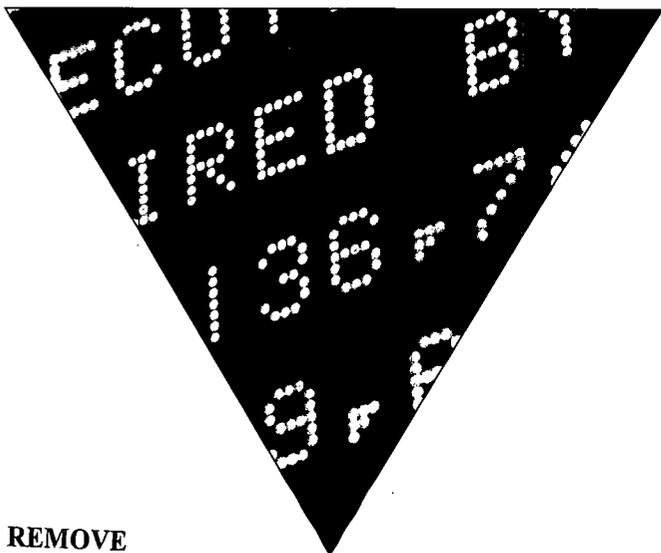
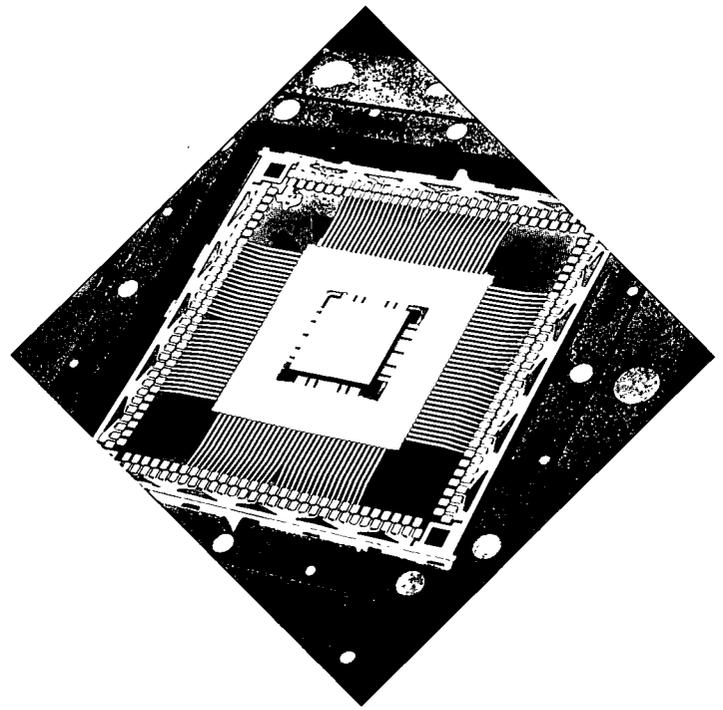


1990 Annual Report



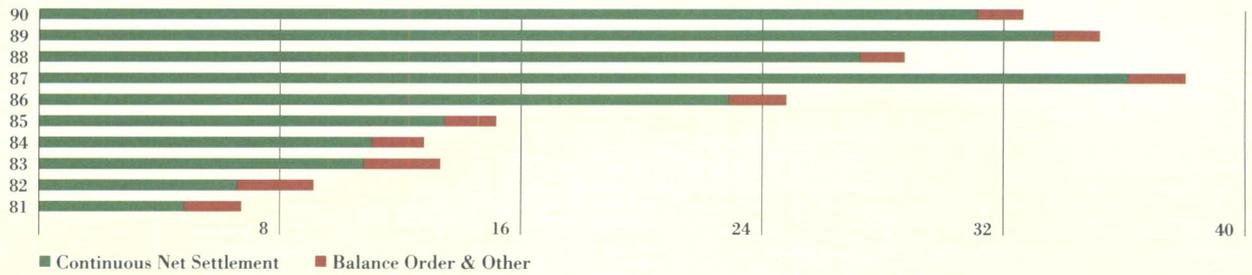
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Contents

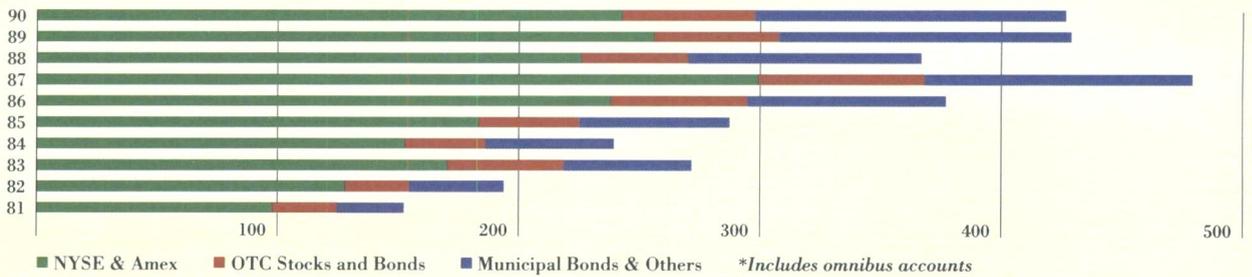
2	To Our Participants
5	Products and Services
6	Marketplaces
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22	Participating Organizations

Since its inception, NSCC, as a participant-driven organization which exists to service its members, has been committed to providing cost-effective trade processing and has operated essentially "at cost." Inherent in NSCC's provision of services to participants is its commitment to carefully manage operating costs. In 1990, NSCC, after reviewing its production costs, services and participant base, implemented a new fee schedule, the first major fee change in eight years. The net effect of the revised fee structure to participants at year end was a 1% reduction in fees. Those participants with automated systems benefited significantly from the changes realizing a lower-than-average cost per trade.

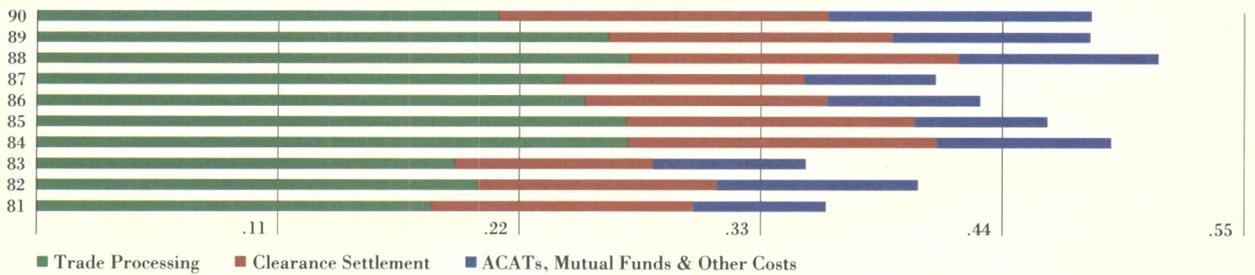
Average Daily Value of Transactions Settled (in billions)



Average Daily Volume of Transactions Processed* (in thousands)



Average Cost Per Transaction (in dollars)



What does the new decade hold for the securities and financial services industry? While no one can predict the exact nature or timing of change, it is possible to identify certain trends that will continue to emerge. We also know these trends will have a significant impact on the firms, organizations and personnel that comprise the financial services industry as we know it.

As we look toward the turn of the century, what are some of the trends that we can identify with a fair degree of certainty? Perhaps most obvious is the need for participants to continue their efforts to reduce the cost of doing business, a trend rooted in the late 1980s when it became apparent that the rapid growth and prosperity that characterized the earlier part of the decade was not going to continue indefinitely. Just as strong a trend is the industry's continued commitment to increasing processing efficiency through better use of technology and automation. In addition, balancing the industry's focus on the institutional component of the U.S. markets will be a strong commitment in the 1990s to addressing the needs of the retail investor. While the 1980s saw many firms concentrating on expanding capital markets, the 1990s will see a refocus by the industry on those areas in which it has long excelled.

Another strong trend, also rooted in the late 1980s and reinforced by the downfall of Drexel Burnham Lambert Incorporated in 1990, is the regulatory focus on reducing risk. Some of the risk reduction proposals currently under discussion include shortening the settlement cycle, moving to book-entry-only for street-side settlement, making all new issues depository eligible and adopting a

same-day funds payment system for street-side and institutional transactions.

The focus on creating greater certainty in the markets is a trend that will continue throughout the decade with ongoing discussions of further risk-reducing concepts. NSCC has participated actively in the evaluation of proposals initiated by the industry and its regulators to improve the safety and soundness of the U.S. marketplaces. While some of these more recent initiatives have created controversy within the industry, NSCC has played an important role in facilitating objective discussions of these issues and has continued to explore alternative solutions. NSCC and the industry will carefully evaluate each of these proposals and others as they emerge. In participating in these discussions, NSCC will strive to balance the interests of individual participants with the needs of the national market system as a whole.

NSCC welcomes the new ideas and challenges that will emerge in the 1990s and views the changes that will occur as opportunities to create viable options for participants that will make our markets safer and more competitive. The decade will provide NSCC with a full and complex agenda which includes expanding current U.S. clearance and settlement systems to new products as they are developed with a focus on ensuring that our technology base is up-to-date. To accomplish these tasks, NSCC will need to maintain its high standards of quality, dedicated staff and effective and cooperative working relationships with its participants, Securities Industry Automation Corporation, The Depository Trust Company and other industry organizations.

In closing, we would like to thank our staff for their invaluable efforts over the past year, our participants for their insight and continued support and our Board of Directors for their superb guidance and direction during these times when the only constant is change.



Howard A. Shallcross
Chairman of the Board



David M. Kelly
President and Chief Executive Officer



*Howard A. Shallcross (right)
Chairman of the Board*

*David M. Kelly (left)
President and Chief Executive Officer*



“NSCC’s products and clearing services focus on the needs and special characteristics of financial instruments and marketplaces and have evolved out of the dynamic relationship between NSCC and its participants.”

Changing financial markets and the operational demands of emerging and existing instruments drive product and service development at NSCC.

In August 1990, NSCC's Reconfirmation and Pricing Service (RECAPS), an automated fail clearance system for equities, municipal bonds and zero coupon issues, was mandated for all full-settling participants by the Securities and Exchange Commission (SEC). The service reconfirms and reprices aged fails, minimizing exposure and relieving participants of capital charges for outstanding fails. As part of the mandate, NSCC requires participants to identify "repeat fails"—fails compared in previous RECAPS cycles which remain open and have been resubmitted. In the first mandated RECAPS cycle in December, participants compared 87.5% of eligible fails. With almost double the number of participants and a 23% increase in volume, this comparison rate was the highest of any cycle since the system was first implemented in June 1987. Currently 358 participants are eligible for the quarterly cycle of RECAPS.

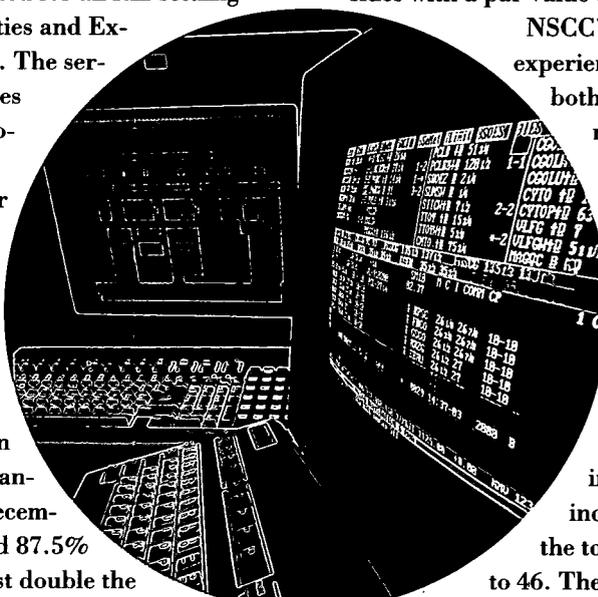
Responding to industry direction, NSCC and DTC reestablished the processing facility linking the Institutional Delivery (ID) and Continuous Net Settlement (CNS) systems to accommodate Prime Broker activity. Prime Broker transactions are executed by one party, the Executing Broker, on behalf of an institutional customer. The trades are submitted to ID for affirmation and cleared and settled by the Prime Broker on a trade-for-trade basis. The restored ID/CNS link steers Prime Broker activity into a street-side environment, where trades are netted by CNS, limiting security movements and reducing settlement costs. The program, implemented on a pilot basis in May with 4 firms processing less than 10 trades a day, grew to include 13 firms and 1,000 daily trades by year end. For the year, over 50,000 trades were processed at a value of 18 billion dollars.

NSCC has continued its efforts to ensure that the municipal industry realizes the full benefits of the automated Municipal Bond Comparison

System. In 1990, NSCC received SEC approval to expand its Municipal Bond Netting Program to include regular-way trades for DTC-eligible, book-entry-only municipal securities. One hundred fifty-two firms are participating in the netting program. During 1990, CNS settlement of when-issued and regular-way trades amounted to more than 215,000 sides with a par value of \$72 billion.

NSCC's mutual funds services experienced significant increases in both participation and performance. Fund/SERV, introduced in 1986 with 6 participants transacting 15 orders a day, has grown to 150 participants and over 10,000 daily orders worth \$121.4 million in settlement dollars. In addition, participation in Networking, implemented in 1989, increased by 70% bringing the total number of participants to 46. The number of sub-accounts added to the system tripled, reaching a year-end total of 900,000. As an add-on feature to Fund/SERV, NSCC introduced the Dividend Declaration and Year-End Reallocation Service. Mutual funds groups can use the new service to announce upcoming dividend distributions and report year-end reallocation information.

NSCC renewed its commitment to automating the processing of mutual funds by announcing the redesign of Fund/SERV. The redesign, a joint effort between NSCC and the users of its mutual funds services, will address the system's ability to handle additional mutual funds products, flexible settlement cycle processing and system efficiency. Flexible settlement processing will allow NSCC to process products with other than the traditional five-day settlement cycle, such as no-load and money market funds that settle next day and same day, respectively. To address technical efficiency, development of the system will be folded into NSCC's commitment to new technology.



Open and effective dialogue with our participants is critical in expanding our traditional product base and assessing future needs. (Right) John Cirrito, Senior Vice President, Prudential Securities Incorporated.

Steve M. Labriola
Senior Vice President,
Marketing and Corporate Communications,
NSCC

The products and services offered by NSCC continually reflect the changes in financial instruments and the marketplaces in which they are traded. Because the markets are dynamic in nature and continue to become more sophisticated, NSCC as well as its subsidiary, International Securities Clearing Corporation (ISCC) and its affiliate, Government Securities Clearing Corporation (GSCC), constantly reassess their services, products and systems.

Committed to improving the comparison rate and reducing member firms' exposure on problem transactions, NSCC enhanced its OTC locked-in trade processing stream to accept transactions from ACT, the NASD's on-line trade reporting and comparison system whose use was mandated in 1990. ACT trades are reported to NSCC as locked-in which lowers the potential exposure on price movements for unmatched trades.

To reduce the interdependencies of the exchanges and to prevent delays in output availability as a result of processing problems at either the NYSE or Amex, NSCC modified its Listed Equity Clearance System to split all processing including print and machine-readable comparison output by the market of execution. Splitting T-Contracts, T+1 Regular-Way Contracts and Adjustment Contracts by exchange ensures that output is not delayed for all markets in the event that input from one is late.

In February, the NYSE and Amex moved the start of their unresolved trade close-out processes forward to the afternoon of T+1. NSCC accommodated these changes by modifying its processing and specialist and broker reporting. Also, as part of the industry effort to accelerate the trade processing cycles, NSCC enhanced its Correspondent Clearing

Service to accept earlier trade input and provide earlier trade output.

Throughout 1990, ISCC worked with a number of internationally active broker/dealers in a cooperative venture to form a centralized clearing network to provide clearance, settlement and custody in over 25 international markets. ISCC expects to offer this global clearance network, for which ISCC will be the access point for participants'

transactions, in the fourth quarter of 1991. ISCC continued in 1990 to serve as a focal point for foreign clearing and depository organizations in providing access to NSCC and DTC for American securities clearing and custody services, as well as for those more generally seeking information about the U.S. industry's infrastructure. ISCC was invited to join a U.S. delegation in Budapest, Hungary, and to serve on and provide technical advice to several international committees including the SEC's Emerging Markets Advisory Committee, International Society of Securities Administrators (ISSA) and Fédération Internationale des Bourses de Valeurs (FIBV).

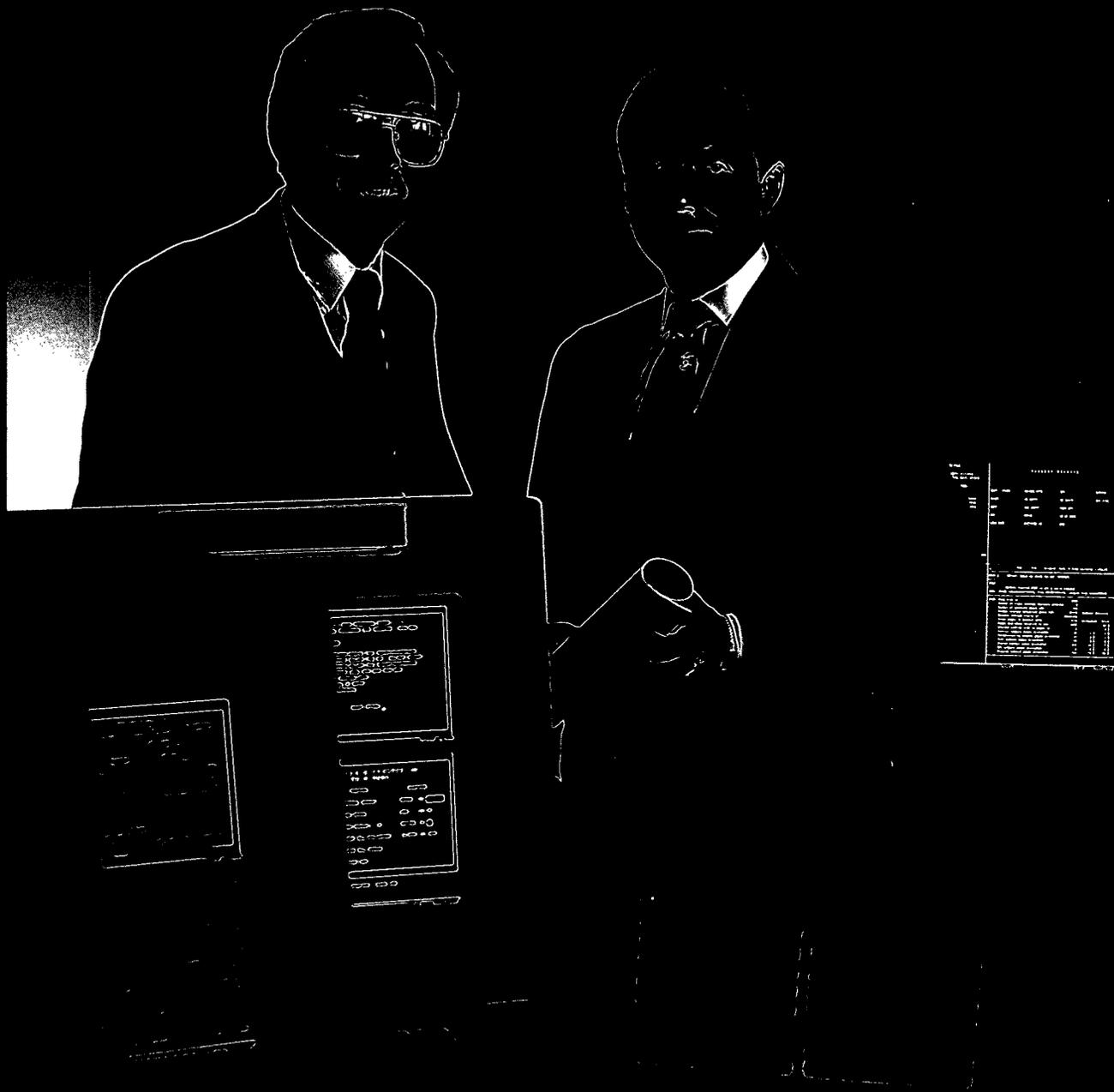
GSCC instituted several enhancements to its Comparison and Netting Services to further address the needs of the government securities marketplace. Chief among these was the April implementation of systems changes to accommodate the netting of when-issued and forward-settling trades in all government securities products, a step which provided substantial risk reduction and cost savings benefits to the industry. The success of the new process was most evident on the three subsequent quarterly refinancing settlement dates when 98,178 trades in the refunding issues with a dollar value of \$767.2 billion were netted to 1,976 residual settlement obligations valued at \$78.5 billion, indicating a transaction netting factor of 98% and a funds netting factor of 89.8%. In 1990, the Netting System was also expanded to include Agencies and Strips; all transactions in Fed book-entry securities are now eligible for the net. GSCC continues to add enhancements to its Comparison and Netting Services. Plans for 1991 include adding Treasury auction purchases to the net, a customer report card and netting of correspondent trades.

NSCC modified its comparison systems in support of the marketplaces' implementation of on-line correction systems designed to compress the trade resolution process. (Left) Catherine R. Kinney, Executive Vice President, New York Stock Exchange, Inc.

**Robert A. Schultz
Executive Vice
President, Planning
and Operations, NSCC**



“Through standardization, centralization and automation, NSCC has provided responsive and cost-effective solutions to meet the processing requirements of the continually evolving marketplaces it serves.”



“NSCC’s commitment to the innovative use of state-of-the-art technology positions us to anticipate our participants’ processing needs and to respond rapidly to the growth of new investment products.”

Technology has been NSCC's primary tool for responding to participants' varying needs in multiple financial markets and diverse geographic locations since the company's formation in 1976. To respond quickly to the industry's rapidly evolving needs, NSCC has embarked on a long-range automation planning effort that focuses on systems capacity, connectivity, development technologies and interactive processing.

Information engineering, a key building block in NSCC's long-range automation plan, permits rapid and effective systems development. (Right) John G. Ginelli, Vice President/Group Manager, Merrill Lynch, Pierce, Fenner & Smith Inc.

Since its inception, NSCC has recognized the critical importance of being prepared to handle peak-volume days and has been aggressive in its strategy of upgrading computer systems capacity. To aid in the evaluation of computer capacity, NSCC has developed a capacity model of the post-trade systems. In September 1990, NSCC, in conjunction with the NYSE and SIAC, conducted a capacity test of the systems' major applications. The results of this test provided valuable input for the model. The results of running the model indicated that the systems could handle a 700 million-share day on the NYSE with proportional volume from other markets. Further systems upgrading is planned for 1991 to increase capacity another 20%. In 1990, NSCC also completed the planning for a dual-site data center at SIAC's corporate headquarters in Brooklyn which, when operational in late 1991, will significantly improve data center disaster recovery.

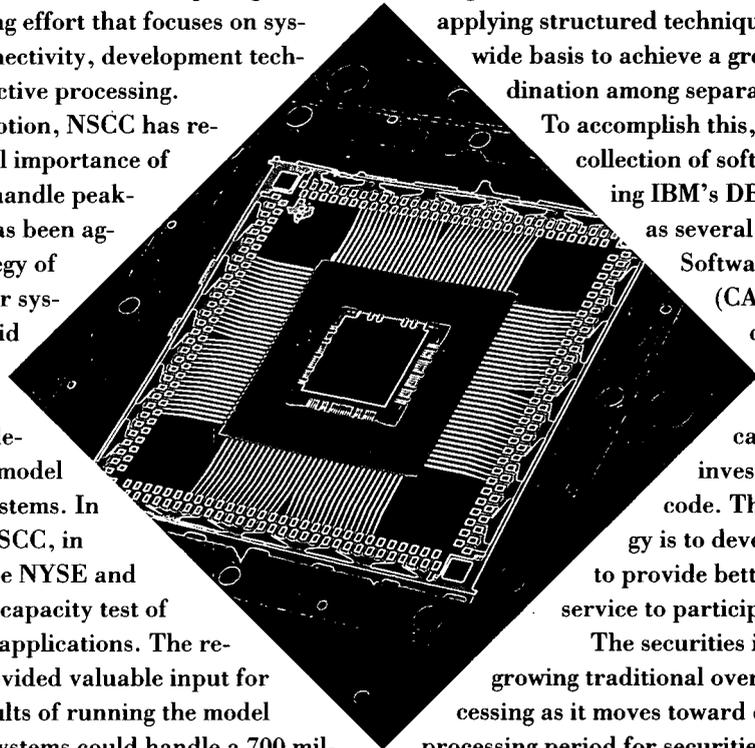
Improving the data communications connections, or connectivity, between NSCC's and participants' systems is an integral part of the long-range automation plan. In 1990, NSCC worked closely with participants to review their existing communications capacity against projected needs for an 850 million-share day and to recommend upgrades where needed. As part of the effort to improve connectivity, NSCC encourages participants to move to newer, more efficient protocols such as Network Data Mover and Systems Network Architecture for transmitting their data to NSCC for processing.

Development technology is also a critical element in the long-range automation plan. As participants' businesses evolve, NSCC must ensure that its

technology will enable it to respond rapidly to new processing needs. As part of its development technologies strategy, NSCC is in the process of organizing data so that it can be shared across processing systems, developing computer models to determine the optimum method for distributing data and applying structured techniques on a company-wide basis to achieve a greater degree of coordination among separately built systems.

To accomplish this, NSCC is using a collection of software tools, including IBM's DB2 database as well as several Computer Assisted Software Engineering (CASE) tools. This development technologies strategy will maximize the application of reusable investments in design and code. The goal of this strategy is to develop an architecture to provide better and more efficient service to participants.

The securities industry is fast outgrowing traditional overnight batch processing as it moves toward compressing the processing period for securities transactions. One objective of NSCC's long-range automation plan is to provide participants with a quality, state-of-the-art interactive processing system that is adaptable to participants' needs and requires minimal upfront investment by participants. In 1990, NSCC, as an interim step in the evolutionary transition to interactive processing, began offering multi-batch processing for equity trade submissions whereby participants can submit multiple files for processing. In addition, NSCC and DTC began development work on an interactive CNS link that would tie together NSCC's and DTC's processing. NSCC's risk management program will benefit from continuously updated information about positions that have settled in DTC.



Sandy Manata
Senior Vice
President, Planning,
NSCC

In 1990, NSCC, internally as well as externally within industry groups, took a progressive role in the industry's continuing efforts to maintain the U.S. national clearance and settlement system's position on the leading edge of efficiency and safety.

Internally, NSCC implemented two efforts in 1990 aimed at increasing NSCC's liquidity. In the first, NSCC, recognizing that it might face a delay in drawing on letters of credit, arranged a \$200 million committed line of credit, thus bridging the temporary liquidity gap. This amount, approximately half the historical size of the Clearing Fund, is the average amount of the Clearing Fund that is collateralized by members' letters of credit.

In the second effort, NSCC increased the minimum cash requirement for all participants who use letters of credit to the lesser of 10% of their total Clearing Fund requirement or \$1 million, again increasing NSCC's liquidity position. In addition, NSCC placed a cap on the amount of letters of credit that participants can use to collateralize obligations by imposing a 70% limitation on participants' use of letters of credit to meet Clearing Fund requirements.

Externally, the Securities Clearing Group (SCG), which is composed of SEC-registered clearing agencies and is chaired by NSCC, implemented

a consolidated database in 1990 to permit clearing corporations to share settlement and other risk information on participants in two or more of the agencies. Also under the auspices of the SCG, NSCC and DTC began to establish the legal framework for cross-liens of excess collateral of failed members. Another direct industry initiative in which NSCC has taken a leadership role includes the agreement between The Options Clearing Corporation (OCC) and NSCC to expand NSCC's guarantee of the settlement of the underlying securities resulting from OCC exercises and assignments. In exchange for this expanded guarantee, OCC committed to assume responsibility for losses incurred by NSCC, up to the full extent of margin held, if an OCC member defaults on its obligation to deliver or receive the underlying securities in



NSCC's systems. A third ongoing industry effort is the joint project undertaken by NSCC and DTC as part of the Group of Thirty initiative to improve clearing and settlement systems worldwide through standardization. NSCC and DTC are designing appropriate protective devices to allow movement to same-day funds settlement in accordance with Federal Reserve guidelines.

Because of the importance of, and NSCC's expertise in, clearance and settlement, NSCC was also called upon to participate in several other industry-wide initiatives in 1990 including the Federal Reserve Bank of New York Contingency Task Force formed following the demise of Drexel Burnham Lambert Incorporated; the American Bar Association Advisory Committee on Settlement of Market Transactions; and, the U.S. Working Committee Group of Thirty Clearance and Settlement Project. Through these internal and external efforts, NSCC will continue to be active in the evolutionary process of identifying, managing and containing clearance and settlement risks.

The accord reached with OCC will expand the guarantee of options exercises and assignments bringing more certainty to the marketplace. (Right) John C. Hiatt, Executive Vice President, The Options Clearing Corporation

Robert J. Woldow
*Executive Vice
President, General
Counsel and
Secretary, NSCC*



“Just as the ‘paperwork crunch’ of the late 1960s focused attention on improving back-office processing, the ‘market break of 1987’ proved the value of NSCC’s continued attention to risk management.”

The NSCC Board of Directors plays an integral role in policy development and the establishment of corporate objectives, financial management and operational planning at NSCC. Through its broad representation from the financial industry and high level of professional expertise in executive, financial and corporate management, the Board, in 1990, continued to provide short- and long-term direction in support of NSCC's goal of responding to participants' post-trade processing needs in a rapidly changing environment.

The Board of Directors, which was expanded to 18 members in 1989 when the NSCC and ISCC Boards were merged with members serving concurrent terms, is comprised of 14 Participant Directors elected from participating brokers, dealers and banks. In addition to the Participant Directors, the Board includes NSCC's President & CEO, David M. Kelly, and three Shareholder Directors: Donald J. Solodar, Jules L. Winters and C. Richard Justice who represent the New York Stock Exchange, Inc., American Stock Exchange, Inc. and National Association of Securities Dealers, Inc., respectively.

In late 1990, the Nominating Committee, with members selected from the executive ranks of participant organizations, began the annual electoral process by inviting participants to propose names of prospective Participant Directors. After reviewing submitted suggestions, the Nominating Committee proposed four candidates for three-year terms of office as Participant Directors. They included George F. Adam, Goldman, Sachs & Co., Marshall N. Carter, The Chase Manhattan Bank, N.A., Douglas J. Engmann, Sage Clearing Corporation and George C. McNamee, First Albany Corporation.

These nominees became Directors at the Board's Annual Meeting in May 1991 to succeed retiring Directors William P. Behrens and David L. Roscoe and two open seats left by Fenton R. Talbott and James M. Avena who resigned in September and December 1990, respectively. The New York Stock Exchange, Inc. appointed Catherine R. Kinney to complete the term of Shareholder Director Donald J. Solodar. Jules L. Winters, Shareholder Director from the American Stock Exchange, Inc., was appointed by the Exchange to serve an additional term. Gates H. Hawn and Howard A. Shallcross were nominated to serve additional one-year terms.

GSCC's separate 15-member Board of Directors represents participants in GSCC, a full-service clearing corporation providing automated comparison and netting services for next-day and forward-settling transactions in Treasury Bills, Bonds, Notes and non-mortgage backed Agency securities. Twelve members of the Board of Directors are Participant Shareholder Directors representing six dealers, three brokers and three clearing agent banks. Additional members include two NSCC-Designated Directors and the President of GSCC.

All 12 Participant Director seats were up for election in 1991, the first time since the original Board was elected in August 1988. At the Annual Shareholders Meeting held in April, James P. Mahoney, Morgan Stanley & Co. Incorporated, Joseph A. Malvasio, Cantor Fitzgerald Securities Corp., Sal Ricca, The Sequor Group, and Arthur L. Thomas, Merrill Lynch, were each elected to serve one-year terms on the Board. Jorge A. Brathwaite, The Bank of New York, John M. Gavin, Jr., RMJ Securities Corporation, Kenneth J. Halpin, Discount Corporation of New York, and John G. Macfarlane III, Salomon Brothers Inc, were elected to serve two-year terms, and Thomas J. Basile, Carroll McEntee & McGinley Incorporated, Allen B. Clark, Manufacturers Hanover Trust Company, Frank D. Cuoco, Jr., Garban Ltd., and Bruce R. Lakefield, Lehman Government Securities, Inc. were elected to three-year terms. In addition, David M. Kelly, NSCC, and M. Andrew Threadgold, J.P. Morgan Securities Inc., were appointed as the NSCC-Designated Directors. Charles A. Moran, GSCC, will continue to serve as the Management Director.



**NSCC and ISCC
Board of Directors**
(clockwise from top left)

Carlos A. Salvatori
Vice President
Division Executive-
Worldwide Securities
Services
Citibank, N.A.

Darryl L. Pope
Principal, Operations
Edward D. Jones & Co.

David W. Niemiec
Vice Chairman
Dillon, Read & Co. Inc.

Robert H. Benmosche
Executive Vice President
PaineWebber
Incorporated

David L. Roscoe III
Managing Director
J.P. Morgan Securities Inc.

Jules L. Winters
Executive Vice President,
Operations
American Stock
Exchange, Inc.

Raymond E. Wooldridge
President & COO
Southwest Securities
Incorporated

William P. Behrens
Senior Managing Director
Ernst & Company

Gates H. Hawn
Chief Operating Officer
Pershing Division of
Donaldson, Lufkin &
Jenrette Securities
Corporation

Howard A. Shallcross
Chairman of the Board,
NSCC
Senior Vice President
Merrill Lynch Equity
Markets
Chairman & CEO
Broadcort Capital Corp.

David M. Kelly
Chairman of the Board,
ISCC
President & CEO
National Securities
Clearing Corporation

Walter F. Siebecker
Executive Vice President
Smith Barney, Harris
Upham & Co.
Incorporated

Bruce E. Geismar
Senior Managing Director
Bear, Stearns & Co. Inc.

Not Pictured:

Joseph Anastasio
Managing Director
Salomon Brothers Inc

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

Donald J. Solodar
Executive Vice President
New York Stock
Exchange, Inc.



GSCC Board of Directors
(clockwise from top left)

William D. Riley
*Senior Vice President
NFS Services Inc.*

Kenneth J. Halpin
*Chief Financial Officer,
Senior Vice President &
Treasurer
Discount Corporation of
New York*

Leonard C. Monteleone
*Vice President
RMJ Securities
Corporation*

John G. Macfarlane III
*Managing Director and
Treasurer
Salomon Brothers Inc*

David M. Kelly
*President & CEO
National Securities
Clearing Corporation*

James P. Mahoney
*Principal
Morgan Stanley & Co.
Incorporated*

Thomas J. Basile
*Executive Managing
Director, Administration
& Operations
Carroll McEntee &
McGinley Incorporated*

Joseph A. Malvasio
*Executive Vice President
Cantor Fitzgerald
Securities Corp.*

M. Andrew Threadgold
*Managing Director
J.P. Morgan Securities
Inc.*

Sal Ricca
*President
The Sequor Group*

Bruce R. Lakefield
*Chairman of the Board
Senior Executive Vice
President
Lehman Government
Securities, Inc.*

Jorge A. Brathwaite
*Senior Vice President
The Bank of New York*

Frank D. Cuoco, Jr.
*Executive Vice President
Garban Ltd.*

Allen B. Clark
*Vice President
Manufacturers Hanover
Trust Company*

Charles A. Moran
*President
Government Securities
Clearing Corporation*

Consolidated Balance Sheet

National Securities Clearing Corporation

<i>(in thousands)</i>	December 31, 1990	December 31, 1989
Assets		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 57,052	\$ 47,059
Temporary investments at cost (approximates market)	125,557	88,750
Accounts receivable	5,004	5,172
Settlement accounts receivable	1,433	2,174
Other current assets	413	452
Total current assets	189,459	143,607
Clearing fund	190,962	259,322
Fixed assets, less accumulated depreciation of \$2,727 and \$2,349 at December 31, 1990 and 1989, respectively	1,473	928
Deposits and other noncurrent assets	7,869	8,116
Total assets	\$389,763	\$411,973
Liabilities and Shareholders' Equity		
<i>Current liabilities:</i>		
Accounts payable	\$ 8,189	\$ 6,053
Settlement accounts payable	63,159	50,756
Other	4,820	5,543
Total current liabilities	76,168	62,352
Clearing fund:		
Participants' cash deposits	108,633	74,049
Other participant deposits	190,962	259,322
	299,595	333,371
Notes payable	—	3,250
Commitments and contingent liabilities (Note 7)		
<i>Shareholders' equity:</i>		
Common stock authorized, issued and outstanding; 30,000 shares of \$.50 par value	15	15
Capital in excess of par	885	885
Retained earnings	13,100	12,100
	14,000	13,000
Total liabilities and shareholders' equity	\$389,763	\$411,973

The accompanying notes are an integral part of this statement.

Consolidated Statement of Income and Retained Earnings

National Securities Clearing Corporation

<i>(for the year ended, in thousands)</i>	December 31, 1990	December 31, 1989
Revenues:		
Revenue from clearing services	\$74,718	\$74,735
Interest income	5,771	4,977
Total revenues	80,489	79,712
Expenses:		
Securities Industry Automation		
Corporation processing expenses	44,291	42,762
The Depository Trust Company fees	15,268	16,268
General and administrative	19,206	18,439
Total expenses	78,765	77,469
Income before income taxes	1,724	2,243
Provision for income taxes	724	897
Net income	1,000	1,346
Retained earnings, beginning of year	12,100	10,754
Retained earnings, end of year	\$13,100	\$12,100

The accompanying notes are an integral part of this statement.

Consolidated Statement of Cash Flows

National Securities Clearing Corporation

<i>(for the year ended, in thousands)</i>	December 31, 1990	December 31, 1989
Cash flows from operating activities:		
Net income	\$ 1,000	\$ 1,346
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	378	385
Changes in operating assets and liabilities:		
Decrease in accounts receivable	168	386
Decrease in settlement accounts receivable	741	1,009
Decrease in other current assets	39	518
Decrease (increase) in deposits and other noncurrent assets	247	(841)
Increase (decrease) in accounts payable	2,136	(1,194)
Increase (decrease) in settlement accounts payable	12,403	(17,450)
Decrease in other current liabilities	(723)	(244)
Increase in clearing fund participants' cash deposits	34,584	8,141
Net cash provided (used) by operating activities	50,973	(7,944)
Cash flows from financing and investing activities:		
(Increase) decrease in temporary investments	(36,807)	1,652
Purchases of fixed assets	(923)	(188)
Redemption of notes payable	(3,250)	—
Net cash (used) provided by financing and investing activities	(40,980)	1,464
Net increase (decrease) in cash and cash equivalents	9,993	(6,480)
Cash and cash equivalents, beginning of year	47,059	53,539
Cash and cash equivalents, end of year	\$ 57,052	\$ 47,059
Supplementary disclosures:		
Income taxes paid	\$ 1,344	\$ 1,052
Interest paid	439	293

The accompanying notes are an integral part of this statement.

Note 1 Organization and Operations:

National Securities Clearing Corporation (NSCC – the Company), a clearing agency registered with the Securities and Exchange Commission (SEC), provides various services to the financial community, consisting principally of securities trade comparison, clearance and settlement. The Company's common stock is 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 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 supports U.S. brokers, dealers and banks through bilateral linkages with central clearing and depository organizations in other countries.

The Board of Directors of the Company determines the amount of net earnings to be retained in a given year, having due regard to current and anticipated needs. The Company has not historically declared dividends to shareholders, but has provided discounts on its billings to participants of \$15,727,000 and \$6,058,000 in 1990 and 1989, respectively. Revenue from clearing services is shown net of such discounts.

Note 2 Summary of Significant Accounting Policies:

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ISCC. All significant intercompany accounts and transactions are eliminated in consolidation.

The Company accounts for its investment in Government Securities Clearing Corporation (GSCC), an entity formed to provide automated U.S. Government securities trade comparison and netting services to participant brokers, dealers and banks, using the equity method of accounting. The Company's ownership interest in GSCC was approximately 18% and 19% at December 31, 1990 and 1989, respectively.

Cash and cash equivalents: The Company's investment policy allows for the investment of funds in overnight reverse repurchase agreements. Such agreements provide for the Company's delivery of cash in exchange for securities having a market value of at least 102% of the amount of the agreement. An independent custodian designated by the Company takes possession of the securities. Investments under reverse repurchase agreements amounted to \$50,000,000 and \$37,000,000 at December 31, 1990 and 1989, respectively. The counterparty to these agreements was a single financial institution. The Company considers such overnight reverse repurchase agreements to be cash equivalents.

Temporary investments: Temporary investments consist of U.S. Treasury securities maturing primarily in less than one year, and are carried at cost adjusted for amortization of premiums and accretion of discounts. Included in temporary investments at December 31, 1990 and 1989 were \$54,190,000 and \$41,540,000 respectively, held in an account for the exclusive benefit of participants to facilitate participants' compliance with customer segregation rules of the SEC.

Settlement accounts: Settlement accounts receivable and payable arise from one-day time lags in the cash settlement process between the Company and participants and 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 in the financial statements on the basis of one-day earlier Clearing House Funds.

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

Note 3 Participants' Clearing Fund Deposits:

The rules of the Company require certain participants to maintain minimum clearing fund deposits based on calculated requirements. The consolidated clearing fund balance includes the NSCC and ISCC clearing funds, which are available to secure respective participant obligations and certain liabilities of NSCC and ISCC, should they occur. Clearing fund requirements and cash in excess of calculated requirements amounted to \$299,595,000 and \$333,371,000 at December 31, 1990 and 1989, respectively. Total clearing fund deposits held at December 31, 1990 consisted of \$108,633,000 in cash, \$105,443,000 in market value of securities issued or guaranteed by the U.S. Government, its states and their political subdivisions, and \$202,773,000 in letters of credit issued by authorized banks; comparative amounts as of December 31, 1989 were \$74,049,000, \$65,848,000 and \$361,222,000, respectively.

In January 1991, the Company entered into a \$200,000,000 line of credit agreement with a major U.S. bank to mitigate the liquidity risk associated with letters of credit received as clearing fund deposits.

Note 4 Transactions with Related Parties:

SIAC and DTC: Under the terms of an agreement, the Securities Industry Automation Corporation (SIAC), an entity owned by NYSE and Amex, provides facilities, personnel and services in support of the Company's operations. SIAC charges NSCC for these services based on its direct, computer and overhead costs arising from providing such services.

The agreement has no expiration date and continues in effect unless satisfactory written notice of cancellation is given by either party.

NYSE, Amex and NASD: NSCC collects regulatory fees on behalf of NYSE, Amex and NASD. At December 31, 1990 and 1989, no regulatory fees were due NYSE, Amex or NASD.

GSCC: The Company has entered into an agreement with GSCC to provide various computer and other support services and office facilities. Charges under this agreement are based on the Company's cost of providing these services. The agreement expires in 1993; however, it will continue in effect unless notice of cancellation is given by either party. Costs under this agreement amounted to \$4,756,000 and \$4,557,000 in 1990 and 1989, respectively. The Company's general and administrative expenses are presented net of these amounts. At December 31, 1990 and 1989, receivables from GSCC amounted to \$495,000 and \$264,000 respectively.

The Company sublets a portion of its office space to SIAC. Rental payments received from SIAC amounted to \$1,442,000 in 1990 and \$1,605,000 in 1989.

NYSE, Amex and NASD own minority interests in The Depository Trust Company (DTC), whose facilities are used by the Company. DTC fees included \$11,234,000 and \$12,070,000, net of rebates, in 1990 and 1989, respectively, relating to charges for NSCC participants which the Company sponsors at DTC. NSCC passes through these charges directly to the sponsored participants. In addition, the Company rents certain office space from DTC. Rental payments amounted to \$795,000 in each of the years 1990 and 1989.

Amounts payable at December 31, 1990 to SIAC and DTC were \$4,269,000 and \$338,000, respectively (\$3,856,000 and \$686,000, respectively, at December 31, 1989).

Note 5 Income Taxes:

The Company and ISCC file consolidated Federal and combined New York State and combined New York City income tax returns. The difference between the Company's 42.0% effective tax rate for the year ended December 31, 1990 (40.0% for the year ended December 31, 1989) and the 34% federal statutory tax rate, is primarily attributable to state and local taxes.

Statement of financial Accounting Standards (SFAS) No. 96, *Accounting for Income Taxes*, mandates the liability method for computing deferred income taxes. The Company intends to adopt SFAS 96 when adoption becomes mandatory which presently is 1992. Adoption of this Statement is not expected to have a significant effect on the Company's financial position or results of operations.

Note 6 Pension Plans:

The Company has a trustee noncontributory defined benefit pension plan covering substantially all employees. Benefits under this plan are based on employees' years of service and compensation during the years immediately preceding retirement. The Company's funding policy is to make contributions under the plan that meet or exceed the minimum funding standards under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986, as amended. The Company also has a noncontributory supplemental executive retirement plan which provides for certain benefits to identified executives of the Company upon retirement which are in addition to benefits provided by the defined benefit pension plan. The Company's funding policy with regard to this plan is to fund benefits accruing to employees meeting certain requirements of the plan. Aggregate pension costs for 1990 and 1989 for both plans are summarized as follows:

	1990	1989
Service cost	\$ 700,314	\$ 508,607
Interest cost	362,730	267,692
Actual return on plan assets	(108,276)	(580,789)
Net amortization and deferral	(109,841)	417,533
Total pension cost	\$ 844,927	\$ 613,043

The funded status of the plans at December 31, 1990 and 1989 is as follows:

	1990	1989
Actuarial present value of benefit obligations:		
Vested benefit obligations	(\$1,855,770)	(\$1,506,747)
Nonvested benefit obligations	(421,624)	(322,088)
Accumulated benefit obligations	(2,277,394)	(1,828,835)
Effect of salary projections	(2,768,546)	(2,301,319)
Projected benefit obligations	(5,045,940)	(4,130,154)
Fair value of plan assets	4,112,418	3,017,342
Plan assets less than projected benefit obligations	(933,522)	(1,112,812)
Unrecognized net gain	(299,203)	(165,816)
Unrecognized prior service cost	(57,810)	(191,164)
Unrecognized transitional liability	329,098	449,417
Accrued pension cost	(\$ 961,437)	(\$1,020,375)

The expected rate of return on plan assets was 8% in 1990 and 1989. The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of accumulated benefit obligations were 8.75% and 8%, respectively, in 1990 and 8.5% and 8%, respectively, in 1989.

(continued)

Note 7 Commitments and Contingent Liabilities:

The Continuous Net Settlement (CNS) system interposes the Company between participants in securities clearance and settlement. CNS transactions are guaranteed as of midnight on the day they are reported to the membership as compared. The failure of participants to deliver securities to the Company on settlement date, and the corresponding failure of the Company to redeliver the securities, results in open positions. Open positions are marked-to-market daily. Such marks are debited or credited to the involved participants through the settlement process. At the close of business on December 31, 1990, open positions due the Company approximated \$843,803,000 (\$580,322,000 at December 31, 1989), and open positions due by the Company to participants approximated \$514,837,000 (\$378,058,000 at December 31, 1989) for unsettled positions and \$328,966,000 (\$202,264,000 at December 31, 1989) for securities borrowed through the Company's Stock Borrow Program.

The Company also settles securities transactions for certain other regional clearing exchanges. At the close of business on December 31, 1990, open positions due from regional exchanges and due to NSCC participants approximated \$2,775,000 (\$6,168,000 at December 31, 1989), and open positions due to regional exchanges and due from NSCC participants approximated \$7,502,000 (\$3,845,000 at December 31, 1989).

In connection with an agreement that ISCC has with The International Stock Exchange (ISE) in London, ISCC has guaranteed the settlement obligations of ISCC's members at ISE and correspondingly, NSCC has guaranteed ISCC's obligations to ISE. ISCC's members collateralize such obligations by depositing clearing fund amounts with ISCC as required pursuant to the ISCC Member's Agreement. Throughout 1990 and 1989, ISCC had an unused 1,000,000 pound sterling line of credit with a major London bank.

Under the terms of the agreement with SIAC noted above, the Company is contingently liable for the cancellation of SIAC computer equipment leases in the amount of \$9,859,000 at December 31, 1990. In accordance with the agreement between NSCC and GSCC (see Note 4), \$1,557,000 of these contingent liabilities are passed through to GSCC.

Additionally, in connection with SIAC's establishment of a dual processing site, the Company has entered into an agreement indemnifying NYSE, the guarantor, for NSCC's proportionate share of SIAC's long-term lease obligations. The Company's contingent liability under this agreement is approximately \$2,000,000 per annum through 1998.

At December 31, 1990, future minimum annual rental payments under all noncancellable operating leases are as follows:

Year	Amount
1991	\$ 2,828,000
1992	2,853,000
1993	3,016,000
1994	3,217,000
1995	3,453,000
1996 and thereafter	4,951,000
Total minimum annual rental payments	\$20,318,000

Rental expense amounted to \$2,100,000 and \$1,804,000, which is net of rental reimbursements from SIAC of \$1,442,000 and \$1,605,000 in 1990 and 1989, respectively.

Note 8 Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk:

In the normal course of business, the Company is a party to financial instruments with off-balance-sheet risk inasmuch as the Company guarantees certain obligations of its participants under specified circumstances (see Note 7). If a participant fails to fulfill its obligations, the Company could be exposed to off-balance-sheet risk in excess of the amount recognized in the Company's settlement accounts receivable and payable.

The Company mitigates its exposure to off-balance-sheet risk by requiring participants to meet certain capital requirements which are in excess of SEC-mandated capital requirements, monitoring compliance with other financial standards established by the Company and by requiring participants to provide clearing fund deposits in the form of cash, marketable securities or letters of credit (see Note 3).

If a participant fails to fulfill its settlement obligations with the Company and the Company ceases to act on behalf of the participant, the Company would liquidate that participant's guaranteed security delivery and receipt obligations and apply the clearing fund deposit received to satisfy any net outstanding obligation and/or loss. In the event that a deficiency still exists, the Company is required to apply against the deficiency at least 25% of its retained earnings or such greater amount to be determined by the Board of Directors. The Company may assess the balance needed on a pro-rata basis to the remaining participants based upon their required clearing fund deposits.

As discussed in Note 1, the Company provides various services to members of the financial community who participate in securities trade comparison, clearance and settlement. As such, the Company has a significant group concentration of credit risk since its participants may be impacted by economic conditions affecting the securities industry.

Report of Independent Accountants

Branch Offices

Price Waterhouse 

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of National Securities Clearing Corporation and its subsidiary at December 31, 1990 and 1989, and the results of their operations and their 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

February 22, 1991

National Securities Clearing Corporation

Corporate Office
55 Water Street
New York, New York 10041
(212) 412-8400

Boston
One Boston Place
Boston, Massachusetts
02108

Chicago
135 South LaSalle Street
Chicago, Illinois
60603

Dallas
Plaza of the Americas
TCB Tower
Dallas, Texas
75201

Denver
Dominion Plaza
600 17th Street
Denver, Colorado
80202

Detroit
3153 Penobscot Building
Detroit, Michigan
48226

Los Angeles
727 West 7th Street
Los Angeles, California
90017

Minneapolis
IDS Center
80 South 8th Street
Minneapolis, Minnesota
55402

St. Louis
One Mercantile Tower
St. Louis, Missouri
63101

San Francisco
250 Montgomery Street
San Francisco, California
94104

Seattle
770 Century Square
Seattle, Washington
98101

Toronto
Two First Canadian Place
Toronto, Ontario, Canada
M5X 1A9

International Securities Clearing Corporation

Corporate Office
55 Water Street
New York, New York 10041
(212) 412-8400

Government Securities Clearing Corporation

Corporate Office
55 Water Street
New York, New York 10041
(212) 412-8400

Participating Organizations *(as of December 31, 1990)*

- ABD Securities Corporation
 Adams, Harkness & Hill, Inc.
 Adler, Coleman & Co., Inc.
 Advantage Capital Corporation
 Advest, Inc.
 J. Alexander Securities, Inc.
 Fred Alger & Company
 Incorporated
 Allen & Company Incorporated
 Allen Securities Corp.
 Alpine Associates
 Amalgamated Bank of New York
 American Brokerage Services
 Inc./ODC
 American Enterprise Investment
 Services Inc.
 American Securities Corporation
 American Stock Exchange Clearing
 Corporation
 Arnhold and S. Bleichroeder, Inc.
 Asiel & Co.
 BHF Securities Corporation
 BNY/ITC
 BNY/ITC Investment Dealer
 BT Brokerage Corporation
 Julius Baer Securities Inc.
 Baird, Patrick & Co., Inc.
 Robert W. Baird & Co.,
 Incorporated
 Bank of Montreal, New York
 Branch
 The Bank of New York
 The Bank of New York – Brokers
 Clearance
 Bankers Systems Brokerage
 Services, Inc.
 Bankers Trust Broker Clearing
 Unit
 Bankers Trust – Clearance
 Bankers Trust Company
 Bankers Trust/Investment
 Services
 Barclays Bank International
 Limited
 George K. Baum & Co.
 Bear, Stearns & Co. Inc.
 Bear, Stearns Specialist
 Bear, Stearns Specialists –
 NYSE
 Sanford C. Bernstein & Co., Inc.
 Bidwell & Company
 Charles W. Blair & Co., Inc.
 William Blair & Company
 Bocklett & Co.
 Bodell Overcash Anderson &
 Co., Inc.
 Boston Stock Exchange Clearing
 Corp.
 Boston Stock Exchange Specialists
 ABD Securities Corporation
 BHF Securities Corporation
 Burlington Securities Inc.
 Cantella & Co., Inc.
 The Chicago Corporation
 Corey, McTavish Trading
 Dean Witter Reynolds Inc.
 Dietrich & Company
 Ganoudis Securities
 Garden State Securities, Inc.
 Gowell Securities Corporation
 Hawthorne Securities
 Corporation
 Jefferies & Company, Inc.
 King, Keller, Inc.
 Meadowbrook Securities, Inc.
 Merrill Lynch Specialists, Inc.
 National Financial Services
 Corporation
 Ocean Hill Equities, Inc.
 PaineWebber Specialists, Inc.
 Pershing Division of
 Donaldson, Lufkin &
 Jenrette Securities
 Corporation
 Prescott, Ball & Turbin, Inc.
 J.C. Bradford & Co.
 Broadcoort Capital Corp.
 Brounoff, Claire & Co., Inc.
 Alex. Brown & Sons
 Incorporated
 Brown Brothers Harriman & Co.
 Brown & Company Securities
 Corporation
 Brown, Lisle/Cummings, Inc.
 P.R. Burke & Co., Inc.
 Burns Fry Hoare Govett Inc.
 Burns, Pauli & Co., Inc.
 Butler, Wick & Co., Inc.
 D.A. Campbell Company, Inc.
 Campbell, Waterman, Inc.
 Canadian Depository for
 Securities Limited
 Brault, Guy, O'Brien, Inc.
 Brawley Cathers Limited
 Bunting Warburg Inc.
 Burns Fry Limited
 Capital Group Securities
 Limited
 Cassels Blaikie & Co. Limited
 Connor, Clark & Company Ltd.
 Darier Canada Inc.
 Deacon Barclays de Zoete
 Wedd Limited
 Dean Witter Reynolds
 (Canada) Inc.
 Desjardins, Deragon,
 Langlois Ltd.
 Disnat Investment Inc.
 First Boston Canada Limited
 First Marathon Securities
 Limited
 Goldman Sachs Canada
 Gordon Capital Corporation
 Greenline Investor Services Inc.
 Guardian Trust Company
 L.O.M. Western Securities, Ltd.
 Lafferty, Harwood &
 Partners Ltd.
 Levesque Beaubien
 Geoffrion Inc.
 Loewen, Ondaatje,
 McCutcheon & Co., Ltd.
 MacDougall, MacDougall &
 MacTier Ltd.
 McNeil, Mantha, Inc.
 Meridian Securities
 International Ltd.
 Merit Investment Corporation
 Midland Walwyn Capital Corp.
 Nesbitt Thomson Deacon Inc.
 Odium Brown Limited
 Pictet (Canada) and
 Company, Limited
 Prudential Bache Securities
 Canada Ltd.
 RBC Dominion Securities Inc.
 Research Capital Corporation
 Richardson Greenshields of
 Canada Limited
 Sanwa McCarthy Securities
 Limited
 ScotiaMcLeod Inc.
 Thomson Kernaghan & Co.
 Ltd.
 Trust La Laurentienne du
 Canada
 Wood Gundy Inc.
 Yorkton Securities Inc.
 Canadian Imperial Bank of
 Commerce
 Cantella & Co.
 Cantor Fitzgerald & Co., Inc.
 Cantor Fitzgerald Corporate
 Brokers, Inc.
 S.B. Cantor & Co., Inc.
 Capital Shares, Inc.
 Carr Securities Corp.
 Carroll McEntee & McGinley
 Incorporated
 J.W. Charles Securities, Inc.
 The Chase Manhattan Bank, N.A.
 Chase Securities Inc.
 Chemical Bank
 Chemical Bank/CSI
 The Chicago Corporation
 S.W. Childs Management Corp.
 The Cincinnati Stock Exchange
 Citibank Dealer – Municipal
 Operations
 Citibank, N.A.
 Citibank – Private Banking
 Division
 Citizens and Southern Securities
 Corporation
 Coast Options Inc.
 Comerica Bank – Detroit
 Commerzbank Capital Markets
 Corporation
 Common Back Office Inc.
 The Connecticut Bank and
 Trust Company, N.A.
 Coughlin & Co., Inc.
 County NatWest Securities
 Corporation USA
 Cowen & Co.
 Craig-Hallum, Inc.
 Craigie Incorporated
 Cresvale International, Inc.
 Crowell, Weedon & Co.
 Custodial Trust Company
 Custodial Trust Company/PUP
 Dain Bosworth Incorporated
 Daiwa Securities America Inc.
 Datek Securities Corp.
 Daugherty, Cole Inc.
 Davenport & Co. of Virginia, Inc.
 D.A. Davidson & Co. Inc.
 Shelby Cullom Davis & Company
 Dean Witter Reynolds Inc.
 Deltec Securities Corporation
 Deutsche Bank Capital
 Corporation
 Diamant Investment Corp.
 Dillon, Read & Co. Inc.
 Doft & Co., Inc.
 Dominick & Dominick,
 Incorporated
 Easton & Co.
 A.G. Edwards & Sons, Inc.
 Einhorn & Co.
 Eppler, Guerin & Turner, Inc.
 Equico Securities, Inc.
 Equity Securities Trading Co., Inc.
 Ernst & Company
 Ernst Loan Services
 Exchange Services, Inc.
 Execution Services
 Incorporated
 Fagenson & Company, Inc.
 Fagenson & Company, Inc. –
 Retail
 Fahnestock & Co., Inc.
 Fechoor, Detwiler & Co., Inc.
 Fernandez, Bartsch & Mirra
 Financial Network Investment
 Corporation
 First Alabama Investments, Inc.
 First Albany Corporation
 The First Boston Corporation
 First Investor's Corporation
 First Manhattan Co.
 First of Michigan Corporation
 First Options of Chicago, Inc.
 First Southwest Company
 First Wachovia Brokerage
 Service 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.
 Gage-Wiley & Co., Inc.
 J.W. Gant & Associates, Inc.
 Geldermann Securities, Inc.
 Geldermann Securities, Inc. –
 Specialists
 Glickenhau & Co.
 Goldman, Sachs & Co.
 Gordon & Co.
 Gradison & Company
 Incorporated
 Griffin Financial Services
 Gruntal & Co., Incorporated
 Oscar Gruss & Son
 Incorporated

Hamilton Investments, Inc.
 John Hancock Clearing Corporation
 Hanifen, Imhoff Inc.
 J.F. Hartfield & Co., Inc.
 The Heitner Corporation
 Henderson Brothers, Inc.
 Herzog, Heine, Geduld, Inc.
 Hibbard Brown & Co., Inc.
 Hill, Thompson, Magid & Co., Inc.
 J.J.B. Hilliard, W.L. Lyons Inc.
 William R. Hough & Co.
 Howard, Weil, Labouisse, Friedrichs Incorporated
 Wayne Hummer & Co.
 Huntleigh Securities Corporation
 IBJ Schroder Bank & Trust Co.
 INC Trading Corporation
 Icahn & Co., Inc.
 Ingalls & Snyder
 Instant Funds Incorporated
 Instinet Corporation
 Interstate/Johnson Lane Corporation
 InvestNet Corporation
 JJC Specialist Corp.
 JMS Execution Services
 Benjamin Jacobson & Sons
 Janney Montgomery Scott Inc.
 Jefferies & Co., Inc.
 Jesup Josephthal & Co., Inc.
 Edward D. Jones & Co.
 S.A. Judah & Co., Inc.
 K K & Company
 Kalb, Voorhis & Co.
 KanKaKu Securities (America) Inc.
 H. Kawano & Co., Inc.
 Kellner, DiLeo & Co.
 Kellogg Equities Execution
 Kemper Clearing Corp.
 J.J. Kenny Drake, Inc.
 Kessler, Asher Clearing Inc.
 Kidder, Peabody & Co. Incorporated
 Kimball & Cross
 C.L. King & Associates, Inc.
 Koonce Securities Inc.
 Henry Krieger/DBI L.P.
 LIT America, Inc.
 LIT America, Inc./DOT
 LIT America, Inc./DOT2
 LIT America, Inc. Securities Lending
 LIT Trading
 LaBranche & Co.
 Emmett A. Larkin Co., Inc.
 Lashco, Inc.
 Lashco, Inc. - Account No. 2
 Lasker, Stone & Stern
 C.J. Lawrence, Morgan Grenfell, Inc.
 Lawrence, O'Donnell, Marcus & Co.
 Lazard Freres & Co.

Legg Mason Wood Walker Incorporated
 Lewco Securities Corp.
 Liberty Street Trust Company
 MKI Securities Corp.
 MML Investors Services, Inc.
 MN Services
 MS Securities Services Inc.
 Mabon, Nugent & Co.
 MacAllaster Pitfield Mackay Inc.
 Bernard L. Madoff
 Manufacturers and Traders Trust Company
 Manufacturers Correspondent Clearing Services
 Manufacturers Hanover Securities Corporation
 Manufacturers Hanover Trust Company
 Manufacturers Hanover Trust Company - Municipal Dealer Operations
 Marcus Schloss & Co., Inc.
 Marine Midland Bank - New York
 Marketing One Securities, Inc.
 Mayer & Schweitzer, Inc.
 McCourtney-Breckenridge & Company
 McDaniel Lewis & Co.
 McDonald & Company Securities, Inc.
 M.J. Meehan & Co.
 Mellon Bank, N.A.
 Mellon Securities Trust Co.
 Mercator Partners
 Mericka & Co., Inc.
 Merrill Lynch, Pierce, Fenner & Smith Inc.
 Merrill Lynch, Pierce, Fenner & Smith Inc. - Securities Lending
 Merrimack Valley Investment Inc.
 Mesirow Capital, Inc.
 Midland Walwyn Capital Corporation
 Midwest Clearing Corporation
 Bartlett & Co.
 Equitable Securities Corporation
 Howe, Barnes & Johnson, Inc.
 The Ohio Company
 Stephens Inc.
 Montgomery Securities
 Morgan Guaranty Trust Company of New York
 J.P. Morgan Securities Inc.
 J.P. Morgan Securities Inc. - Fixed Income Division
 Morgan, Keegan & Company, Inc.
 Morgan Stanley & Co. Incorporated
 Murphey, Marseilles, Smith & Nammack, Inc.
 Murphy & Durieu
 NB Clearing Corporation
 NFSCO - Stock Loan
 National Financial Services Corporation
 National Westminster Bank N.J.

National Westminster Bank USA
 Neuberger & Berman
 New Japan Securities International, Inc.
 New Windsor Associates, L.P.
 Newbridge Securities Inc.
 The Nikko Securities Co. International, Inc.
 Nomura Securities International, Inc.
 The Northern Trust Company - Trust Income Collections
 John Nuveen & Co. Incorporated
 O'Connor & Associates
 Offerman & Co., Inc.
 Olde Discount Corporation
 Oppenheimer & Co., Inc.
 Pacific Brokerage Services, Inc.
 Pacific Stock Exchange Specialist Account
 ABD Securities Corporation
 AGF Securities Inc.
 Adams-Fastnow Company, Inc.
 The Chicago Corporation
 Crowell, Weedon & Co.
 D.A. Davidson & Co. Inc.
 Dean Witter Reynolds Inc.
 Donaldson, Lufkin & Jenrette Securities Corp.
 Garat & Co.
 Goldberg Securities, Inc.
 Shiels Hoelscher & Co.
 Hopkins, Harbach & Co.
 Jefferies & Company, Inc.
 Kemper Securities Group, Inc.
 Ronald E. Melville, Inc.
 Merrill Lynch Specialists Inc.
 Mesirow Capital, Inc.
 Mitchum Securities, Inc.
 National Financial Services Corporation
 PSE LA SCOREX
 PSE SF SCOREX
 PaineWebber Specialists Inc.
 Post 96 Partners
 Seidler Amdec Securities Inc.
 Shearson Lehman Brothers Inc.
 TCW Inc.
 Wedbush Securities, Inc.
 Weeden & Co.
 Don C. Whitaker Inc.
 L.W. Wilson & Co., Inc.
 PaineWebber Incorporated
 PaineWebber Specialists, Incorporated - deCordova Division
 S.C. Parker & Co., Inc.
 H.M. Payson & Co.
 Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation
 Pflueger & Baerwald Inc.
 Carl H. Pforzheimer & Co.

Piper, Jaffray & Hopwood Incorporated
 Porter, White & Yardley, Inc.
 Preferred Technology, Inc.
 Prudential-Bache Securities Inc.
 E.J. Quinn & Co., Inc.
 RAF Financial Corporation
 RBC Dominion Securities Corporation
 R.J. Stock Lending
 RSF Partners
 Ragen, MacKenzie Incorporated
 Rauscher Pierce Refsnes, Inc.
 Raymond, James & Associates, Inc.
 W.H. Reaves & Co., Inc.
 Refco Securities, Inc.
 Refco Securities Inc./HTC
 Refco Securities, Inc./Stock Loan
 Richardson Greenshields Securities Inc.
 M. Rimson & Co., Inc.
 Robb, Peck, McCooney Clearing Corporation
 Robertson, Stephens & Company
 Rodman & Renshaw, Inc.
 Rodman & Renshaw, Inc./Account No. 2
 Roney & Co.
 Roosevelt & Cross, Incorporated
 Roulston Research Corp.
 SBCI Swiss Bank Corporation
 Investment banking Inc.
 SLS Clearance
 SLS Securities Limited Partnership
 Sage Clearing Corporation
 Sage Clearing/Executions
 Sage, Ruddy & Co., Inc.
 Sage-Chicago L.P.
 Salomon Brothers Inc
 Santa Barbara Bank & Trust
 M.A. Schapiro & Co., Inc.
 Charles Schwab & Co., Inc.
 ScotiaMcLeod (USA) Inc.
 Scott & Stringfellow Investment Corporation
 Seasingood & Mayer
 Seattle Northwest Securities Corporation
 Security Pacific Loan Group
 Security Pacific National Trust Company
 Morton Seidel & Co., Inc.
 Shearson Lehman Brothers Inc.
 Smith Barney, Harris Upham & Co. Incorporated
 Smith, Moore & Co.
 Smith New Court, Carl Marks Inc.
 Soci t  Generale Securities Corporation
 Southwest Securities Incorporated
 Spear, Leeds & Kellogg
 Spear Securities, Inc.
 State Street Bank and Trust Company, N.A.

Participating Organizations *(as of December 31, 1990)*

- P.J. Steichen & Co.
Stern & Kennedy
M.L. Stern & Co., Inc.
Sterne, Agee & Leach, Inc.
Stifel, Nicolaus & Company
Incorporated
Stock Clearing Corporation of
Philadelphia
BHC Securities, Inc.
Susquehanna Investment
Group
StockCross, Inc.
Stokes, Hoyt & Co.
Stone & Youngberg
J. Streicher & Co.
Sutro & Co. Incorporated
Henry F. Swift & Co.
Swiss American Securities, Inc.
Timber Hill, Inc.
The Toronto-Dominion Bank
Transatlantic Securities
Company
Tucker Anthony Incorporated
UBS Securities Inc.
U.S. Clearing Corporation
Unified Management
Corporation
United Missouri Bank
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.
W & D Securities, Inc.
WSI Stock Loan
Wachtel & Co., Inc.
Wagner Stott Clearing Corp.
Wagner Stott Clearing
Corp./Cohen Feit & Co.
Wagner, Stott & Co.
Wall Street Equities, Inc.
Wall Street Investment Services
Walnut Street Securities, Inc.
S.G. Warburg & Co., Inc.
Waterhouse Securities Inc.
Weber, Hall, Sale & Associates, Inc.
Wechsler & Krumholz, Inc.
Wedbush Morgan Securities, Inc.
Weiss, Peck & Greer
H.G. Wellington & Co., Inc.
Wells Fargo Bank, N.A.
Wells Fargo Institutional Trust
Company
Wheat, First Securities, Inc.
Thomas F. White & Co., Inc.
Williams Securities Group, Inc.
Wilshire Associates Incorporated
Wolfe & Hurst Bond Brokers, Inc.
Arthur W. Wood Company
Wood Gundy Corp.
Yamaichi International
(America), Inc.
B.C. Ziegler & Company
Ziegler Thrift Trading, Inc.
- For Municipal Comparison Only**
Acker, Wolman Securities Corp.
Adams McEntee, Fleet Norstar
Securities, Inc.
American National Bank –
St. Paul
American National Bank & Trust
Company of Chicago
American Security Bank, N.A.
(Washington, D.C.)
AmSouth Bank, N.A.
BT Securities Corporation
Banc One Capital Corporation
Bank IV Wichita, N.A.
Bank of America, BISD Dealer –
Portfolio
Bank of California
Bank of Hawaii
The Bank of New York
Society National Bank
Texas Independent Bank
Valley Fidelity Bank &
Trust Company
Bank of Oklahoma, N.A.
Bank One, Indianapolis, N.A.
Bank One, Milwaukee, NA
Bankers Trust Company
Cantor Fitzgerald & Co.,
Inc. – Retail Dealer
Citizens First National
Bank of New Jersey
Citizens Trust Company
Crestar Bank
First Commercial Bank of
Little Rock
First Florida Bank, N.A.
First Interstate Bank of
Nevada, N.A.
Grigsby, Brandford & Co., Inc.
Midlantic National Bank
E.A. Moos & Co. Incorporated
National City Bank, Cleveland
Pacifcorp Capital Securities,
Inc.
D.A. Pincus & Co., Inc.
R. Seelaus & Co., Inc.
William E. Simon & Sons
Municipal Securities, Inc.
Sterling, Grace Municipal
Securities Corporation
The Summit Trust Company
Barnett Bank of Jacksonville,
N.A.
Barr Brothers & Co., Inc.
BayBank Boston, N.A.
Boatmen's National Bank of
St. Louis – Dealer Account
Branch Banking & Trust Co.
Broadway Financial Investment
& Services Corp.
Clayton Brown & Associates, Inc.
K.R. Butler, Inc.
C & S National Bank/Dealer
Cape Cod Bank & Trust Co. –
Trust and Investment
Division
Carolan & Co., Inc.
Carty & Company, Inc.
Central Bank of the South
Chapdelaine & Co.
Chase Lincoln First Bank, N.A.
- Chase Securities Inc./Syndicate
Citibank (Arizona)
Citicorp Securities Markets, Inc.
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.
Commercial National Bank of
Peoria
Connecticut National Bank –
Investment Dealer
Conners & Company
R.W. Corby & Company, Inc.
Core States Bank, N.A. – Core
States Capital Markets
Country Club Bank, Kansas City
Crews & Associates, Inc.
Dart, Papesh & Co., Inc.
Denver National Bank –
Investment Dept.
Deposit Guaranty National
Bank, Jackson, MS
The Depository Trust Company
Manufacturers National Bank
of Detroit – Municipal Bond
Dept.
Star Bank, N.A.
Wachovia Bank & Trust
Company, N.A.
Ladd Dinkins & Company
Discount Corporation of New
York Municipals
Doley Securities Inc.
Dominion Bank, N.A.
(Roanoke, VA)
Donaldson & Co. Incorporated
Douglas & Co. Municipals, Inc.
Duke McElroy & Company, Inc.
Egan, Marrin & Rubano, Inc.
R.W. Ellwood & Co., Inc.
Equibank
European American Bank
The Exchange National Bank of
Chicago
Fidelity Bank, N.A.
The Fifth Third Bank
First American Bank of
Georgia, N.A.
First American National Bank –
Nashville
First Bank
First Bank (N.A.) Milwaukee
First Charlotte Corporation
First Citizens Bank & Trust
Company
First City, Texas – Houston, N.A.
First Commercial Bank
First Fidelity Bank, N.A., New
Jersey/Municipal Dealer
First Institutional Services
Corp.
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
Texas, N.A.
First Interstate Bank of
Washington – Bank
Investment Department
The First National Bank of
Boston – Dealer
First National Bank of Chicago/
First Chicago Capital
Markets, Inc.
First National Bank of
Commerce (New Orleans)
First National Bank of Maryland
First National Bank of
Minneapolis – Bond Dealer
First National Bank of
Springfield
The First National Bank &
Trust Co. of Tulsa –
Investment Division
First Security Bank of Utah,
N.A.
First Southern Securities, Inc.
First Tennessee Bank, N.A.
First Union National Bank of
North Carolina
First Wisconsin National Bank
of Milwaukee
Florida National Bank
(Jacksonville)
Fox Reusch & Co., Inc.
The Frazer Lanier Company
Frost National Bank – Bond Dept.
Halpert and Company, Inc.
Harper, McLean & Company
Hattier, Sanford & Reynoir
The Huntington National Bank
Hutchinson, Shockey, Erley & Co.
Indiana National Bank
Johnston, Brown, Burnett &
Knight, Inc.
Lex Jolley & Co., Inc.
Joe Jolly & Co., Inc.
Kirchner Moore, A Division of
George K. Baum &
Company
W.L. Knox & Company
LaSalle National Bank/Dealer
Operations
David Lerner Associates, Inc.
Liberty National Bank and Trust
Company (Louisville, KY)
Liberty National Bank & Trust
Company Investment Dept.
(Oklahoma City, OK)
M&I Marshall & Ilsley Bank
Manufacturers and Traders
Trust Co. – Muni Trading
& Safekeeping

Manufacturers Hanover Trust Company
 Alamo National Bank
 The Arizona Bank
 Banco Popular de Puerto Rico
 BancOhio National Bank
 Bank of Virginia
 Bankers Trust of South Carolina
 Boatmen's National Bank of St. Louis
 Central Fidelity Bank
 Central Fidelity Bank – Investments
 Central Fidelity Bank (Lynchburg, VA)
 Corpus Christi National Bank
 First National Bank of Louisville
 The First National Bank of Shreveport
 First National Bank of South Carolina
 Fleet Bank of Connecticut
 Hibernia National Bank in New Orleans
 Hibernia National Bank in Texas
 Imperial Bank (Los Angeles)
 Landmark First National Bank
 Old Stone Corporation
 South Carolina National Bank
 UnibancTrust
 Marine Midland Bank – New York
 United Jersey Bank
 Mark Twain National Bank (St. Louis, MO)
 Hugo Marx & Co., Inc.
 Mellon Bank (East), N.A.
 Mellon Bank, N.A.
 Mercantile Bank, N.A.
 Merchants National Bank & Trust Company of Indianapolis
 N.D. Meyer & Co., Inc.
 Michigan National Bank of Detroit
 Municipal Investors Service, Inc.
 NCNB National Bank of Florida
 NCNB National Bank of North Carolina
 NCNB National Bank of North Carolina Capital Markets, Inc.
 NCNB National Bank of South Carolina
 NCNB Texas National Bank, Dallas
 National Bank of Commerce Trust & Savings Association – Dealer
 National Bank of Detroit
 Newman and Associates, Inc.
 Norstar Bank, N.A./Buffalo
 Norstar Bank of Upstate New York (Albany)
 Norwest Investment Services Inc.
 O'Brien & Shepard, Inc.

J.A. Overton & Co.
 PNC Securities Corp.
 Berney Perry & Company, Inc.
 Pittsburgh National Bank
 Rhode Island Hospital Trust National Bank
 Rickel & Associates
 SSB – Bank Portfolio
 Scheetz, Smith & Company, Inc.
 Schmidt Securities, Inc.
 Seattle First National Bank
 Seattle – Northwest Securities Corporation
 Security Pacific Bank Washington
 Security Pacific Clearing & Services Corp.
 Adams, Block & Coe Securities
 Asch-Dwyer Municipal Securities L.P.
 James Baker & Company
 Berghoff, Marsh & Company
 A.F. Best Securities, Inc.
 Cain Brothers, Shattuck & Company
 Capitol Municipal Securities, Inc.
 The Chicago Corporation
 Chilton & O'Connor, Inc.
 CommunityBanc Brokerage Corporation
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 Dayton, Kahn, Heppe, Hancock & Co.
 Dolphin & Bradbury Incorporated
 A. Webster Dougherty & Co. Incorporated
 Drizos Investments, Inc.
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 Emmet & Co., Inc.
 First Eastern Bank, N.A.
 First Miami Securities
 Gibraltar Securities Co.
 Greenwich Partners, Inc.
 Griffin, Kubik, Stephens & Thompson, Inc.
 Hammond & Botzum, Incorporated
 Maryland National Bank
 McGowan, O'Meara & Company, Inc.
 National Bank of Commerce (Birmingham, AL)
 National Bank of Commerce (Memphis, TN)
 Leo Oppenheim & Co., Inc.
 Pacific Securities Inc.
 R H Investment Corporation
 Russell, Rea, & Zappala, Inc.
 Smith Peters & Stark
 Townes & Co., Inc.
 Vining-Sparks IBG L.P.
 Westcap Securities, Inc.
 A.H. Williams & Co., Inc.
 Security Pacific National Bank
 Shawmut Bank – Investment Division
 Signet Bank/Virginia
 Simmons First National Bank of Pine Bluff

Sising Securities Corporation
 R.W. Smith & Associates, Inc.
 Southeast Bank, N.A.
 Southtrust Bank of Alabama, N.A.
 Sovran Investment Corp.
 J.W. Sparks Municipals, Inc.
 Stoecker, Glass & Co. Inc.
 TEAM Bank/Fort Worth
 Texas Commerce Bank, N.A.
 Third National Bank in Nashville
 Thornton, Farish & Gauntt
 Titus & Donnelly Inc.
 Trust Company Bank – Investment Banking Division
 Trustmark National Bank/Investment Division
 U.S. Bank of Washington National Association
 Unibanc Trading
 Union Bank – Treasury Department
 United Bank of Denver, N.A.
 United States Bank of Oregon/Dealer
 Valley National Bank of Arizona
 St. Denis J. Villere & Co.
 R.D. White & Co., Inc.
 Whitney National Bank of New Orleans
 Wolfe & Hurst Bond Brokers, Inc. – Muni Division
 Worthen Bank & Trust Co., N.A., (Little Rock, AR)

Fund/SERV Funds
 ABT Financial Services Inc.
 AIM Distributors, Inc.
 Advest, Inc.
 Alliance Fund Distributors, Inc.
 American Capital Marketing Inc.
 American Funds Distributors, Inc.
 Amev Distributors
 Aquila Distributors, Inc.
 Armata Financial Corporation
 William Blair & Company
 Burnham Securities Inc.
 C.J.L Funds
 Calvert Securities Corporation
 Carnegie Fund Distributors, Inc.
 Cigna Capital Brokerage Inc.
 Colonial Investors Center, Inc.
 Dain Bosworth
 Delaware Service Company, Inc.
 Dreyfus Service Corporation
 EVD/Wright Investors
 Eaton Vance Distributors, Inc.
 Equitec Securities Company
 EquitiLink U.S.A., Inc.
 Federated Securities Corp.
 First Investors Corporation
 Flag Investors Funds
 Flagship Funds Inc.
 Franklin Distributors, Inc.

Freedom Distributor Corporation
 GT Global Financial Services
 The Gabelli Funds Inc.
 Gabelli Funds – (NFDS)
 Goldman, Sachs & Co./Mutual Funds
 Guardian Investor Services Corporation
 John Hancock Distributors, Inc.
 Home Group Funds
 Huntington Investment Inc.
 Investment Trust of Boston Distributors, Inc.
 Kemper Financial Services, Inc.
 Keystone Distributors Inc.
 Lord, Abbett & Company
 MFS Financial Services Company
 Mackenzie Investment Management Inc.
 MetLife State Street Investment Services, Inc.
 NASL Financial Services, Inc.
 NSR Distributors, Inc.
 NYLIFE Securities Inc.
 Nuveen Securities & Co. Incorporated
 Oppenheimer Fund Management, Inc.
 Phoenix Equity Planning Corporation
 Pilgrim Distributors Corp.
 The Pioneer Group, Inc.
 Plymouth Investments Division of Fidelity Distributors Corporation
 Princor Financial Services Corporation
 ProvidentMutual Financial Services Inc.
 Putnam Financial Services, Inc.
 Quest for Value Distributors
 Review Management Corp.
 Rochester Fund Distributors, Inc.
 T. Rowe Price Investment Services, Inc.
 Scudder Fund Distributors, Inc.
 Seligman Marketing, Inc.
 Société Generale Securities Corporation
 Sovereign Advisors, Inc.
 Spectrum Mutual Fund Services, Inc.
 Stephens, Inc.
 TBC Funds Distributor Inc.
 Templeton Funds Distributor, Inc.
 Thornburg Securities Corporation
 Transamerica Fund Distributors, Inc.
 USF&G Investment Services, Inc.
 Van Eck Securities Corporation
 Van Kampen Merritt Inc.
 Venture Advisers L.P.
 Voyageur Fund Distributors, Inc.
 The Winsbury Company
 B.C. Ziegler & Company
 Zweig Securities Corp.

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