, Inc.
Security Bank of Kansas City
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Shawmut Bank – Investment
Division
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Herbert J. Sims & Co., Inc.
Sisung Securities, Inc.
R.W. Smith & Associates, Inc.
Society National Bank
Southern Securities Investment
Bankers, Inc.
J.W. Sparks Municipals, Inc.
Stepp Investments, Ltd.
M.L. Stern & Co., Inc.
Stoever, Glass & Co. Inc.
Sun Bank, N.A. (Orlando, Florida)
Swink & Company, Inc.
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Texas American Bank/
Fort Worth, N.A.
Texas Commerce Bank – El Paso
Texas Commerce Bank, N.A.
Texas Independent Bank
Texas State Securities, Inc.
Third National Bank in Nashville
Thorn, Alvis, Welch, Inc.,
Investment Securities
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Trust Company Bank – Investment
Banking Division
Trustmark National Bank
UMIC, Inc.
Union Bank – Treasury Department
Union Planters Securities
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United Bank of Denver, N.A.
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Co. Incorporated
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Dallas, Texas 75201

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Dominion Plaza
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Denver, Colorado 80202

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Detroit, Michigan 48226

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Jersey City, New Jersey 07302

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Los Angeles, California 90017

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