## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Statement</td>
<td>1</td>
</tr>
<tr>
<td>Depository Growth</td>
<td>2</td>
</tr>
<tr>
<td>A Message from Management</td>
<td>3</td>
</tr>
<tr>
<td>Recent Developments</td>
<td>6</td>
</tr>
<tr>
<td>The Institutional Delivery System</td>
<td>12</td>
</tr>
<tr>
<td>Technology</td>
<td>16</td>
</tr>
<tr>
<td>Looking Ahead</td>
<td>20</td>
</tr>
<tr>
<td>Ownership Policies</td>
<td>23</td>
</tr>
<tr>
<td>International Services</td>
<td>26</td>
</tr>
<tr>
<td>Safety and Soundness</td>
<td>31</td>
</tr>
<tr>
<td>Board of Directors of The Depository Trust Company</td>
<td>36</td>
</tr>
<tr>
<td>Officers of The Depository Trust Company</td>
<td>37</td>
</tr>
<tr>
<td>Report of Independent Accountants</td>
<td>38</td>
</tr>
<tr>
<td>Participants</td>
<td>46</td>
</tr>
<tr>
<td>Stockholders</td>
<td>50</td>
</tr>
</tbody>
</table>
As this report was going to press, our President Thomas A. Williams suffered a fatal heart attack.

Tom was a friend and colleague for many years. He joined DTC as President in the fall of 1994, but he had been a part of our “family” since the mid-1960s, when we were CCS and he served as our outside counsel responsible for creating our rules, by-laws and other founding documents. He continued as our counsel, attending our Board meetings and giving us the benefit of his experience and wisdom over those many years.

He will be sorely missed.

Will Jaenike
DTC, a service company owned by members of the financial industry, is a national clearinghouse for the settlement of securities trades and a custodian for its Participant banks and broker-dealers. In 1997, Participants delivered $62 trillion of securities through the depository’s book-entry system, 24% more than in 1996, and securities in its custody grew to $15.4 trillion, up 27%. DTC’s mission is to reduce its Participants’ securities operations costs by providing safe, reliable, quality services, and efficiently performing operations tasks for Participants. Its telecommunications network links 558 Participants, their institutional customers, and firms that serve as transfer agents, paying agents, and exchange and redemption agents for securities issuers. DTC has in its custody for Participants: 80% of the shares of companies represented in the Dow Jones Industrial Average; 81% of the shares of all New York Stock Exchange listed companies; 68% of the shares of issues included in the Nasdaq Stock Market; 65% of the shares of all American Stock Exchange listed companies; 92% of the principal amount of outstanding corporate debt listed on the NYSE; more than 98% of the principal amount of outstanding municipal bonds and 99% of the commercial paper issued in the United States.
**DEPOSITORY GROWTH**

**TOTAL FOR THE YEAR**

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<tr>
<td><strong>Book-entry deliveries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market value (in trillions)</td>
<td>$62</td>
<td>$19</td>
<td>$10</td>
<td>$2</td>
</tr>
<tr>
<td>Number (in millions)</td>
<td>151</td>
<td>83</td>
<td>78</td>
<td>37</td>
</tr>
<tr>
<td><strong>Cash dividend and interest</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments (in billions)</td>
<td>$518</td>
<td>$328</td>
<td>$151</td>
<td>$37</td>
</tr>
<tr>
<td>Number (in millions)</td>
<td>2.7</td>
<td>1.9</td>
<td>0.8</td>
<td>N/A</td>
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<tr>
<td><strong>Reorganization, redemption, and maturity payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(in billions)</td>
<td>$411</td>
<td>$353</td>
<td>$128</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Underwritings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value (in billions)</td>
<td>$1,374</td>
<td>$747</td>
<td>$336</td>
<td>$148</td>
</tr>
<tr>
<td>Number (in thousands)</td>
<td>28.3</td>
<td>18.3</td>
<td>13.8</td>
<td>1.4</td>
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**AVERAGE DAILY**

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<tbody>
<tr>
<td><strong>Book-entry deliveries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market value (in billions)</td>
<td>$245</td>
<td>$76</td>
<td>$39</td>
<td>$9</td>
</tr>
<tr>
<td>Number (in thousands)</td>
<td>596</td>
<td>328</td>
<td>309</td>
<td>149</td>
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**INSTITUTIONAL DELIVERY SYSTEM**

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<tr>
<td>Average daily confirms delivered (in thousands)</td>
<td>686</td>
<td>342</td>
<td>246</td>
<td>66</td>
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</thead>
<tbody>
<tr>
<td>Eligible securities issues</td>
<td>1,354,933</td>
<td>1,025,881</td>
<td>490,620</td>
<td>36,361</td>
</tr>
<tr>
<td>Value of securities on deposit (in trillions)</td>
<td>$15.4</td>
<td>$6.4</td>
<td>$2.8</td>
<td>$0.8</td>
</tr>
<tr>
<td>Number of shares on deposit (in billions)</td>
<td>288</td>
<td>148</td>
<td>93</td>
<td>27</td>
</tr>
<tr>
<td>Principal amount of corporate debt on deposit (in billions)</td>
<td>$5,257</td>
<td>$1,884</td>
<td>$668</td>
<td>$171</td>
</tr>
<tr>
<td>Principal amount of municipal debt on deposit (in billions)</td>
<td>$1,716</td>
<td>$1,163</td>
<td>$507</td>
<td>$13</td>
</tr>
<tr>
<td>Participants</td>
<td>558</td>
<td>532</td>
<td>604</td>
<td>455</td>
</tr>
<tr>
<td>Broker-dealers</td>
<td>414</td>
<td>352</td>
<td>421</td>
<td>328</td>
</tr>
<tr>
<td>Banks</td>
<td>136</td>
<td>172</td>
<td>177</td>
<td>120</td>
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<tr>
<td>Clearing agencies</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>7</td>
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**TRADING IN SELECTED MARKETS**

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<tbody>
<tr>
<td>Average Daily</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NYSE shares traded (in millions)</td>
<td>527</td>
<td>202</td>
<td>189</td>
<td>65</td>
</tr>
<tr>
<td>Nasdaq shares traded (in millions)</td>
<td>647</td>
<td>191</td>
<td>150</td>
<td>33</td>
</tr>
<tr>
<td>AMEX shares traded (in millions)</td>
<td>25</td>
<td>14</td>
<td>14</td>
<td>5</td>
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**EMPLOYEES**

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</thead>
<tbody>
<tr>
<td>Full-time employees</td>
<td>2,714</td>
<td>2,719</td>
<td>2,989</td>
<td>1,731</td>
</tr>
</tbody>
</table>
In 1998, DTC will complete its first quarter century. It will do so in the midst of significant changes that present new challenges and opportunities to the depository and to the industry it serves.

DTC’s creation 25 years ago responded to the “paperwork crisis” in processing securities transactions that brought the industry to its knees in the late nineteen sixties. The record of DTC’s contributions to the industry’s success over this time in immobilizing and providing book-entry delivery services for U.S. securities is clear. The most recent of those contributions are described in this Annual Report.

In looking forward, the serious problems to be overcome in preparing the industry’s computer systems for the Year 2000, understandably a major focus of Participant attention, obscure for some in the industry the many opportunities that the new millennium will offer us. The first years will be marked by many additional industry accomplishments—focusing particularly on perfecting Straight-Through Processing (STP) and further shortening the settlement cycle—that are likely to equal, if not exceed, the substantial achievements of the last few years. This Annual Report also reflects how DTC and the industry are beginning to lay the groundwork for these developments:

- DTC’s systems smoothly processed the record volumes of October’s heavy trading days (peaking at 2.6 billion shares on October 28), proving the industry’s readiness to handle the growth in global investment activity and also underscoring DTC’s focus on capacity and systems performance.
- The completion in December of DTC’s absorption of business previously conducted by the Philadelphia Depository Trust Company (PHILADEP) and plans for DTC’s acquisition of Participants Trust Company further consolidate the clearance and settlement infrastructure in the United States, preparing for increasing interaction among the world’s securities markets in the coming decades.
- The depository’s new, state-of-the-art backup facility—largely completed in 1997—increases the safety and stability of the nation’s settlement system.
- In 1997, Participants and DTC together launched several initiatives to build on DTC’s huge databases to improve the quality of Participants’ data collection.
and management, and extend the benefits of STP into all aspects of a security’s handling, from issuance through to retirement or redemption.

- The conversion of DTC’s telecommunications network to the latest technology and a comprehensive modernization of the Participant Terminal System (PTS)—both set in motion in 1997—establish a platform for improved service in these key areas of the industry’s settlement infrastructure.

- Industry discussions in 1997 produced a new vision of the future of global electronic trade confirmation systems, charting the course for the years ahead. An action plan to align the Institutional Delivery (ID) system with this new vision is in place, guiding the future evolution of ID. The development and deployment of major elements of a workstation platform for ID services represent significant 1997 achievements under this action plan.

- The 1997 rollout of a sophisticated and responsive Customer Service Center, ultimately to provide automated support for all Participant inquiries—operations and systems alike—set a new benchmark for DTC’s progress in raising the caliber of its services to its users. The encouraging response to DTC’s second broad-scale survey of its Participants’ views of our responsiveness indicated their satisfaction with both DTC’s “continuous improvement” efforts and further areas for service enhancement.

- Commercial law changes and other related developments in 1997 allow DTC to take final steps toward immobilizing the few remaining U.S. securities still held in physical form.

These developments reaffirm DTC’s commitment to the goal of reducing our Participants’ costs and risks through reliable, high-quality, post-trade processing services. This mission will continue to guide us as we work to meet our Participants’ domestic and cross-border securities needs in the coming years.

We are grateful to our Participants for the confidence they have shown in asking us to take on greater responsibilities on their behalf, and to DTC’s 2,714 employees for their energy and dedication in meeting our Participants’ expectations.
TIME LINE

HIGHLIGHTS
IN THE
AUTOMATION
OF
CLEARANCE
AND
SETTLEMENT
**Events Leading to DTC’s Formation**

**1968–1972**

For the securities industry, the decade of the ’60s was distinguished by the rise of institutional trading, a marked increase in corporate capital needs, and the implementation of computer-based technologies. Not surprisingly, New York Stock Exchange (NYSE) trading volumes exploded in the late ’60s and early ’70s—on a single day in 1968, for example, trading reached 16.4 million shares, the highest since 1929. Average daily trade volumes rose from about three million shares in 1960, to almost 12 million in 1970, with each purchase and sale generating numerous paper forms. A “paperwork crisis” developed as brokers and banks, increasingly, were unable to process changes in ownership from sellers to buyers on time.

The impact of this crisis on the industry and the market’s efficiency was severe. Between 1968 and 1970, some 100 firms were forced out of business due to loss of revenue traceable to failed settlements of trades. The NYSE curtailed trading hours, closed one day a week, and took other temporary measures to remedy the problem. In 1968, the NYSE expanded the services of its Stock Clearing Corporation to provide computerized book-entry changes of ownership among its member-firm brokers in settlement of trades on the floor of the Exchange. Called the Central Certificate Service (CCS), it immobilized the underlying stock certificates in the clearing corporation’s vault.

Industry studies analyzing the problems associated with achieving timely and accurate processing of securities transactions advocated an interindustry solution, which led to the formation in 1970 of the Banking and Securities Industry Committee (BASIC). BASIC’s primary charge was to develop a depository concept for post-trade securities processing that would be acceptable to all segments of the financial community. In effect, the committee crafted a blueprint for what would become DTC.

In 1971, BASIC announced the signing of a memorandum of understanding among the NYSE, the American Stock Exchange (AMEX), the National Association of Securities Dealers (NASD), and the 11 member banks of the New York Clearing House Association.

In 1972, the Securities Industry Automation Corporation (SIAC) was formed, as a jointly owned subsidiary of the NYSE and AMEX, to provide the exchanges and their member-firm brokers with automation and data processing services.

**1973–1977**

1973:
- Daily Average NYSE Trading Volume (millions of shares) ............. 16
- DTC-Eligible Issues ................................................. 4,729
- DTC Securities on Deposit ($ value in billions) ......................... $9
- DTC Deliveries (market value, book-entry, in billions) .................. $176
- DTC Participants .................................................. 270

1973: Following BASIC’s recommendations, CCS Inc.’s operations are transferred to DTC, a wholly owned NYSE subsidiary. DTC is set up as a limited-purpose trust company to hold securities certificates in its custody and process book-entry deliveries (changes of ownership) through a computerized system.

1974: The Participant Terminal System (PTS) is introduced, enabling Participants to communicate directly with DTC’s computer system.

1974: Odd-lot trades in U.S. Treasury notes and bonds become eligible for settlement in clearinghouse funds at DTC.

1974: DTC supports its portion of the Continuous Net Settlement system designed by the clearing corporations and SIAC for NYSE and AMEX trades—SIAC acts as servicing agent, all deliveries are made through DTC by book-entry, facilitating same-day turnarounds on settlement day.
1975: Long-term lobbying efforts result in amendments to Article 8 of the Uniform Commercial Code, making it possible for the NYSE to sell shares of DTC stock to depositary Participants. (Previously, ownership of depositories was limited to securities exchanges and associations.) Currently, the NYSE, AMEX, and NASD, in addition to Participants, all hold DTC stock.

- Securities and Exchange Commission (SEC) eliminates fixed-brokerage commissions; this change contributes to trading volume growth.
- Congress passes the Securities Acts Amendments of 1975. This amends the 1934 Securities Exchange Act by directing the SEC to establish a national market system and a nationwide system for clearing and settling securities transactions.
- American Depositary Receipts (ADRs), which represent foreign securities, become DTC-eligible.

1977: The National Securities Clearing Corporation (NSCC) is formed through a merger of clearing subsidiaries of the NYSE, AMEX, and NASD, centralizing clearance and settlement of broker-dealer trades.

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<tr>
<td><strong>1978:</strong> Daily Average NYSE Trading Volume (millions of shares)</td>
<td>85</td>
</tr>
<tr>
<td>28.6</td>
<td>71,397</td>
</tr>
<tr>
<td>DTC-Eligible Issues</td>
<td>475</td>
</tr>
<tr>
<td>13,028</td>
<td>4,703</td>
</tr>
<tr>
<td>DTC Securities on Deposit ($ value in billions)</td>
<td>1.24</td>
</tr>
<tr>
<td>200</td>
<td>3,575</td>
</tr>
<tr>
<td>DTC Deliveries (market value, book-entry, in billions)</td>
<td>3,575</td>
</tr>
<tr>
<td>500</td>
<td>3,575</td>
</tr>
<tr>
<td>DTC Participants</td>
<td>475</td>
</tr>
<tr>
<td>305</td>
<td>475</td>
</tr>
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</table>

1978: 2,400 Over-The-Counter (OTC) market issues are added to DTC’s securities eligibility list.

1979: DTC implements Computer-to-Computer Facility (CCF) extending automation of services by linking the depository’s computers directly to those of Participants, enabling Participants to transmit and receive daily processing information electronically.

1981: DTC initiates municipal bond program. DTC’s interface with the New England Securities Depository Trust Company ends in 1981 when the exchange elected to discontinue the depository’s function.

1982: Amendment of NYSE Rule 387 and amendments of similar rules of other Self-Regulatory Organizations (SROs) are approved by SEC, mandating that beginning in 1983, institutional trades in depository-eligible securities must be confirmed, affirmed, and settled through a registered securities depository such as DTC. These rule changes will result in universal use of the Institutional Delivery (ID) system within a few years.

1983: SEC approves Municipal Securities Rulemaking Board (MSRB) amendments, requiring that depository and clearing corporation services be used for confirmation, dealer comparison, and settlement of most municipal bond trades—increasing DTC muni activity.

1987: DTC inaugurates Same-Day Funds Settlement (SDFS) system, making security types that settle in federal funds, eligible for DTC services.

1988: Market break occurs during which the Dow Jones Industrial Average (DJIA) falls 508 points in largest one-day drop; 600-million-plus shares are traded on the NYSE; DTC handles post-trade processing of daily average of 1.7 billion shares; and ID trade confirmations average 187,000 daily.


- SEC requires use of automated facilities, such as the ID system, for settlement of all delivery-versus-payment/receipt-versus-payment institutional trades of depository-eligible corporate securities, eliminating the exception to NYSE Rule 387.
DTC and NSCC expanded links with The Canadian Depository for Securities Ltd. to help Participants realize operational efficiencies for cross-border trading. Clockwise, from left, are CDS Assistant Vice President Mark Shulman, Vice President Bruce Butterill, and Senior Product Manager Pierre-Yves Camu with IDC Managing Director Mary Ann Callahan and Director Cecilia Humphrey.

Nineteen ninety-seven was another year of improvement and growth. Several milestones stand out against the backdrop of a busy year—Year 2000 system remediation was 99% complete by yearend, DTC successfully absorbed the business of the Philadelphia Depository Trust Company (PHILADEP), and DTC systems readily handled the heavy volumes of the October market break.
As the industry's clearance and settlement needs have expanded, DTC has enhanced its systems and other capabilities to meet them.

**Expansion of Eligible Issues**

During 1997, DTC made more than 44,300 issues eligible including issues requiring special processing, such as issues not initially assigned CUSIP numbers, Small Business Administration loan pools, and State of Israel bonds. Throughout 1997, DTC worked with Participants to make eligible for full depository services restricted securities, including private placements.

Participants continued to trade global debt and equity securities that settle in book-entry form. These issues typically consist of both a domestic tranche (Securities and Exchange Commission [SEC]-registered or Rule 144A) and a foreign tranche sold to "offshore" purchasers (Regulation S). Last year, more than 3,800 issues were distributed through the global securities program—global, meaning that the issues were made eligible at DTC as well as at other depositories located outside the United States—totaling more than $386 billion. This represents a 72% increase over 1996 activity. Noteworthy in 1997 was the partial distribution through DTC of the first DTC-eligible Brady Bond issue, involving the restructuring of the Republic of Peru's debt in exchange for $4.8 billion of bonds, and the settlement of a $3 billion Brazilian global bond issue at DTC, which represented the largest unsecured bond issue ever offered by a developing nation.

**Developments Affecting Major Business**

The percentage of timely principal and income (P&I) payments, excluding corporate action proceeds, forwarded to DTC by 2:30 p.m. ET, an industry standard, continued to climb. Peak-day, 2:30 p.m. compliance averaged 89% compared with last year's 81%. During 1997, total P&I payments to DTC amounted to $855 billion, an increase of 13.8% over 1996. On July 1, P&I payments peaked at $40 billion. Improved compliance enabled Participants to withdraw a greater portion of available intraday P&I payments from their depository settlement accounts, using the P&I withdrawal program.
Revisions to the Uniform Commercial Code Article 8 became law late last year, modernizing securities holding rules. The revised provisions will allow DTC to make eligible additional foreign securities that are held through foreign custodians as well as other financial instruments including Bankers' Acceptances which will be made eligible in mid-1998. Because Article 8 now better defines each party's rights to the underlying collateral, secured lending may improve liquidity for Participants and others during periods of market stress.

After much discussion, regulatory impediments to more flexibility in institutional trade comparison are expected to be eliminated with the proposed amendments to marketplace institutional trade confirmation rules (e.g., New York Stock Exchange Rule 387). These rules have required that only the facilities of a registered clearing agency, such as DTC, can be used for confirmation, affirmation, and book-entry settlement of institutional trades. In July, the Operations Committee of the Securities Industry Association, with DTC's support, reached an agreement with Thomson Financial Services on the amendments permitting "Qualified Vendors" to provide confirmation and affirmation services. The National Association of Securities Dealers (NASD) has submitted conforming amendments to its rule relating to institutional trade confirms to the SEC for approval. Other self-regulatory organizations are expected to make similar rule changes in 1998.

The absorption of the depository services of the Philadelphia Depository Trust
Company (PHILADEP) by DTC and the clearing services of The Stock Clearing Corporation of Philadelphia (SCCP) by the National Securities Clearing Corporation (NSCC) was completed in late 1997. PHILADEP Participants converted seamlessly to the DTC system either as direct Participants or indirectly by clearing through other DTC Participants.

The system for detecting “flipping,” or secondary market activity during an initial public offering’s (IPO’s) penalty-bid period, went into full production in June. This coincided with implementation of rules of securities markets requiring all new depository-eligible, publicly traded issues to be distributed by book-entry through a registered securities depository. The IPO Tracking system tracked 303 IPO issues worth approximately $29 billion by yearend, or a total of 74% of all common stock IPOs processed through DTC. All major underwriters used the IPO tracking system by yearend.

DTC’s Money Market Instrument (MMI) program continued to grow as a result of expanding interest in both commercial...
paper (CP) and institutional certificates of deposit (CDs). A total of $95.8 billion of commercial paper was issued through the depository in 1997, representing an estimated 99% of commercial paper issued during the year. At yearend, DTC had on deposit 61% of CDs outstanding valued at $213 billion, up 33% from the previous year.

The Federal Reserve Bank of New York became a DTC Participant in early 1998. This decision eliminates the burdensome process of physical delivery of commercial paper to the Bank, which serves as the principal custodian of commercial paper on behalf of foreign central banks.

For the past five years, DTC's Continuous Improvement Process (CIP) has involved efforts by all of the depository's employees to streamline its operations and better meet Participants' needs. Work Process Improvement teams review DTC's operations and reengineer them to reduce Participants' costs. Employee suggestions to improve service and/or reduce costs are strongly encouraged, with rewards and recognition of ideas accepted for implementation. In 1997, 525 Participants were surveyed, providing DTC with specific data and areas of customer concern on which DTC could take action.

Customer Relations

Six advisory boards, made up of representatives from Participant organizations, institutions, and DTC, worked through the year on key areas including operations, eligibility, dividends, institutional trade processing, corporate actions, and settlement. For example, beginning last July, members of the Institutional Delivery Advisory Board set out to increase the Institutional Delivery (ID) system's usefulness to the multiple parties to an institutional trade by identifying gaps in the information flow from pre-trade through settlement, and the Corporate Actions Advisory Board continued its study of DTC's role in providing Participants with warning reports and other risk management tools for voluntary reorganizations.

DTC's Chairman and CEO joined the Board of the National Securities Clearing Corporation and NSCC's President and CEO, David Kelly, joined DTC's Board in 1997, to foster closer coordination and cooperation between the two organizations.

Plans were initiated to open an OTC office in San Francisco to focus on the needs of Participants in 10 Western states and two Canadian provinces. The staff there will meet more frequently with Participants and other depository users to help better serve their needs.

Similarly, the Chicago office staff was increased to handle additional responsibilities stemming from expanding the geographical coverage of that office, which now includes 10 additional Midwestern states and two Canadian provinces.

Staff in both the San Francisco and Chicago offices will be responsible for customer service, sales, and training in their respective areas.
THE INSTITUTIONAL DELIVERY SYSTEM
J.P. Morgan views the DTC Hub as a reliable and cost-effective means of communicating reconciliation data on a daily basis. From left are DTC Product Manager William DuMond and J.P. Morgan Services Inc. Vice Presidents James Mallon and Robert Nugent.

The Institutional Delivery System (ID), introduced in 1973—the year DTC was founded—links all parties to an institutional trade, helping to eliminate redundant processing while reducing financing costs due to failed deliveries. Connectivity between the parties to an institutional trade is the cornerstone of the ID system.
As individual financial markets evolve into a 24-hour, interconnected global marketplace with abbreviated settlement periods, DTC's plans for ID include uninterrupted, real-time connectivity throughout the business week for users, regardless of geographic location or time zone.

Connectivity continues to be of paramount importance as the industry focuses its efforts on developing standardized trade messaging to support Straight-Through Processing (STP). DTC is enhancing ID by opening its architecture to accept multiple communications protocols and by accepting messages in any commercially viable format. This will permit ID users to continue to rely on ID as their access point to any future Electronic Trade Confirmation (ETC) global system, regardless of the ETC choices made by counterparties and settlement agents worldwide. As a first step in this direction, DTC began translating ID-formatted messages into the Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.) format last year, enabling ID users to communicate with over 6,000 S.W.I.F.T. members worldwide. In cooperation with the Industry Standardization for Institutional Trade Communications (ISITC) members, DTC added new features to its message hub, which enables investment managers and custodians to exchange settlement and reconciliation messages between them.

Throughout 1997, ID continued to provide reliable and consistent service. On an average day, ID processed 274,000 trades and distributed 686,000 confirmations—a 21% increase over 1996. Capacity planning remained a priority, providing sufficient computer resources to support uninterrupted clearance and settlement. This planning made it possible for ID to meet the unanticipated volume surges during the market break, spanning three consecutive trading days, in late October. As the nation's principal markets dealt with the record-breaking 2.6 billion shares traded on October 28, ID delivered more than one million confirmations.

In 1997, additional customer-requested improvements were made to the Standing Instructions Database (SID), which facilitates error-free settlement by providing investment managers, brokers, and custodians with accurate customer account information and settlement instructions. The improvements included enhanced notifications of information changes, account information printed more succinctly, and a series of management information reports to help customers optimize SID. By yearend, bank trust trading departments started using SID to reduce costs and
exception processing. In 1997, SID usage, measured by the number of daily SID-enhanced confirmations, grew fourfold over the 1996 yearend figure.

In addition, a series of ID products, called TradeSuite™, was introduced for use by institutions. The TradeSuite™ software package operates on PC workstations using client-server technology and is designed to run under either Windows 95 or NT. The first service offered through TradeSuite™ was SID. ID Confirmation and Affirmation capabilities are now also included. Similar ID software for use by broker-dealers is under development.

ID customer service received continued emphasis. This took many forms, including expanding the available hours of the ID/SID Service Desk. The Service Desk was connected to the depository’s Customer Support Center, extending coverage to 24 hours a day, six days a week, to correspond with the securities industry workweek worldwide.

In support of the industry’s efforts to promote STP and ETC, the depository was active in several industry organizations: ISITC; the S.W.I.F.T. Reconciliation and Settlement Committee; the Financial Information Exchange (FIX) Committee; and the Global Straight-Through Processing Committee (GSTPC).
TECHNOLOGY
DTC's technology efforts are focused on matching the services Participants want with the best technology available to provide those services.
As a result, DTC uses client-server technologies for services that require graphical presentations of data, while continuing to rely on large powerful mainframes for the bulk of its day-to-day high-volume processing and maintenance of its large information databases.

**RESPONDING TO PARTICIPANT NEEDS**

In direct response to customer requests, the depository developed user-friendly, open-architecture workstations using client-server technology. TradeSuite™, which includes the Standing Instructions Database (SID) and Institutional Delivery (ID) capabilities, is designed to allow users to process their transactions using Windows-based screens and conventions.

Similarly, the Participant Terminal System (PTS) is being redesigned. Although work is still in progress, the results of this browser-based modernization effort will provide expanded menus, self-help features, easier navigation, graphical user interfaces, and other user-friendly approaches while maintaining the system’s extensive functionality.

Established last year, the Customer Support Center features state-of-the-art systems and sophisticated software to handle the growing volume of technical and operations inquiries from customers. In addition to supporting inquiries about new products like Windows PTS (WPTS) and the SID Workstation, the center is increasingly becoming a focal point to answer questions or resolve problems involving all of DTC’s operations. Monitoring and analyzing the types of questions received by the Center’s personnel will help in the design of future services and result in more focused training where customer questions indicate more is needed.

**SYSTEM INTEGRITY AND RELIABILITY**

DTC has dedicated substantial resources to its Year 2000 effort. By yearend 1997, 99% of DTC’s software was remediated to handle the century change. During 1998 and 1999, DTC will participate in critical industrywide testing and testing with individual Participants.

To ensure the integrity and reliability of the depository’s systems, the Command Center monitors DTC’s communications and processing systems. Fully operational in 1997, with Computer Operations, Network Operations, and Network Engineering relocated there, the Command Center will benefit DTC by providing a central point for more timely and effective problem resolution as well as improved day-to-day job tracking and processing. The center monitors DTC’s extensive PTS system,
which has more than 18,000 online, real-time user devices located throughout the United States, Canada, and four other countries; the Computer-to-Computer Facility linkages with DTC's high-volume users; the extensive dial-in network used primarily by institutions for ID; the growing workstation TCP/IP connections; and DTC's two data centers with their eight terabytes of online storage.

DTC's commitment to systems quality is of paramount importance and its quality efforts are designed to improve the products and services offered to Participants. The Quality Assurance Department developed, in 1997, improved methodologies to standardize the process used to define, design, program, and implement new systems. As a result, a number of efficiencies are realized including a clearer definition of system requirements, early detection of potential problems, and greater system reliability.

The depository's requirement for reliable and secure systems necessitates the constant review and testing of its contingency capabilities. Major work was completed during the past year on a state-of-the-art backup data center and recovery site. Mirroring technology backs up data, allowing for data recovery—within one hour—for all processing in the event of a failure of the production data center. In addition, the site houses a recovery facility, capable of accommodating a staff of more than 800, ready to provide critical operations support.

Frame relay technology is another technology the depository has adopted to improve its services. Frame relay uses packets of data, routed through virtual circuits in a telecommunications network, and can support multiple protocols over a single network connection. With this technology, more data can be transferred to and from Participants faster and at a lower cost, while increasing network reliability.
LOOKING AHEAD
The immediate future for the securities industry, and for clearance and settlement in particular, will be characterized by continued rapid change, globalization, and a requirement for active risk management. To meet these challenges, DTC is supporting industry initiatives to shorten settlement cycles, thereby reducing risk.
Automated, efficient securities processing will continue to be a top industry priority for our Participants and DTC.

**STREAMLINED PROCESSING**

As part of this strategy, DTC is aligning ID with the future global Electronic Trade Confirmation (ETC) architecture by opening ID to accept messages in all commercially viable communications protocols. In the near future, ID, DTC's ETC system, will be able to serve as a single access point for its users to the evolving global ETC/STP structure.

Further, by enhancing ID's format and protocol translation services, DTC will promote linkages among pre-trade service providers, communications networks, and ETC service providers, permitting seamless communication and connectivity among broker-dealers, investment managers, and custodian banks. DTC's translation services will reformat messages from the sending party's format to the receiving party's format.

Another part of DTC's strategy is to enrich its ETC messages through the use of settlement data, such as its Standing Instructions Database (SID), to include information on commission structures, legal disclosure, customer account information, and settlement instructions. SID facilitates error-free settlement by supplying investment managers, brokers, and custodians with up-to-date, accurate customer settlement data.

The SEC's approval in April 1998 of a Matching service, proposed by DTC, which compares broker-dealer trade input to investment manager allocation input, will also play an important role in helping the industry streamline trade processing and move to a shorter settlement cycle.

**OTHER INITIATIVES**

Work will continue on TradeSuite™, a comprehensive software system, introduced last year to the institutional market. TradeSuite™ is one example of DTC's use of intelligent workstations, uniting a series of related ID applications within a user-friendly, Windows environment. An intelligent broker-dealer workstation is under development and will be released later in 1998.

DTC's Foreign Tax Withholding Services, available to Participants holding foreign securities at the depository, will add more countries to its Tax Withholding Information (TAXI) database and make more tax forms accessible electronically through the Participant Terminal System (PTS). Looking further ahead, DTC plans to build its TAXI database into an interactive research and tax relief processing resource.

The first phase of DTC's Industry Standard Glossary, a standardized, high-quality, securities master file for use by Participants, will be piloted by yearend. This phase will cover newly issued corporate securities that are distributed through the depository's Underwriting Department and securities distributed through the Money Market Instrument program. Future phases will expand the current scope of Glossary-eligible securities based on industry needs and requests.
OWNERSHIP
POLICIES
TC's governance, policies, and practices are designed to meet the needs of its diverse users. DTC is owned and controlled by its Participant stockholders through a Board of Directors elected through cumulative voting.

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

At yearend 1997, after retirement or merger of certain stockholders during the year, there were 129 DTC stockholders: 66 broker-dealers, 57 banks, and 6 self-regulatory organizations and clearing agencies. Broker-dealer Participants owned 17.3% and bank Participants owned 37.6% of DTC stock. Ownership interests of the self-regulatory organizations, on behalf of broker-dealer Participants, were 35.7% for the NYSE, 4.7% for the American Stock Exchange, and 4.7% for the National Association of Securities Dealers. Current stockholders are identified at the end of this report.

A basic policy of the depository is to limit its annual profit, so that the depository returns to its Participants excess income not required for its operations.

As a registered clearing agency, DTC is regulated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. A member of the Federal Reserve System and a New York State limited-purpose trust company, DTC is also regulated by the Board of Governors of the Federal Reserve System and the Banking Department–State of New York.
A close working relationship between DTC and the National Securities Clearing Corporation (NSCC) permitted hundreds of broker-dealers that participate in both NSCC and DTC to clear and settle the record trading volumes experienced in 1997. Established in 1976, NSCC provides centralized trade recording, trade guarantee, netting and settlement services for broker-dealers’ streetside activity in equities, bonds, and Unit Investment Trusts from all the nation’s exchanges and marketplaces. NSCC feeds computer files to the depository for seamless processing of book-entry changes in custody. NSCC also provides processing services for mutual fund, defined contribution and annuity transactions. DTC provides direct interfaces to NSCC mutual fund services for those low-volume DTC Participants who desire easy access.

A DTC account for The Options Clearing Corporation (OCC) enables banks and broker-dealers to pledge securities satisfying segregation and margin requirements for put and call option contracts and obligations to OCC’s clearing fund. This eliminates repeated paper movements between the parties and provides an alternative to escrow receipts. Through the OCC Stock Loan Hedge System, an OCC clearing member can borrow stock underlying an option contract from another clearing member using DTC’s deliver order (DO) service, with OCC acting as the middleman in the transaction. OCC acts as the borrower to the lender and the lender to the borrower.

DTC’s interface with the Federal Reserve’s Book-Entry System allows Participants to maintain securities positions of U.S. Government and Agency securities in their DTC accounts. Participants may deliver and receive these securities free of payment to and from other members of the Federal Reserve’s Book-Entry System over the interface.
Representing some of the firms involved in the Global Straight-Through Processing Committee (GSTPC) are (from left) committee member D. Arthur Barton, Principal at Clay Finlay Inc., committee Chairman and Merrill Lynch Senior Vice President Arthur Thomas, and committee member Albert Petersen, Executive Vice President at State Street Bank. Also pictured (far right) is IDC Managing Director William Hodash who coordinated DTC's STP strategy, supporting the model proposed by GSTPC.

As retail and institutional investors continue to look to global markets for investment opportunities, DTC's Participants, serving those investors, seek to improve their operations and reduce their costs in those markets.
As a result, DTC is prepared to provide its services in international markets where value to Participants can be realized. Several initiatives took place in 1997 that furthered that goal.

**BUILDING A CONSENSUS**

Driven by the growing volume of cross-border trading and requests for assistance from the industry, the International Depository & Clearing, LLC (IDC)—the jointly owned subsidiary of DTC and the National Securities Clearing Corporation (NSCC)—sponsored an industry initiative outlining options for global Straight-Through Processing (STP). At mid-year, IDC distributed a white paper, entitled *A New Processing Model for Cross-Border Transactions*. This presented the collective view of 15 investment managers, broker-dealers, and custodians on streamlining and reducing the costs of clearing and settling cross-border trades to allow for shortened settlement cycles, enabling firms to achieve STP. Since then, the firms behind this effort have grown to more than 25 and have formalized their group as the Global Straight-Through Processing Committee (GSTPC). Subsequently, early in 1998 in a memorandum entitled *DTC’s Role in the Future of Electronic Trade Confirmation (ETC) and Straight-Through Processing (STP)*, DTC outlined plans to enhance its Institutional Delivery (ID) system to interface with both complementary and competing systems.

Committed to supporting two-way interfaces with all providers, DTC is reengineering its ID system to allow all users to benefit from STP. As a result, ID will be enhanced to translate various standard message formats and to link with other Electronic Trade Confirmation (ETC) systems and trading systems, enabling all parties to communicate through a single entry point with counterparties, regardless of the ETC provider and message format used by these counterparties.

Helping to promote ongoing communication among the Central Securities Depositories around the world, in November, DTC organized the first U.S. Clearance and Settlement Conference for Central Securities Depositories.
Depositories. Thirty-nine representatives from 17 countries attended the conference, which served as a forum for DTC, NSCC, and IDC to foster information sharing among Central Securities Depositories and communicate their roles in the U.S. clearance and settlement systems.

Through the International Visitors Program, DTC, NSCC, and IDC continued to act as liaisons to securities business leaders worldwide interested in understanding the U.S. clearance and settlement systems. During the year, 368 visitors from 79 countries sought first-hand experience to establish or improve the capital market infrastructure in their own countries. In turn, the program helps DTC and IDC gain a better understanding of the various settlement systems throughout the world to help in the development of the services and systems needed to accommodate cross-border activity.

To support its Participants' increasing global trading activity, DTC expanded its role as an ETC service provider, linking its more than 10,000 ID users to the Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.) with its 6,000 users. Members of ID and S.W.I.F.T. can now communicate with each other without system changes or programming.

CROSS-BORDER CLEARANCE AND SETTLEMENT

An expanded link brought greater operational efficiencies to cross-border securities activity between the United States and Canada. The Canadian Depository for Securities Ltd. (CDS) integrated its American and Canadian Connection for Efficient
Securities Settlement (ACCESS) service with DTC and NSCC. Canadian securities, dually eligible at DTC and CDS but held at CDS, can now be withdrawn from CDS and redeposited at DTC through CDS’s four Canadian locations and be available, same-day, for ACCESS settlements. Participants on both sides of the border can now easily interconnect between the settlement processes of CDS, and NSCC and DTC.

In another joint effort between CDS and DTC, our Elective Dividend Service (EDS) now allows Participants with direct or indirect relationships with CDS to choose to receive Canadian dollar dividend and interest payments on Canadian issues in either Canadian or U.S. dollars.

OTHER EFFORTS
The adoption of revised Uniform Commercial Code Article 8 in New York State in August enacted provisions enabling DTC to use foreign banks as custodians. As a result, it is anticipated that more types of foreign securities, as well as other financial products or instruments, will become depository eligible. DTC participated in the work of the drafting committee that produced the revised Article 8 and was active, together with other New York-based organizations in the financial services industry, in helping to persuade the New York State legislature of the importance of the revision.

DTC expanded its Foreign Tax Service to enable Participants to quickly access information about a country’s specific tax requirement, through the new Participant Terminal System (PTS) function—Tax Withholding Information (TAXI). TAXI information, accessible by country, account type, or both, was initially made available for the United Kingdom and France. Information for other countries will be added during 1998.

In 1997, Participants made greater use of the London Depository Facility. Established in 1996, the Facility processed 3,071 deposits of DTC-eligible securities on behalf of Participants’ London offices to obtain same-day credit and fee discounts using DTC’s Deposit Automation Management system.

The market for U.S. securities abroad is fast-paced and complex. To operate more effectively, Participants are equipping their overseas offices with tools to track U.S. securities processing. In 1997, nine Participant-affiliated offices in Europe were linked to DTC’s PTS network, providing them with timely information on transactions such as principal and income payments and corporate actions. This capability reduces the need for Participant offices in Europe to obtain this type of information indirectly from their U.S. offices, thus increasing productivity.
SAFETY AND SOUNDNESS
DTC's systems are designed to provide its primary services—book-entry settlement, custody, and related services—reliably and securely. To do this, the movement of all securities and funds is closely monitored and the control and balancing of DTC's records are subject to strict checks and balances.

Participants play an important role in this process. Each day, Participants review all security and money activities affecting their accounts, alerting DTC to any discrepancies.

DATA SECURITY
DTC understands the confidentiality Participants expect concerning their security positions and activity. The depository places great emphasis on security controls over its computers and data network. To test these security controls, outside data security experts periodically conduct reviews of DTC systems, especially, system penetrability. To reinforce DTC's commitment to systems security, a Corporate Information Security Officer was hired to bring additional resources to bear on the security of the depository's data systems. In 1997, an audit of DTC's physical security was conducted by a leading security consulting firm that endorsed the security program.

RISK MANAGEMENT
DTC performs ongoing risk assessments of its operations, data processing systems, and facilities. Whenever a new or expanded service is proposed, management assesses any potential risks. DTC's Risk Management Committee—six corporate officers with different areas of expertise who report to the Audit Committee of the Board of Directors—provides a layer of oversight in addition to that of the internal auditors, independent accountants, and regulators.

Another key to DTC's risk management process is a rigorous review of Participant applicants. Before admitting a firm as a Participant, DTC reviews its financial history, operational ability, and the potential liability to which it may expose other Participants or the depository. Each Participant makes a mandatory contribution to the Participants Fund, which could be used if the Participant were unable to meet its daily settlement obligation or became insolvent.

DTC, in conjunction with The Bond Market Association, expanded its Collateral Loan Program to include a new account type for securities involved in repurchase or Repo transactions. The new Repo account enables Participants to distinguish repurchase transactions from pledges of collateral. From left are The Bond Market Association President Heather Ruth, DTC Vice President Vincent Mauro, The Bond Market Association Senior Vice President Joseph Sack, DTC Vice President Kenneth Scholl, and Goldman, Sachs & Co. Vice President William Le Comte.
DTC maintains relationships with self-regulatory organizations such as the New York Stock Exchange, the National Association of Securities Dealers, and the National Securities Clearing Corporation to exchange information concerning the operational and financial soundness of Participants. In the event of a reported problem, DTC carefully monitors a Participant's daily activity and its debit liability in the event of insolvency. If a Participant fails to satisfy its net debit, DTC would use, as needed, its $400 million Participants Fund and a $700 million line of credit to complete settlement. If the failing Participant did not repay DTC the following day, securities delivered to the failing Participant could be returned to the original deliverer against payment or sold on the open market, and other securities designated by the failing Participant as collateral could be liquidated to repay the line of credit loan or the Participants Fund.

Through a combination of interlocking blanket bonds and all-risk insurance policies, DTC maintains one of the most extensive insurance programs in the industry.

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Each Participant has an intraday limit on the size of the net debit it may accrue—the net amount owed in settlement at any point in time—based on its net-debit history. In addition, DTC's collateral monitor controls assure that each Participant has sufficient collateral in its account to satisfy theParticipant's access to DTC services.

may require additional collateral or limit the Participant's access to DTC services.
1. Michael Minikes, Senior Managing Director-Treasurer, The Bear Stearns Companies Inc.;
   William F. Jaenike, Chairman & Chief Executive Officer,
   The Depository Trust Company;
   Thomas A. Williams, President,
   The Depository Trust Company;
   Steven G. Elliott, Senior Vice Chairman & Chief Financial Officer,
   Mellon Bank Corporation; Albert E. Petersen, Executive Vice President,
   State Street Bank and Trust Company; Edward A. Kwalwasser,
   Group Executive Vice President,
   New York Stock Exchange, Inc.

2. Richard G. Ketchum, President & Chief Operating Officer, National Association of Securities Dealers, Inc.; Edward L. Goldberg, Executive Vice President, Merrill Lynch & Co., Inc.; Jill M. Considine, President,
   The New York Clearing House Association L.L.C.; Donald R. Monks, Senior Executive Vice President,
   The Bank of New York; Wilbert A. Thiel, President & Chief Operating Officer, ABN AMRO Incorporated; James L. Bailey,
   Executive Vice President, Citibank

3. Richard A. Fama, Executive Vice President, The Chase Manhattan Bank; James H. Messenger, Chief Executive Officer, National Financial Services Corporation; David M. Kelly, President & Chief Executive Officer, National Securities Clearing Corporation; John A. Thain,
   Managing Director & Chief Financial Officer, Goldman, Sachs & Co.;
   James D. Dixon, President,
   NationsBank Services, Inc.

Retiring from the Board in March 1998, at the end of their terms were
Michael Minikes and Wilbert A. Thiel. Elected to the Board at the March 31, 1998 Stockholders Meeting were Steven L. Scheid,
Chief Financial Officer, The Charles Schwab Corporation and Melvin B. Taub, Senior Executive Vice President and Director of Technology and Operations, Solomon Smith Barney.

COMMITTEES OF THE BOARD OF DIRECTORS

Nominating Committee
Jill M. Considine
Chair
Steven G. Elliott
Michael Minikes
John A. Thain

Audit Committee
Donald R. Monks
Chair
Edward A. Kwalwasser
James H. Messenger

Compensation Committee
Edward L. Goldberg
Chair
James L. Bailey
John A. Thain

Operations and Planning Committee
Albert E. Petersen
Chair
James H. Messenger
Donald R. Monks
Wilbert A. Thiel
OFFICERS OF THE DEPOSITORY TRUST COMPANY

4. Richard B. Nesson, Executive Vice President & General Counsel; Thomas C. Cardie, Senior Vice President, Human Resources; Donald F. Donahue, Executive Vice President & Chief Information Officer; Edward J. McGuire, Jr., Secretary

5. Robert J. McGrail, Executive Vice President, Participant Services; Michael A. Agnes, Senior Vice President & Chief Financial Officer; Glenn E. Margold, Executive Vice President, Operations; Dennis J. Deeks, Senior Executive Vice President & Chief Operating Officer; Larry E. Thompson, Senior Vice President & Deputy General Counsel

6. John Colangelo, Senior Vice President, Operations; Raymond DeCesare, Senior Vice President, Information Services; Stuart A. Fishbein, Senior Vice President & General Auditor; Joseph J. Bellantoni, Senior Vice President, Information Services; Neil F. Brand, Senior Vice President, Information Services

VICE PRESIDENTS
Joseph J. Arney
Robert Beauchesne
Gary M. Burkhardt
Ronald J. Burns
Anthony DiMuro
Robert F. Dunn
Jacob Fischelvanger
Susan French
Ronald A. Garguilo
Vincent P. Hilly
Charles J. Horstmann
Elizabeth A. Keller
James Koster
Cheryl T. Lambert
John C. Martin, Jr.
Vincent A. Mauro
Michael T. Mullen
Richard E. O'Brien
George Perretti
Joseph F. Reale
John L. Scheuermann
Kenneth M. Scholl
Nicholas A. Selkai
Carl H. Urist
Arn Veve
Jack R. Wiener
Andrew J. Zelicke
Don Kiebous-Zody

Vice President & Comptroller
Gary J. LaCara

Vice President & Treasurer
Anthony J. Alzola

Assistant Secretary
Jane C. Kuegler

Assistant Treasurer
Leonard A. Miile

*As of January 1, 1998.*
FINANCIAL INFORMATION
THE DEPOSITORY TRUST COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996

CONSOLIDATED STATEMENT OF CONDITION
Dollars in thousands at December 31.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and money market accounts</td>
<td>$383,713</td>
<td>$355,955</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>881,877</td>
<td>812,672</td>
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<tr>
<td>Investments</td>
<td>44,869</td>
<td>14,197</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
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<tr>
<td>From Participants for services</td>
<td>35,263</td>
<td>30,064</td>
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<tr>
<td>Dividends, interest, and other</td>
<td>132,352</td>
<td>124,304</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>49,509</td>
<td>46,120</td>
</tr>
<tr>
<td>Prepaid expenses, deferred charges, and other assets</td>
<td>34,888</td>
<td>28,675</td>
</tr>
<tr>
<td>Equipment and leasehold improvements, net of accumulated depreciation of $131,476 in 1997 and $119,759 in 1996</td>
<td>73,097</td>
<td>35,852</td>
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<tr>
<td>Leased property under capital leases, net of accumulated depreciation of $3,143 in 1997 and $3,840 in 1996</td>
<td>3,081</td>
<td>4,924</td>
</tr>
<tr>
<td>Non-compete covenants, net of accumulated amortization of $7,178 in 1997 and $3,177 in 1996</td>
<td>32,836</td>
<td>28,592</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$1,671,485</td>
<td>$1,481,355</td>
</tr>
</tbody>
</table>

LIABILITIES, PARTICIPANTS FUND, AND STOCKHOLDERS' EQUITY

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drafts payable</td>
<td>$13,734</td>
<td>$144,770</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>217,859</td>
<td>174,046</td>
</tr>
<tr>
<td>Payable to Participants:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refunds</td>
<td>14,059</td>
<td>4,187</td>
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<tr>
<td>Short position collateral</td>
<td>31,270</td>
<td>40,541</td>
</tr>
<tr>
<td>Dividends, interest, and other</td>
<td>591,169</td>
<td>400,910</td>
</tr>
<tr>
<td>Obligations under capital leases</td>
<td>2,474</td>
<td>4,664</td>
</tr>
<tr>
<td>Notes payable</td>
<td>63,552</td>
<td>17,359</td>
</tr>
<tr>
<td>Participants Fund</td>
<td>934,117</td>
<td>786,477</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$1,671,485</td>
<td>$1,481,355</td>
</tr>
</tbody>
</table>

Stockholders' Equity:

<table>
<thead>
<tr>
<th>Stockholders' Equity:</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock—authorized, issued, and outstanding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18,500 shares of $100 par value</td>
<td>1,850</td>
<td>1,850</td>
</tr>
<tr>
<td>Surplus</td>
<td>950</td>
<td>950</td>
</tr>
<tr>
<td>Undivided profits</td>
<td>17,093</td>
<td>16,907</td>
</tr>
<tr>
<td>Total Stockholders' Equity</td>
<td>19,893</td>
<td>19,707</td>
</tr>
<tr>
<td>Total Liabilities and Stockholders' Equity</td>
<td>$1,671,485</td>
<td>$1,481,355</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## CONSOLIDATED STATEMENT OF REVENUES AND EXPENSES AND UNDIVIDED PROFITS

### DOLLARS IN THOUSANDS FOR THE YEARS ENDED DECEMBER 31:

### 1997 | 1996
---|---

### REVENUES

<table>
<thead>
<tr>
<th>Item</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service revenues</td>
<td>$382,774</td>
<td>$346,039</td>
</tr>
<tr>
<td>Interest income</td>
<td>12,850</td>
<td>22,299</td>
</tr>
<tr>
<td></td>
<td><strong>Total Revenues</strong></td>
<td><strong>395,624</strong></td>
</tr>
<tr>
<td>Less: refunds to Participants</td>
<td>(16,494)</td>
<td>(13,694)</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>379,130</strong></td>
</tr>
</tbody>
</table>

### EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee costs</td>
<td>216,939</td>
<td>205,762</td>
</tr>
<tr>
<td>Rent, maintenance, and utilities</td>
<td>40,479</td>
<td>42,279</td>
</tr>
<tr>
<td>Data processing rentals and supplies</td>
<td>21,709</td>
<td>19,319</td>
</tr>
<tr>
<td>Professional and other services</td>
<td>48,071</td>
<td>18,907</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>19,508</td>
<td>16,788</td>
</tr>
<tr>
<td>Stationery, supplies, and postage</td>
<td>2,379</td>
<td>3,700</td>
</tr>
<tr>
<td>Interest expense</td>
<td>5,375</td>
<td>3,215</td>
</tr>
<tr>
<td>Other expenses</td>
<td>19,405</td>
<td>13,826</td>
</tr>
<tr>
<td>Special charge for lease termination</td>
<td>8,287</td>
<td>7,875</td>
</tr>
<tr>
<td></td>
<td><strong>Total Expenses</strong></td>
<td><strong>236,624</strong></td>
</tr>
</tbody>
</table>

### Excess of revenues over expenses and refunds

<table>
<thead>
<tr>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>186</td>
<td>301</td>
</tr>
</tbody>
</table>

### Undivided profits, beginning of year

<table>
<thead>
<tr>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>16,907</td>
<td>16,606</td>
</tr>
</tbody>
</table>

### Undivided profits, end of year

<table>
<thead>
<tr>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$17,093</strong></td>
<td><strong>$16,907</strong></td>
</tr>
</tbody>
</table>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### DOLLARS IN THOUSANDS FOR THE YEARS ENDED DECEMBER 31:

### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of revenues over expenses and refunds</td>
<td>$186</td>
<td>$301</td>
</tr>
</tbody>
</table>

### Adjustments to reconcile excess of revenues over expenses and refunds to net cash provided by (used in) operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>19,508</td>
<td>16,788</td>
</tr>
<tr>
<td>Pension and deferred compensation</td>
<td>(317)</td>
<td>4,772</td>
</tr>
<tr>
<td>Special charge for lease termination</td>
<td>—</td>
<td>8,287</td>
</tr>
<tr>
<td>Provision for uncollectible dividends and interest receivables</td>
<td>707</td>
<td>284</td>
</tr>
<tr>
<td>Deferred income tax benefit</td>
<td>(3,389)</td>
<td>(10,981)</td>
</tr>
<tr>
<td>(Increase) decrease in receivables from Participants</td>
<td>(5,199)</td>
<td>2,888</td>
</tr>
<tr>
<td>(Increase) decrease in dividends, interest, and other receivables</td>
<td>(8,755)</td>
<td>226,941</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable, accrued expenses, and other, net</td>
<td>39,226</td>
<td>(122,253)</td>
</tr>
<tr>
<td>Increase (decrease) in Participants Fund deposits</td>
<td>42,364</td>
<td>214,660</td>
</tr>
<tr>
<td>Increase (decrease) in drafts payable</td>
<td>(131,036)</td>
<td>(3,248,812)</td>
</tr>
<tr>
<td>Increase (decrease) in payables to Participants</td>
<td>190,860</td>
<td>(468,709)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>143,709</td>
<td>(3,767,135)</td>
</tr>
</tbody>
</table>

### Net cash provided by (used in) operating activities

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>143,895</strong></td>
<td><strong>(3,757,834)</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of equipment and leasehold improvements</td>
<td>(49,799)</td>
<td>(14,738)</td>
</tr>
<tr>
<td>Acquisition of non-compete covenants</td>
<td>(8,246)</td>
<td>(31,769)</td>
</tr>
<tr>
<td>Investment in IDA bonds</td>
<td>(29,672)</td>
<td>(14,197)</td>
</tr>
<tr>
<td>Investment in International Depository &amp; Clearing, LLC</td>
<td>(1,090)</td>
<td>—</td>
</tr>
<tr>
<td>Capital lease additions</td>
<td>(1,109)</td>
<td>(4,245)</td>
</tr>
<tr>
<td>Net cash (used in) investing activities</td>
<td>(89,826)</td>
<td>(64,949)</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>50,523</td>
<td>20,000</td>
</tr>
<tr>
<td>Principal payments on capital leases</td>
<td>(3,299)</td>
<td>(2,024)</td>
</tr>
<tr>
<td>Principal payments on notes</td>
<td>(4,330)</td>
<td>(2,641)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>42,894</td>
<td>15,335</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
<td>96,963</td>
<td>(3,423,448)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>1,168,627</td>
<td>4,194,075</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td><strong>$1,265,590</strong></td>
<td><strong>$1,168,627</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1 BUSINESS AND OWNERSHIP

The Depository Trust Company ("DTC") is a limited purpose trust company providing central securities depository and related services to the securities, banking and related industries. At December 31, 1997, the New York Stock Exchange, Inc. owned approximately 36% of the capital stock of DTC, with the remainder owned by the American Stock Exchange, Inc., the National Association of Securities Dealers, Inc. and a number of DTC Participants or their representatives. A Stockholders Agreement provides for an annual reallocation of the entitlement to purchase outstanding capital stock by eligible Participants or their representatives based on relative depository activity of Participants during the prior year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION: The consolidated financial statements include the accounts of DTC and its wholly owned subsidiaries, DTC Limited Funding Corporation and NYDTC Corp. DTC Limited Funding Corporation was established in 1996 to purchase certain bonds issued by the New York City Industrial Development Agency (see Note 2C). NYDTC Corp. was established in 1997 as DTC's corporate nominee to eliminate tax withholding requirements associated with interest payments received on certain foreign issues. All intercompany balances and transactions have been eliminated.

These consolidated financial statements are presented in conformity with generally accepted accounting principles and necessarily include management's estimates and assumptions in determining the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. CASH, MONEY MARKET ACCOUNTS, REPURCHASE AGREEMENTS, AND CASH FLOWS: DTC invests available federal funds in repurchase agreements and money market accounts and, at the same time, makes certain disbursements in clearinghouse funds. The resulting book overdrafts are included in drafts payable and are eliminated the next business day when the repurchase agreements and money market accounts are converted back to cash.

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

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

C. INVESTMENTS: DTC received an exemption from sales tax on certain equipment and other purchases in connection with the renewal of its lease at 55 Water Street in 1995 which will be realized during the term of the lease which expires on December 31, 2012. Under the terms of the project agreement with the New York City Industrial Development Agency ("IDA"), DTC Limited Funding Corporation purchases certain IDA bonds to support project expenditures. At December 31, 1997, DTC Limited Funding Corporation owned IDA bonds totaling $43,869 (1996—$14,197). The bonds pay 7.5% interest and mature on December 31, 2012. These investments are intended to be held-to-maturity and, accordingly, are carried at cost.

On February 3, 1997, DTC contributed $1 million for a 50% interest in International Depository & Clearing, LLC ("IDC"), a joint venture with National Securities Clearing Corporation ("NSCC"). DTC's contribution consisted of a cash payment, furniture, equipment and leasehold improvements. IDC coordinates the international activities of DTC, NSCC and NSCC's wholly owned subsidiary, International Securities Clearing Corporation.
D. Depreciation and Amortization: Equipment is depreciated over estimated useful lives ranging from five to seven years, using principally accelerated methods. Leasehold improvements are amortized using the straight-line method over the lives of the related leases or the useful lives of the improvements, whichever is less. Non-compete covenants are amortized using the straight-line method over their respective lives of five and 10 years.

E. Income Taxes: DTC recognizes the current and deferred tax consequences of all transactions that have been recognized in the consolidated financial statements. The net deferred tax asset of $49,509 as of December 31, 1997 (1996—$46,120) resulted from differences between amounts of assets and liabilities as measured for income tax return and financial reporting purposes. Such differences that comprise the net deferred tax asset relate to liabilities for pension, other post-retirement and postemployment benefits for covered active and retired employees. The deferred tax asset is expected to be fully realized and, accordingly, no valuation reserve has been established.

F. Refunds: Pursuant to a policy adopted by the Board of Directors, DTC does not pay dividends to stockholders. The Board of Directors has also adopted a policy to refund to its Participants each year all revenues in excess of current and anticipated needs. In 1997, this refund amounted to $12,845. There was no refund in 1996. The Board of Directors has adopted an additional refund policy to provide for a monthly refund to Participants of income earned from the overnight investment of unallocated cash dividends and corporate interest and reorganization funds payable to Participants. Such net monthly refunds, which were reduced substantially as a result of the conversion to same-day funds settlement in 1996, totaled $3,649 in 1997 (1996—$13,694).

G. Securities on Deposit: Securities held by DTC for Participants are not reported in the consolidated financial statements. Cash dividends and interest received by DTC or due on such securities and in process of distribution or awaiting claim are included in Payable to Participants. Short positions occasionally exist in Participants’ securities balances. Such short positions are valued and collateralized daily by Participants’ cash, U.S. Treasury securities, and/or municipal bonds rated AA or better aggregating 130% of the short position. DTC’s obligation to return such amounts to Participants is also reflected in Payable to Participants.

H. Year 2000 Surcharge: DTC implemented a surcharge of 3.5% on service fees charged to Participants effective January 1, 1997, to recover the costs relating to Year 2000 compliance. This surcharge generated $11,599 in 1997, which substantially offset allocated Year 2000 expenses of approximately $11,900. Management anticipates maintaining this surcharge in 1998 and 1999 to recover ongoing Year 2000 compliance costs.

NOTE 3 Equipment and Leasehold Improvements

Equipment and leasehold improvements included the following items at December 31, 1997 and 1996:

<table>
<thead>
<tr>
<th>Item</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$111,143</td>
<td>$ 88,396</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>69,926</td>
<td>64,903</td>
</tr>
<tr>
<td>Construction-in-progress</td>
<td>23,504</td>
<td>2,312</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>204,573</strong></td>
<td><strong>155,611</strong></td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>(131,476)</td>
<td>(119,759)</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td><strong>$ 73,097</strong></td>
<td><strong>$ 35,852</strong></td>
</tr>
</tbody>
</table>

Construction-in-progress represents expenditures for DTC’s new disaster recovery facility. Additional capital expenditures of approximately $6 million are anticipated to complete this facility. Amortization will commence in mid-1998 when the facility is scheduled to be placed in service.

NOTE 4 Participants Fund

Participants are required to deposit to DTC’s Participants Fund amounts that relate to their activity in the depository. The Fund is available to be applied to the Participants’ obligations to DTC, and to be applied to certain uninsured losses incurred by DTC, if such should occur. All deposits are made in cash.

NOTE 5 Dividends, Interest, and Other Payables

DTC receives cash and stock dividends, interest and reorganization and redemption proceeds on securities registered in the name of its nominee and interest and redemption proceeds on bearer
securities that it distributes to its Participants for the owners of the securities. Amounts received on registered securities withdrawn before the record date but not transferred from the name of DTC's nominee cannot be distributed unless claimed by the owners of the securities through a Participant or other financial institution. At December 31, 1997, cash dividends, interest, reorganization and redemption payables amounted to $585,584, of which $446,575 was awaiting distribution to Participants and $139,009 was held pending claims on behalf of the record date owners of the applicable securities. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws. Stock dividends payable and unclaimed are not reported in the consolidated financial statements.

Cash dividends, interest, and other receivables at December 31, 1997, amounted to $133,052 (1996—$124,804) before reduction by an allowance of $700 (1996—$500) for possible losses. Stock dividend receivables are not reported in the consolidated financial statements.

NOTE 6 PENSION BENEFITS

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

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

The following table reconciles the funded status of DTC’s defined benefit plans with the amounts reflected in the consolidated financial statements:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan assets at fair value, primarily equity securities and deposits under group annuity contracts</td>
<td>$109,581</td>
<td>$88,909</td>
</tr>
<tr>
<td>Accumulated benefit obligation for service rendered:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vested</td>
<td>98,501</td>
<td>87,944</td>
</tr>
<tr>
<td>Non-Vested</td>
<td>3,706</td>
<td>3,285</td>
</tr>
<tr>
<td></td>
<td>102,207</td>
<td>91,229</td>
</tr>
<tr>
<td>Additional amounts related to projected compensation increases</td>
<td>20,884</td>
<td>19,159</td>
</tr>
<tr>
<td>Projected benefit obligation for service rendered</td>
<td>123,091</td>
<td>110,388</td>
</tr>
<tr>
<td>Projected benefit obligation in excess of plan assets</td>
<td>(13,510)</td>
<td>(21,479)</td>
</tr>
<tr>
<td>Unrecognized net asset remaining from the initial application of FAS No. 87</td>
<td>(3,213)</td>
<td>(4,017)</td>
</tr>
<tr>
<td>Unrecognized net (gain) loss from past experience different from that assumed and the effects of changes in assumptions</td>
<td>(13,577)</td>
<td>(4,917)</td>
</tr>
<tr>
<td>Unfunded defined benefit pension obligation included in accounts payable and accrued expenses</td>
<td>($30,300)</td>
<td>($10,413)</td>
</tr>
</tbody>
</table>

The discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% for 1997 (1996—7.5%). The assumed rate of future compensation levels was based on anticipated inflation and merit increases. The expected long-term rate of return on assets was 8.75% in 1997 (1996—8.75%). The unrecognized net asset that existed when Statement of Financial Accounting Standards No. 87, “Employers’ Accounting for Pensions,” was adopted, as of January 1, 1986, is being amortized over 16 years.

Net defined benefit pension costs for 1997 and 1996 included the following components:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost—benefits earned during the year</td>
<td>$6,745</td>
<td>$6,100</td>
</tr>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>8,232</td>
<td>7,434</td>
</tr>
<tr>
<td>Actual return on assets</td>
<td>116,714</td>
<td>(10,680)</td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>8,873</td>
<td>3,668</td>
</tr>
<tr>
<td></td>
<td>$7,136</td>
<td>$6,522</td>
</tr>
</tbody>
</table>
NOTE 7 POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

DTC provides certain unfunded health care and life insurance benefits for retired employees. The cost of these benefits is recognized in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The unrecognized obligation that existed when this standard was adopted, as of January 1, 1994, is being amortized over 20 years. At December 31, 1997, the unamortized transition obligation was $9,325.

Accounts payable and accrued expenses include $25,160 (1996—$23,154) for these benefits.

Net periodic postretirement benefit costs for 1997 and 1996 included the following components:

<table>
<thead>
<tr>
<th>Component</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost—benefits attributed to service during the year</td>
<td>$1,245</td>
<td>$1,547</td>
</tr>
<tr>
<td>Interest cost on accumulated benefit obligation</td>
<td>1,306</td>
<td>1,519</td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>400</td>
<td>622</td>
</tr>
<tr>
<td></td>
<td>$2,951</td>
<td>$3,688</td>
</tr>
</tbody>
</table>

The actuarial present value of DTC's accumulated postretirement benefit obligation as of December 31, 1997 was $19,367 (1996—$19,467) including an unrecognized net gain of $1,293 (1996—$3,688) using a discount rate of 7.5% (1996—7.5%). The assumed health care cost trend used to measure the expected cost of benefits reflects rates decreasing from 10.3% currently to an ultimate rate of 5% in 2007 and beyond. A one-percentage-point increase in the health care cost trend rates assumed would increase the 1997 cost by $580 and the accumulated postretirement benefit obligation by $3,664.

DTC also provides certain postemployment benefits to former or inactive employees who are not retirees. These benefits include salary continuance and disability health care. The cost of postemployment benefits is recognized under the accrual method as required by Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." At December 31, 1997, $950 was accrued for such benefits.

NOTE 8 INCOME TAXES

Income tax expense is reflected in other expenses. The provisions for 1997 and 1996 are summarized as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current provision:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$2,827</td>
<td>$7,569</td>
</tr>
<tr>
<td>State and local</td>
<td>1,376</td>
<td>4,361</td>
</tr>
<tr>
<td>Deferred (benefit):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>(2,692)</td>
<td>(7,071)</td>
</tr>
<tr>
<td>State and local</td>
<td>(697)</td>
<td>(3,910)</td>
</tr>
<tr>
<td><strong>Net income tax expense</strong></td>
<td><strong>$ 814</strong></td>
<td><strong>$ 949</strong></td>
</tr>
</tbody>
</table>


NOTE 9 LINES OF CREDIT

DTC maintains committed lines of credit totaling $1.4 billion to support operations. A $700 million line of credit with a commercial bank supports the processing of principal and income payments through the depository with borrowing at the federal funds rate plus 6%. A $700 million line of credit with certain commercial banks supports the Same-Day Funds Settlement System with borrowing at the federal funds rate plus 6%. Commitment fees are required on these facilities. DTC also maintains a line of credit of $10 million to support potential short-term operating cash requirements. At December 31, 1997 there were no outstanding balances under any of DTC's credit lines.

NOTE 10 LEASES AND OTHER COMMITMENTS

DTC leases office space and data processing and other equipment. The leases for office space provide for rent escalations subsequent to 1997. Rent expense in 1997 was $27,122 (1996—$29,329) for office space and $16,569 (1996—$14,555) for data processing and other equipment.
Cash payments of interest on capital leases and other obligations totaled $1,787 in 1997 (1996—$1,641).

Presented below are the future minimum payments, by year and in the aggregate, under capital leases and under operating leases having noncancelable lease terms in excess of one year as of December 31, 1997:

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Leases</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$1,884</td>
<td>$12,720</td>
</tr>
<tr>
<td>1999</td>
<td>489</td>
<td>26,771</td>
</tr>
<tr>
<td>2000</td>
<td>133</td>
<td>25,674</td>
</tr>
<tr>
<td>2001</td>
<td>133</td>
<td>21,354</td>
</tr>
<tr>
<td>2002</td>
<td>21</td>
<td>21,461</td>
</tr>
<tr>
<td>Thereafter</td>
<td>—</td>
<td>234,549</td>
</tr>
<tr>
<td>Total future minimum lease payments</td>
<td>2,660</td>
<td>$362,520</td>
</tr>
<tr>
<td>Less: amount representing interest on capital leases</td>
<td>186</td>
<td></td>
</tr>
<tr>
<td>Present value of net minimum lease payments under capital leases</td>
<td>$2,474</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE II ACQUISITION**

As of June 18, 1997, DTC assumed certain depository services of the Philadelphia Depository Trust Company ("PHILADEF"). DTC paid $8.2 million consisting of $2.7 million in cash and a $5.5 million note payable. The note bears interest at 7% and is payable annually through June 18, 2004.

The transaction was accounted for using the purchase method. The cost of the transaction was allocated to a five-year non-compete covenant signed by PHILADEF.

**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors
and Shareholders of
The Depository Trust Company

In our opinion, the accompanying consolidated statement of condition and the related consolidated statements of revenues and expenses and undivided profits and of cash flows present fairly, in all material respects, the financial position of The Depository Trust Company and its subsidiaries at December 31, 1997 and 1996, 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 audit. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
New York, New York
February 6, 1998
<table>
<thead>
<tr>
<th>B A N K S</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Alex, Brown Capital Advisory &amp; Trust Company</td>
<td>Daiwa Securities Trust Company</td>
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<tr>
<td>Amalgamated Bank of Chicago</td>
<td>Deutsche Bank A.G., New York Branch</td>
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<tr>
<td>American Express Trust Company</td>
<td>Edwards (A.G.) Trust Company</td>
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<tr>
<td>American National Bank &amp; Trust Company of Chicago</td>
<td>Fiduciary Trust Company</td>
</tr>
<tr>
<td>American Stock Transfer &amp; Trust Company***</td>
<td>International Fiduciary Trust Company of Boston</td>
</tr>
<tr>
<td>AmSouth Bank</td>
<td>Fifth Third Bank (The)</td>
</tr>
<tr>
<td>Associated Bank Green Bay, National Association</td>
<td>First Chicago Trust Company of New York***</td>
</tr>
<tr>
<td>Bank of America National Trust and Savings Association</td>
<td>First National Bank of Chicago (The)</td>
</tr>
<tr>
<td>Bank of Bermuda (New York) Limited</td>
<td>First National Bank of Commerce</td>
</tr>
<tr>
<td>Bank of Cherry Creek, N.A. (The)</td>
<td>First National Bank of Maryland (The)</td>
</tr>
<tr>
<td>Bank of New York (The)</td>
<td>First National Bank of Omaha</td>
</tr>
<tr>
<td>Bank of New York (The)***</td>
<td>First of America Bank – Michigan, N.A.</td>
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<tr>
<td>Bank of Nova Scotia</td>
<td>First Premier Bank</td>
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<tr>
<td>Bank of Nova Scotia</td>
<td>First Security Bank, National Association</td>
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<tr>
<td>Bank of the Tokyo-Mitsubishi Trust Company</td>
<td>First Tennessee Bank N.A. Memph</td>
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<tr>
<td>Bank One, Kentucky, N.A.</td>
<td>First Trade Union Trust Company</td>
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<tr>
<td>Bank One, Oklahoma, N.A.</td>
<td>First Trust Corporation</td>
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<tr>
<td>Bank One Trust Company, N.A.</td>
<td>First Union National Bank</td>
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<tr>
<td>BankBoston, N.A.</td>
<td>Firstar Trust Company</td>
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<tr>
<td>BankBoston, N.A.***</td>
<td>Fleet National Bank</td>
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<tr>
<td>Bankers Trust Company</td>
<td>Fort Wayne National Bank</td>
</tr>
<tr>
<td>Barclays Bank PLC, New York Branch</td>
<td>French American Banking Corporation</td>
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<tr>
<td>Barclays Global Investors, N.A.</td>
<td>Fuji Bank and Trust Company (The)</td>
</tr>
<tr>
<td>Barnett Bank, N.A.</td>
<td>Glenmore Trust Company (The)</td>
</tr>
<tr>
<td>Boarmers’ Trust Company</td>
<td>Goldman Sachs Trust Company (The)</td>
</tr>
<tr>
<td>Boston Safe Deposit and Trust Company</td>
<td>Harris Trust &amp; Savings Bank</td>
</tr>
<tr>
<td>Brown Brothers Harriman &amp; Co.</td>
<td>Harris Trust &amp; Savings Bank***</td>
</tr>
<tr>
<td>CNA Trust Corporation</td>
<td>Home Federal Bank of Tennessee, E.S.B.</td>
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<tr>
<td>Caldwell Trust Company</td>
<td>Huntington National Bank</td>
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<td>Central Fidelity Bank</td>
<td>IAA Trust Company</td>
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<td>Central Trust Bank (The)</td>
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<tr>
<td>Centuria Bank</td>
<td>Imperial Trust Company</td>
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<tr>
<td>Charles Schwab Trust Company (The)</td>
<td>Industrial Bank of Japan Limited, New York Branch (The)</td>
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<td>Chase Manhattan Bank (The)</td>
<td>Industrial Bank of Japan Trust Company (The)</td>
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<tr>
<td>ChaseMellon Shareholder Services, L.L.C.***</td>
<td>Investors Bank &amp; Trust Company</td>
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<tr>
<td>CitiBank, N.A.</td>
<td>KeyBank National Association</td>
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<tr>
<td>City National Bank</td>
<td>LTCB Trust Company</td>
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<td>Comerica Bank</td>
<td>Lakeside Bank</td>
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<tr>
<td>Commerce Bank of Kansas City, N.A.</td>
<td>LaSalle National Bank</td>
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<tr>
<td>Compass Bank</td>
<td>Lombard Odier Trust Company</td>
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<tr>
<td>Continental Stock Transfer &amp; Trust Company</td>
<td>M&amp;I Marshall &amp; Ilsley Bank</td>
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<tr>
<td>CoreStates Bank, N.A.</td>
<td>Magna Bank, N.A.</td>
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<td>Crestar Bank</td>
<td>Manufacturers and Traders Trust Company</td>
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<td>Custodial Trust Company</td>
<td>Marine Midland Bank, N.A.</td>
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<tr>
<td>Dai-Ichi Kangyo Bank, Limited, New York Branch (The)</td>
<td>Mellon Bank, N.A.</td>
</tr>
<tr>
<td>Mercantile-Safe Deposit &amp; Trust Company</td>
<td>Michigan National Bank</td>
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<tr>
<td>Mitsubishi Trust &amp; Banking Corporation (U.S.A.)</td>
<td>Mitsui Trust Bank (U.S.A.)</td>
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<td>Morgan Guaranty Trust Company of New York</td>
<td>Morgan Stanley Trust Company</td>
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<td>NBD Bank</td>
<td>National Bank of South Carolina (The)</td>
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<td>National City Bank</td>
<td>NationsBank of Texas, National Association</td>
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<tr>
<td>Nomura International Trust Company</td>
<td>Northern Trust Company (The)</td>
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<tr>
<td>NorthWest Bank Colorado, National Association</td>
<td>Old Kent Bank</td>
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<td>NorthWest Bank Minnesota, National Association</td>
<td>PNC Bank, National Association Provident Bank (The)</td>
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<td>Norwest Bank Minnesota, National Association</td>
<td>Regions Bank</td>
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<tr>
<td>Republic National Bank of New York</td>
<td>Resources Trust Company</td>
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<tr>
<td>Rittgers Bank National Association</td>
<td>Riggs National Association</td>
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<tr>
<td>SEI Trust Company</td>
<td>Sakura Trust Company</td>
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<td>Societe Generale, New York Branch</td>
<td>Santa Barbara Bank &amp; Trust</td>
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<tr>
<td>SouthTrust Bank of Alabama, N.A.</td>
<td>Sanwa Bank California</td>
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<td>Star Bank, National Association, Cincinnati</td>
<td>Sanwa Bank, Limited New York Branch (The)</td>
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<td>State Street Bank and Trust Company</td>
<td>Societe Generale, New York Branch</td>
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<td>Sterling National Bank</td>
<td>Sumitomo Bank of California</td>
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<td>Sumitomo Bank of New York Trust Company</td>
<td>Sumitomo Trust &amp; Banking Co. (U.S.A.)</td>
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<td>SunTrust Bank, Atlanta</td>
<td>Summit Bank</td>
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<tr>
<td>Swiss Bank Corporation New York Branch</td>
<td>Texas Commerce Bank, National Association</td>
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<td>Texas Treasury Safekeeping Trust Company</td>
<td>Toronto-Dominion Bank (The)</td>
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<tr>
<td>Trustmark National Bank</td>
<td>UBS Financial Services (U.S.A.) Inc.</td>
</tr>
</tbody>
</table>

AS OF DECEMBER 31, 1997
BROKER-DEALERS

A.B. Financial, L.L.C.*
ABN AMRO Incorporated
A.G. Edwards & Sons, Inc.
A & S Trading*
Adams, Harkness & Hill, Inc.
Advantage Trading Group, Inc.
Advest, Inc.
Affina Brokerage Services Inc.
Alexander (J.) Securities, Inc.*
Alger (Fred) & Company, Incorporated
Allen & Company Incorporated
Alpine Associates
Alpine Securities Corp.
American Enterprise Investment Services Inc.
Amend Trade Clearing, Inc.
Andover Securities Corporation*
Arnhold and S. Bleichroeder, Inc.
Asiel & Company LLC
BA Investment Services, Inc.
BBV LatInvest Securities Inc.
BHC Securities, Inc.
BHF Securities Corporation
BNP Securities (U.S.A.), Inc.
BNY Capital Markets, Inc.
BSE Specialist Account*
BT Alex. Brown Incorporated
BT Brokerage Corporation
Baird (Robert W.) & Co. Incorporated
BancBoston Securities Inc.
Banc One Capital Corporation
Barclays Brothers & Co., Inc.
Baum (George K.) & Company
Bear, Stearns Securities Corp.
Bernstein (Sanford C.) & Co., Inc.
Beyer & Co.*
Bidwell & Company
Billings & Co.*
Black (J.) & Company.*
Blair (C.M.), Foster (W.O.) & Co.*
Bosk Securities*
Boyle Securities Inc.*
Bozarth & Turner Securities Inc.*
Brawley Cathers Limited*
Brown & Company Securities Corporation
Bunting Warburg Inc.*
Burke, Christensen & Lewis Securities, Inc.
Butler Larsen Pierce & Company, Inc.*
Butler, Wick & Co., Inc.
C & A Trading*
CIBC Oppenheimer Corp.
CIBC Wood Gundy Securities Inc.*
CT Securities Services Inc.*
Caldwell Securities Ltd.*
Canaccord Capital Corporation*
Canter Fitzgerald & Co.
Canter Fitzgerald Partners
Canter (S.B.) & Co., Inc.*
Carr Securities Corporation
Carr & Company, Inc.
Cassels Blaire & Co., Ltd.*
Cazenove Incorporated
Centennial Securities Company, Inc.*
Chapdelaine & Co.*
Chapdelaine Corporate Securities Co.*
Charles Schwab & Co., Inc.
Charles Schwab & Co., Inc. Specialist*
Chase Securities Inc.
Chicago Match*
Chicago Securities Group*
Childs (S.W.) Management Corporation
Citicorp Securities, Inc.
Citicorp Securities Services, Inc.
City Securities Corporation
Coastal Securities Ltd.
Commerzbank Capital Markets Corporation
Computer Clearing Services Inc.*
Commers & Co., Inc.
Cose International Securities, Inc.*
Cowan & Co.
Cowan & Co.*
Cruigie Incorporated
Credit Agricole Securities, Inc.
Credit Lyonnais Securities (USA) Inc.*
Credit Suisse First Boston Corporation
Crews & Associates, Inc.
Cronin & Co., Inc.
Crowell, Weedon & Co.
Crowell, Weedon & Co. Specialist*
DLG Securities Corp.*
Daiwa Securities America Inc.
Dariar, Hentsch (Canada) Inc.*
Datek Securities Corporation
Davenport & Company LLC
Davidson (D.A.) & Co., Inc.*
Davidson (D.A.) & Co., Inc. Specialist*
Deacon Capital Corporation*
Dean Witter Reynolds, Inc.
Dean Witter Reynolds Inc. Specialist*
Deftec Asset Management Corporation*
Dempsey & Co.*
Dempsey & Company
Desjardins Securities Inc.*
Deutsche Morgan Grenfell Canada Inc.*
Deutsche Morgan Grenfell Inc.*
Diamant Investment Co.*
Direct Access Brokerage Services Inc.*
Dominick & Dominick, Incorporated
Donaldson, Lufkin & Jenrette*
Donaldson, Lufkin and Jenrette Securities Corporation
Douglas & Associates*
Douglas Summit Securities L.L.C.
Dresdner Kleinwort Benson
North America LLC.
Dreyfus Brokerage Services, Inc.
Dreyfus Investment Services Corporation
E*Trade Securities, Inc.
E.D. & F. Man International Inc.
Edward D. Jones & Co.
ESI Securities Company
Emhior & Co.
Elwood (R.W.) & Co., Inc.*
Emmer & Co., Inc.
Engelman Securities Inc.*
Ernst & Co.
Evers* Everen Clearing Corp.
Everen Clearing Corp. Specialist*
Exco RMJ International Inc.
Fagenson & Co., Inc.
Fahnestock & Co., Inc.
Fechtor, Derwiler & Co., Inc.*
Feldman Investment Group*
Ferris, Baker Watts, Incorporated
First Albany Corporation
First American Securities, Inc.
First Chicago Futures, Inc.
First Manhattan Co.
First Marathon Securities Limited*
First Marathon America Inc.*
First Marathon (U.K.) Limited*
First Miami Securities, Inc.
First Options of Chicago, Inc.
First Southwest Company
First Union Brokerage Services, Inc.
Fleet Clearing Corporation
Fleet Securities, Inc.
Fowler, Rosenau & Geary, LLC
Frankel (Wm. V.) & Co., Inc.*
Freeman Securities Company, Inc.
Freeman Welwood & Co., Inc.
Fried (Albert) & Co.
Furman Selz Financial Services LLC
G.V.R. Corporation*
G.V.R. Co.*
Garat & Co. Specialist*
Garban Corporates GP
Gewecke (Roger L.) Inc. Specialist*
Gill & Company L.P.
Glickenhau & Co.
Goepel Shields & Partners Inc.*
Goldman Sachs Canada*
Goldman, Sachs & Co.
Gordon & Co.
Gordon Capital Corporation
Gowen Securities Corporation
Griffiths McBurney & Partners
Gruntal & Co., L.L.C.
Gruss (Oscar) & Son Incorporated
H.C. Denison
H.G. Wellington & Co. Inc.
HSBC James Capel Canada Inc.*
HSBC Securities, Inc.
Hanauer (J.B.) & Co.
Hanifen, Imhoff Clearing Corporation
Hartfield (J.F.) & Co., Inc.*
Henderson Brothers, Inc.
Herzog, Heine, Gesuld, Inc.
Hildreth Securities Company
Hill, Thompson, Magid & Co., Inc.
Hilliard (J.J.B.), Lyons (W.L.), Inc.
Holt & Collins
Hopkins, Harbach & Co.
Howe & Yancey Investments, Inc.
Huntleigh Securities Corporation
Hummer (Wayne) Investments L.L.C.
Hutchinson, Shockey, Erley & Co.
ING Baring (U.S.) Securities, Inc.
ING (U.S.) Securities, Futures & Options
Icahn & Co., Inc.
Ingalls & Snyder, L.L.C.
Instinet Corporation
Interactive Brokers LLC
Interra Clearing Services Inc.
Interstate/Johnson Lane Corporation
J.A. Glynn & Co.
J.C. Bradford & Co., L.L.C.
JMC Securities, Inc.*
JW Charles Clearing Corp.
Jacobson (Benjamin) & Sons, LLC
Janney Montgomery Scott Inc.
Jeffries & Company, Inc.
John A. Sibella & Co.
Julius Baer Securities Inc.
K Securities Inc.*
KWS Associates Inc.*
Kahn Investment Group*
Kalb, Voorhis & Co., LLC
Kankaku Securities (America) Inc.
Kawano (H.) & Co., Inc.*
Kellner, DiLeo & Co.
Kenny (J.J.) Drake, Inc.*
Key Clearing Corp.
King (C.L.) & Associates Inc.
King Financial Services, Inc.
KirkPatrick, Pettis, Smith, Polian Inc.
Koonce Securities, Inc.
LaIT Clearing Services, Inc.
La Branche & Co.
Lafferty, Harwood & Partners Ltd.*
Larkin (Emmett A.) & Co., Inc.*
Lawrence, O'Donnell, Marcus LLC
Lazard Freres & Co. LLC
Legg Mason Wood Walker, Inc.
Lehman Brothers, Inc.
Lerner (David) Associates, Inc.
Lewco Securities Corp.
Lipper & Company, L.P.
Llama Company
M.J. Mecham & Co., LLC
MPAC Capital Partners L.P.
Specialist*
Mabon Securities Corp.
MacAllister Pitfield Mackay Inc.
MacDougall, MacDougall & MacTier, Inc.*
Madoff (Bernard L.)
Marcus Schloss & Co., Inc.
Marker Traders*
May & Schweitzer, Inc.
May Financial Corporation
McDonald & Company
Merrill Lynch Financial Services, Inc.
Merrill Lynch
Merrill Lynch Professional Clearing Corp.
Merrimack Valley Investment Inc.*
Mesinow Financial, Inc.
Midland Walwyn Capital Inc.*
Miller, Johnson & Kuehn, Inc.
Miller & Schroeder Financial, Inc.
Morgan (J.E) Securities Inc.
Morgan, Keegan & Company, Inc.
Morgan Stanley & Co.
Moses Financial Corporation*
Muphy, Marselles, Smith & Nammack Inc.
Murphy & Durieu
NBC Clearing Services Incorporated
NBC Securities, Inc.
PFI Financial Corp.*
Nathan & Lewis Securities, Inc.
National Financial Services Corporation
NationsBanc Montgomery Securities LLC
National Financial Services Corp.
National Investor Services Corp.
National Investor Services Corporation
New West Securities Corporation
Nesbitt Burns Inc.*
Nesbitt Burns Securities, Inc.
Neuberger & Berman, LLC
New Japan Securities International, Inc.
Newcrest Capital Inc.*
Nikkei Securities L.P.
Nikko Securities Co.
International, Inc. (The)
Nomura Securities International, Inc.
Norwest Investment Services, Inc.
Nuveen (John) & Co. Incorporated
O'Connor & Company LLC
Odd Lot Execution Service*
Odlum Brown Limited
Ohio Company (The)
Old Oak Securities*
Olde Discount Corporation
Olsen, Payne & Company, Inc.*
Oxford (J.B) & Company
PAX Clearing Company Limited Partnership
PaineWebber Incorporated
PaineWebber Specialists Inc.*
Paribas Corporation
Parker/Hunter Incorporated
Payson (H.M.) & Co.*
Pentagon Securities Co.*
Penson Financial Services, Inc.
A Division of Service Asset Management Company*
Perriman-Carley & Associates, Inc.
Peters & Co.
Pettis & Co. Limited*
Peters Securities Co.
Pfueger & Beraud Inc.*
Phelps & Woodhead Inc.*
Pictet (Canada) and Company, Limited*
Piper Jaffray Inc.
Portfolio Brokerage Services, Inc.*
Preferred Technology, Inc.*
Primevest Financial Services, Inc.
Private Brokers Clearing Corporation
Prudential Securities Incorporated
RBC Dominion Securities Corporation
RBC Dominion Securities Inc.*
RSF Partners
Ragen MacKenzie Incorporated
Raymond James*
Raymond, James & Associates, Inc.
Raymond, James & Associates, Inc.
Redwood Trading Inc. Specialist*
Refco Securities, Inc.
Regions Investment Company, Inc.
Republic New York Securities Corporation
Research Capital Corporation*
Ridle Securities, Inc.
Rich Options Company*
Richards, Merrill & Peterson, Inc.*
Robb, Peck, McCoy & Co., Inc.
Robert C. Wilson & Co.*
Robinson & Lukens Inc.*
Rock Island Securities, Inc.*
Rock Island Specialists Inc.*
Rocky Mountain Securities & Investments, Inc.
Romano Brothers & Co.
Roney & Co.
Roosevelt & Cross Incorporated
Rubicon Securities, Inc. Specialist*
SBC Warburg Dillon Read Inc.
SFS Securities*
Sage Clearing L.P.
Salomon Brothers Inc
Salvatore & Co., Inc.*
Schapiro (M.A.) & Co., Inc.
Schonfeld Securities Inc.*
Schwarz & Co.
Scotia McLeod Inc.*
Scotia Capital Markets (USA) Inc.
Scott & Stringfellow, Inc.
Scottsdale Securities Inc.
Seasongood & Mayer
Seattle-Northwest Securities Corporation
Security Traders Inc.*
Seidler Companies, Inc. Specialist (The)*
Shelby Cullom Davis & Co., L.P.
Smith Barney Inc.
Smith Barney Inc. Specialist*
Smith, Moore & Co.*
Societe Generale Securities Corporation
Solowey & Co.*
Southwest Securities, Inc.
Spear, Leeds & Kellogg
Steichen (R.J.) & Company
Stehens, Inc.
Stern & Kennedy
Stern (M. L.) & Co., Inc.*
Sterne, Agee & Leach, Inc.
Stifel, Nicolaus & Company Incorporated
StockCross, Inc.*
Stoever, Glass & Co., Inc.
Stone & Youngberg*
Streicher (J.) & Co. L.L.C.
Summit Discount Brokerage
Sunpoint Securities, Inc.
Sweeney Cartwright & Co.
Swiss American Securities Inc.
Sydan & Co.*
TCW, Inc. Specialist*
TD Securities Inc.*
Tase & Associates, Limited*
Theodoor Gilissen First Marathon Limited*
Thomson Kernaghan & Co., Ltd.*
Timber Hill LLC
Titus & Donnelly Inc.*
Tomac*
Transatlantic Securities Company
UBS Securities LLC
U.S. Clearing Corp.
Van Kampen American Capital Distributors, Inc.
W&D Securities, Inc.
W.H. Reaves & Co., Inc.
WSI Stock Loan*
Wachovia Investments, Inc.
Wachtel & Co., Inc.
Waters, Parkerson & Co., Inc.*
Wedbush Morgan Securities, Inc.*
Wedbush Morgan Securities, Inc. Specialist*
Weiss, Peck & Greer, L.L.C.
Wheat, First Securities, Inc.
William Blair & Company, L.L.C.
William R. Hough & Co.
Wilshire Associates Incorporated*
Wilson-Davis & Co., Inc.
Wilson (L.W.) & Co., Inc. Specialist*
Wolfe & Hurst Bond Brokers, Inc.
Wolfe & Hurst Bond Brokers, Inc.*
Worldco, Inc.*
Wulff, Hansen & Co.
Xanadu*
Yamaichi International (America), Inc.
Yorkton Securities Inc.*
Ziegler (B.C.) and Company
Ziegler Thrift Trading, Inc.
Ziv Investment Co.

CLEARING AGENCIES

American Stock Exchange Clearing Corporation
Boston Stock Exchange Clearing Corporation*
Caja De Valores, S.A.*
Canadian Depository for Securities Limited (The)
Canadian Depository for Securities Ltd. (The)*
Central Depository (Pte.) Ltd. (Singapore)**
Cincinnati Stock Exchange (The)
Deutscher Kassenverein AG
International Securities Clearing Corporation
Japan Securities Clearing Corp.**
National Securities Clearing Corporation
New York Stock Exchange, Inc.
Options Clearing Corporation (The)
Stock Clearing Corporation of Philadelphia**

1 Canadian Depository for Securities Limited-Sponsored Account
2 National Securities Clearing Corporation-Sponsored Account
3 International Securities Clearing Corporation-Sponsored Account
4 Direct Registration/Limited Participant
STOCKHOLDERS

AS OF DECEMBER 31, 1997

A.G. Edwards & Sons, Inc.
ABN AMRO Incorporated
American Express Trust Company
American Stock Exchange
American Stock Exchange Inc.
AmSouth Bank
Arnhold and S. Bleichroeder, Inc.
Bank of America National Trust
and Savings Association
Bank of New York (The)
Bank of Tokyo-Mitsubishi Trust
Company
Bank One, Oklahoma, N.A.
Bank One Trust Company, N.A.
BankBoston, N.A.
Bankers Trust Company
Barclays Bank PLC, New York
Branch
Barnett Bank, N.A.
Bear, Stearns Securities Corp.
Boston Safe Deposit and Trust
Company
Brown Brothers Harriman & Co.
BT Alex. Brown Incorporated
Cantor Fitzgerald & Co.
Cantor Fitzgerald Partners
Carty & Company, Inc.
Cazenove Incorporated
Central Trust Bank (The)
Chase Manhattan Bank
CIBC Oppenheimer Corp.
Cincinnati Stock Exchange (The)
Citibank N.A.
Citigorp Securities, Inc.
City National Bank
City Securities Corporation
Compass Bank
CoreStates Bank, N.A.
Craigie Incorporated
Credit Suisse First Boston
Corporation
Crews & Associates, Inc.
Custodial Trust Company
Daiwa Securities America Inc.
Davenport & Company LLC
Dominick & Dominick,
Incorporated
Donaldson, Lufkin & Jenrette
Securities Corporation
Dreyfus Investment Services
Corporation
E*Trade Securities, Inc.
Edward D. Jones & Co.
ESI Securities Company
Fagenson & Co., Inc.
Fahnestock & Co., Inc.
Fiduciary Trust Company
International
Fiduciary Trust Company of
Boston
First Albany Corporation
First National Bank of Chicago
(The)
First National Bank of Maryland
(The)
First Tennessee Bank N.A. Memphis
First Union National Bank
Fleet National Bank
Fort Wayne National Bank
Furman Selz Financial Services LLC
Goldman, Sachs & Co.
Gruss (Oscar) & Son Incorporated
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F.S.B.
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Imperial Trust Company
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Interma Clearing Services Inc.
Investors Bank and Trust Company
J.A. Glynn & Co.
Julius Baer Securities Inc.
Key Clearing Corp.
KeyBank National Association
LaBranche & Co.
Lehman Brothers, Inc.
Lewco Securities Corp.
MacAllister Pitfield Mackay Inc.
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Company
Marcus Schloss & Co., Inc.
Marine Midland Bank
May Financial Corporation
Mayer & Schweitzer, Inc.
Mellon Bank, N.A.
Merrill Lynch & Co., Inc.
Michigan National Bank
Miller & Schroeder Financial, Inc.
Morgan Guaranty Trust Company
of New York
Morgan Stanley & Co., Inc.
Incorporated
National Association of Securities
Dealers, Inc.
National City Bank
National Financial Services
Corporation
National Investor Services Corp.
NationsBank Montgomery
Securities LLC
NationsBank of Texas, National
Association
NatWest Securities Corporation
NBD Bank
New York Stock Exchange, Inc.
Nikko Securities Co.
International, Inc. (The)
Nomura Securities International, Inc.
Northern Trust Company (The)
Norwest Bank Minnesota,
National Association
PaineWebber Incorporated
Paribas Corporation
Parker/Hunter Incorporated
Regions Investment Company, Inc.
Republic New York Securities
Corporation
Roosevelt & Cross Incorporated
Salomon Brothers Inc.
Santa Barbara Bank & Trust
Sanwa Bank California
SBC Warburg Dillon Read Inc.
Scott & Stringfellow, Inc.
Seattle-Northwest Securities
Corporation
Star Bank, National Association,
Cincinnati
State Street Bank and Trust
Company
Stock Clearing Corporation
SunTrust Bank, Atlanta
Swiss American Securities Inc.
Swiss Bank Corporation
New York Branch
Texas Commerce Bank, National
Association
Timber Hill LLC
UMB Bank, National Association
U.S. Bank National Association
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