The Depository Trust Company

1976 Annual Report

The Depository Trust Company performs three major functions: it is a custodian for the securities of its Participants, a channel for communications between Participants and between Participants and the transfer agents of their securities, and an accounting system for the book-entry delivery and pledge among its Participants of securities immobilized in its custody. The nature of its major services is indicated below.

Deposits	DTC accepts deposits of securities certificates from or for its Participants at its office or at cooperating Depository Facilities across the country.
Deliveries and Settlement	DTC makes book-entry deliveries of deposited securities between Participants and between a Participant, clearing corporations and other securities depositories acting for their users. It also receives and makes payment for securities delivered by book-entry, including underwriting distributions.
Pledges	DTC pledges Participants' securities by book-entry to secure their collateral loans from Pledgees.
Options	DTC segregates Participants' securities which underlie options traded on various exchanges and settled through the Options Clearing Corporation.
Custody	DTC holds deposited securities in custody and records each Participant's position on its books in any eligible security issue.
Dividend and Interest Payments	DTC passes on to Participants cash and stock dividends and interest related to securities held in custody.
Voting Rights	DTC facilitates the voting of deposited securities by assigning the voting rights in equity issues to the appropriate Participant.
Withdrawals By Transfer	DTC arranges for the transfer and delivery to Participants of securities registered in the name of any owners, reducing Participants' positions accordingly.
Urgent Withdrawals	DTC provides for withdrawals by Participants of certificates on demand (CODs) when needed within approximately three hours.
Confirmations and Acknowledgments	DTC provides users the ability to confirm securities trades and to acknowledge those confirmations, whether or not the transactions are in DTC-eligible security issues.

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Highlights

At the End of the Year:	**1976**	1975
Participants	**258**	256
Broker-Dealers	**211**	219
Banks	**40**	30
Clearing Agencies	**7**	7
Pledgees	**77**	59
Depository Facilities	**31**	30
Eligible Security Issues	**9,870**	8,165
	(in billions)	
Value of Securities on Deposit	**$111**	$ 60
Bank Deposits	**$ 61**	$ 28
Broker-Dealer Deposits	**$ 50**	$ 32
Number of Shares on Deposit	**3.8**	2.7
Bank Deposits	**1.3**	.7
Broker-Dealer Deposits	**2.5**	2.0
Principal Amount of Debt Securities on Deposit	**$ 7.7**	$ 4.4
Bank Deposits	**$ 3.5**	$ .9
Broker-Dealer Deposits	**$ 4.2**	$ 3.5
Value of Securities Pledged for Collateral Loans	**$ 6.8**	$ 3.9
Value of FAST Balance Certificates at Transfer Agents	**$ 14.3**	$ 3.0
Total for the Year:	(in billions)	
Market Value of Book-Entry Deliveries	**$309**	$210
Cash Dividend and Interest Payments to Users	**$ 3.5**	$ 2.1

Board of Directors*

Elliott Averett
Chairman and Chief Executive Officer, The Bank of New York

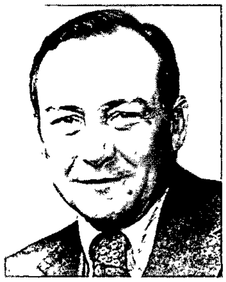
William T. Dentzer, Jr.
Chairman and Chief Executive Officer, The Depository Trust Company

Robert S. Driscoll
Managing Partner, Lord, Abbett & Co.

Robert C. Hall
Chairman and President, Securities Industry Automation Corporation

James C. Harris
Vice Chairman of the Board and Chairman of the Trust Committee, Northwestern National Bank of Minneapolis

George E. Doty
General Partner, Goldman, Sachs & Co.



Raymond J. Kalinowski
Executive Vice President and Director, A.G. Edwards & Sons

Ross B. Kenzie
Executive Vice President, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Director, Merrill Lynch & Co., Inc.

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

Joseph A. Rice
President, Irving Trust Company, and President, Charter New York Corporation

John T. Roche
Executive Vice Presid
Kidder, Peabody & Co
Incorporated

Arthur Levitt, Jr.
President, Shearson Hayden Stone Inc., and member of the Board of Governors, American Stock Exchange Inc.

Francis J. Palamara
Executive Vice President, New York Stock Exchange, Inc.

George A. Roeder, Jr.
Vice Chairman, The Chase Manhattan Bank, N.A.

Joseph A. Vitanza
Senior Executive Vice President, Drexel Burnham Lambert Incorporated

*Elected March 23, 1977. Effective May 1, 1977, **Mr. Hall** was to become Executive Vice President-Operations and **Mr. Palamara** Executive Vice President-Planning and External Affairs of the New York Stock Exchange.

Retiring from the Board of Directors upon completion of their terms of office were: **George M. Ferris Jr.**, President and Chief Executive Officer of Ferris & Company, Incorporated; **Dr. John T. Fey,** Chairman of the Board of The Equitable Life Assurance Society of the United States; **Frederick Moss,** Chairman of the Board of Becker Securities Corporation and Industry Representative on the Board of Governors of the American Stock Exchange Inc.; **William I. Spencer,** President of both Citibank, N.A., and Citicorp, and **Robert C. Van Tuyl,** Vice Chairman of the Board (Retired) of Shearson Hayden Stone, Inc.

Chairman's Letter

At The Depository Trust Company during the year 1976

- equity securities on deposit increased by more than a billion shares, to almost four billion shares at year-end, and
- book-entry deliveries—that is, debits and credits on the depository's books rather than the physical transportation of securities certificates to complete transactions—increased by almost $100 billion to $309 billion.

These two indicators demonstrate *how much* the world's largest custodian of corporate securities grew in 1976. *Why* such strong growth took place is even more interesting.

Financial institutions become users of The Depository Trust Company's services primarily to reduce their costs and effort in settling securities transactions. They recognize, as well, that use of the depository provides them more accuracy, better customer service and safety. Until recently, however, relatively few banks made active use of depository services. While securities depositories have been common in Western Europe for years and even decades, they are relatively new in the United States.

In its fourth year as The Depository Trust Company and the ninth year since its predecessor, Central Certificate Service, was created by the New York Stock Exchange to serve NYSE member firms, the depository experienced increased use of its capabilities by banks. This was due both to its greater utilization by banks which first joined DTC in 1973 and to added bank participation since that time—10 directly last year and many more indirectly, through their participating correspondent banks. These banks have seen the depository's track-record for safety and efficiency justify the promise of its unique safeguards and controls. They know of its reliability under stress as demonstrated during the record-high trading volumes early in 1976.

Depository Trust's system is now used directly by 210 broker-dealers and 43 banks. During the first quarter of 1977, the depository's growth followed the upward trend lines of its 1976 activity. There is every reason to believe this thrust will continue, as financial institutions continue their conversion to a depository environment. Improved cost control, better customer service and safety are hard arguments to beat.

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

Ownership and Control

The Depository Trust Company is owned and controlled by its Participants or their representatives. The procedures for its governance are carefully framed to reflect the need for objectivity in serving diverse users in the financial community.

The right to purchase capital stock of the depository is based on a formula defining each Participant's use of the depository during the preceding calendar year. The formula calculates such use based equally on fees paid to the depository and the market value of long securities positions in DTC on the last business day of each month. The purchase price of the stock is based on its book value as of the end of that year.

The amount of stock each Participant is entitled to purchase is recalculated each year to reflect annual variations in usage. The Participant then may purchase before the annual stockholders meeting any part of the stock to which it may be entitled, or none at all.

At the annual meeting stockholders elect a Board of Directors under a system of cumulative voting which assures that no group controlling 51 per cent of the stock can elect all directors. This makes representation on the Board available to users from all parts of the financial community in proportion to their use of the depository.

Edward J. McGuire, Jr., Secretary/Counsel, and Sandra Stern, Associate Counsel, both of DTC.

During 1976, broker-dealer Participants became entitled for the first time to purchase shares of DTC stock. Previously their shares were held by their principal self-regulatory agency representatives—the New York Stock Exchange, the American Stock Exchange, and the National Association of Securities Dealers.

When the stock of DTC was reallocated in February 1977, 23 of 210 eligible broker-dealers chose to exercise this option and purchased 11.4 per cent of the depository's outstanding shares. The stock entitlements they did not purchase remained with the self-regulatory organizations representing them. As a result, the American Stock Exchange and the National Association of Securities Dealers now own 6.5 per cent each and the NYSE owns almost 47 per cent.

Twenty-two of 37 eligible banks hold 28.8 per cent of the depository's stock. Eleven New York City-based banks hold 26.4 per cent and eleven banks with headquarters outside New York City hold 2.4 per cent.

The Depository Trust Company was created in May 1973 to acquire the business of the Central Certificate Service of the New York Stock Exchange, a securities depository created by the NYSE in 1968 to serve its member firms. The conversion of that depository into The Depository Trust Company and the plan for DTC's evolution as a user-controlled entity were developed by the Banking and Securities Industry Committee in 1970-1972.

After amendments of various state laws which restricted depository ownership, the initial sale of stock by the NYSE from its former 100-per-cent ownership occurred on October 31, 1975. DTC was owned thereafter by 24 users or their representatives, with 61 per cent of the stock held by the NYSE.

At the first reallocation of stock in the spring of 1976, the number of users and their representatives who were stockholders remained at 24, with only slight changes in relative stock ownership. In October 1976 the NYSE gave its members the right to own DTC stock directly. The first purchase of stock by one of these member organizations was late in January 1977. This purchase activated a provision of the DTC stockholder's agreement giving all broker-dealer Participants the right to purchase DTC stock. Following this change, the second reallocation of Depository Trust stock in the spring of 1977 resulted in an increase in the number of stockholders to 50.

Stockholders of DTC other than the NYSE, the American Stock Exchange and the National Association of Securities Dealers, in order of their holdings are:

Citibank, N.A.
Merrill Lynch & Co., Inc.
The Chase Manhattan Bank, N.A.
Manufacturers Hanover Trust Company
The Bank of New York
Bankers Trust Company
Marine Midland Bank
Morgan Guaranty Trust Company
Northwestern National Bank of Minneapolis
Goldman Sachs & Co.
Chemical Bank
United States Trust Company of New York
Irving Trust Company
A.G. Edwards & Sons, Inc.
Hornblower & Weeks—Hemphill, Noyes Incorporated
Wells Fargo Bank, National Association
First & Merchants National Bank
Donaldson, Lufkin & Jenrette Securities Corporation
Weeden & Co.
Philadelphia Stock Exchange, Inc.

M. Scotland King, Assistant Secretary of DTC.

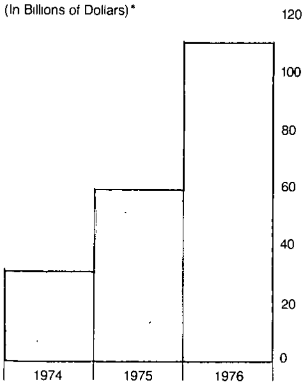
Morgan Stanley & Co. Incorporated
The Citizens & Southern National Bank
State Street Bank & Trust Company
The First Boston Corporation
Edward A. Viner & Co., Inc.
Blunt Ellis & Simmons Incorporated
The Connecticut Bank and Trust Company
F. Eberstadt & Co., Inc.
Wood Gundy Incorporated
Oscar Gruss & Son
H.N. Whitney Goadby & Co.
Shawmut Bank of Boston
McMullen & Hard
Alex Brown & Sons
Bradford Trust Company
Hartford National Bank and Trust Company
First Jersey National Bank
Kingsley, Boye & Southwood, Inc.
Boettcher & Co.
Carl H. Pforzheimer & Co.
Stillman, Maynard & Co.
La Branche & Co.
Fagenson & Co., Inc.
J.F. Nick & Co.
First National Bank of Atlanta
Equitable Trust Company
Stock Clearing Corporation

It is the policy of DTC to limit profits and return to users, whether they are stockholders or not, such revenues as the Board of Directors believes exceed the funds required for the depository's operation. This refund for 1976 was $1,950,000. Also, it is the policy of the depository not to pay dividends to stockholders. This policy is based on the view that distribution of depository ownership should not provide an investment vehicle but rather offer to the diverse users of DTC a means by which to encourage its responsiveness to their needs by exercise of their voting rights.

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

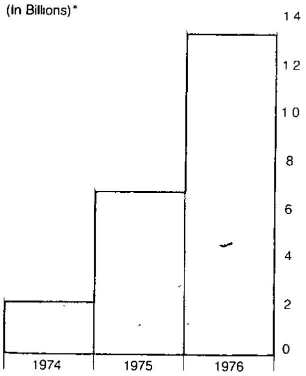
Growth

Securities on Deposit
(In Billions of Dollars)*



*Year end market value

Shares on Deposit from Banks
(In Billions)*



*Year end figures

In many ways 1976 was a watershed year for The Depository Trust Company in which the settlement of securities transactions by computer book-entry began to be regarded as conventional wisdom, and deposits in DTC were increasing at an average rate of about $200 million a day.

By the end of the year securities valued at nearly $111 billion were on deposit at DTC, an 85 per cent increase over year-end 1975. The number of shares on deposit in that period rose from 2.7 billion to 3.8 billion. During the year the settlement value of DTC book-entry deliveries among Participants increased from $210 billion to $309 billion, or 47 per cent. The number of such deliveries increased from over 14 million to over 16 million.

The number of securities issues eligible for deposit in DTC rose to 9,870 by the end of the year, an increase of over 20 per cent from the 8,165 which were eligible at the end of 1975. The great majority of the newly-eligible issues were over-the-counter securities.

Cash dividends and interest paid to Participants on the securities held by DTC for them increased more than 67 per cent, from $2.1 billion in 1975 to more than $3.5 billion in 1976.

More than 28 million transactions were processed by DTC in 1976 in connection with its major services—deposits, deliveries, pledges and withdrawals of securities. This was an increase of 12 per cent from the 25 million transactions processed in 1975. In the old days, each of these transactions would have required securities to be transported in messengers' briefcases, air courier valises and registered mail packets.

Of the securities valued at almost $111 billion which were on deposit at DTC at the end of the year, $61 billion was held for banks and $50 billion for broker-dealers. This was the first time banks, which began to deposit securities in DTC in 1973, surpassed broker-dealers in the year-end value of the securities they had on deposit.

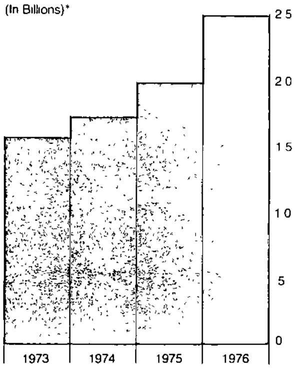
Bank deposits increased by 117 per cent during the year; the deposits of broker-dealers increased by 56 per cent. Thirteen banks each had securities on deposit at the end of the year valued at over $1 billion.

Ten banks became DTC Participants during the year, increasing their total number from 30 to 40. The number of broker-dealer Participants declined by eight, largely because of mergers and voluntary liquidations. As a result the number of Participants increased by two, to 258.

At the end of the year, 148 broker-dealer

William F. Jaenike, Vice President of DTC, and Raymond C. Holland, Senior Vice President of Becker Securities Corporation.

Shares on Deposit from Broker-Dealers
(In Billions)*



*Year-end figures

users of DTC had their headquarters in New York City and 63 had them in other cities. Of the 40 bank Participants, 15 were based in New York City and 25 in other cities.

One facility was added to the network of Depository Facilities maintained by cooperating banks through which DTC is able to give immediate credit on its books for securities deposited in cities outside New York. These facilities enable banks, broker-dealers and other financial institutions in 22 cities to use their deposited securities immediately for deliveries or pledges to secure collateral loans. The number of Depository Facilities at year-end was 31.

The number of banks taking part in DTC's collateral loan program increased greatly during the year, from 59 to 77. This program enables a broker-dealer to borrow against pledges of its securities on DTC's books to a lender's account. At year-end 1976, the value of such outstanding pledges was $6.8 billion.

Developments

During 1976 The Depository Trust Company inaugurated, expanded or improved a number of services to its Participants. Major developments are described below. Perhaps the most dramatic indication of DTC's capability and usefulness occurred during the unexpected surge in trading volume early in the year, far in excess of the volume which overwhelmed the securities industry in 1968-69.

First quarter trading volume soared in 1976, and on February 20 DTC book-entry deliveries among its Participants reached 109,000. That was a "double settlement" day which included 61 million shares traded on the New York Stock Exchange on two consecutive days.

Record numbers of certificates were deposited in DTC and processed through transfer during this period. Daily deposits by Participants reached a peak of 32,000 bringing in more than 150,000 certificates. On one day there were half-a-million physical certificate movements into and out of the depository.

Due in part to DTC, the securities industry was able to absorb a volume of trading which would have been impossible only a few years earlier.

Deposit of Pension Fund Assets

During 1976 assets of a number of pension funds were deposited in DTC by their custodian banks.

Large portions of the Bell System's trust assets were deposited in DTC after trust administrators recommended that custodian bank agreements be changed to authorize banks to deposit Bell System trust securities in DTC. The recommendation followed a visit to DTC and a review of DTC's safeguards and controls by the administrators.

The Teachers Retirement System of Georgia had all eligible issues deposited into DTC by its custodian, Citizens & Southern National Bank. The deposit totaled over 15,000 certificates representing 8.5 million shares in equities with a market value of $537 million and corporate debt securities with a face value of $175 million.

During the year DTC was chosen as the depository for the State Employees' Retirement Fund of the State of Delaware. A consulting firm assisted the Fund in specifying

John J. O'Grady, DTC's Director of Training, with an interpreter for visitors from the Central Bank of Brazil.

trust services desired and in choosing a custodian, the Mercantile Safe-Deposit and Trust Company, for its ability to deposit the trust into DTC.

Many other employee benefit trusts were deposited in DTC through their custodian banks during the year.

Deposit of Investment Company Assets

Mutual funds began to make major use of The Depository Trust Company in 1976 through the accounts of their custodian banks.

Early in the year the largest single deposit in DTC's history took place when the Northwestern National Bank of Minneapolis deposited $1.9 billion of securities of Investors Stock Fund, Inc. The deposit of the Fund, one of nine mutual funds in the Investors Group of Companies for which Investors Diversified Services (IDS) provides investment advisory and distribution services, was done with authority from the Board of Directors of Investors Stock Fund, Inc.

During the year The Bank of New York added to its mutual fund deposits so that by March 1977 it had more than $1 billion from 13 funds on deposit.

State Street Bank and Trust Company, the first bank to deposit mutual fund assets in DTC, deposited assets of a second fund in 1976.

The First National Bank of Boston deposited some of the eligible assets of two mutual funds during the year.

Early in 1977 the United Bank of Denver deposited the eligible securities of five investment companies sponsored by Financial Programs, Inc.

As of March 1977 five custodian banks for 23 mutual funds had on deposit in DTC almost $4 billion of their securities.

Deposit of Insurance Company Assets

The New York State Insurance Department in February 1977 issued revised custodian affidavits concerning the deposit of insurance company securities in DTC. This action cleared away the last regulatory barrier in New York to such deposits, which began thereafter.

Earlier the State Insurance Department had approved the use of DTC for the deposit of insurance company securities. This approval followed an in-depth review, over an extended period of time, of DTC's system of controls and protective devices. At that time the Insurance Department stated that it was "...satisfied not only with the manner in which the program operates but also the security, including insurance protection, which supports it."

At IDS headquarters in Minneapolis, from the right: Hamer H. Budge, President and Chief Executive Officer, Investors Group of Companies; Philip B. Harris, Chairman of the Board and Chief Executive Officer, Northwestern National Bank of Minneapolis; Brian W. Holmes, Vice President, Northwestern Trust Company, and Donald E. Robertson, Director, Investment Administration, Investors Diversified Services.

It is expected that in 1977 other states will approve the use of DTC for the deposit of insurance company securities. DTC participates on an industry advisory committee under the National Association of Insurance Commissioners (NAIC) studying depository use by insurance companies.

Eligible Issues

Eligible Issues included in the depository expanded from 8,165 at the end of 1975 to 9,870 at the close of 1976, an increase of over 20 per cent. The expansion was part of DTC's plan to continually improve its services and bring the benefits of book-entry to an increasing portion of the securities held by Participants. Most of the growth occurred in over-the-counter (OTC) equities.

The 9,870 issues eligible at the end of 1976 were comprised of over 3,200 common and preferred stocks listed on the New York and American Stock Exchanges; almost 3,700 equity issues traded over-the-counter; 2,400 issues of listed and unlisted debt securities; 276 U.S. Treasury and Federal agency issues, and 256 issues represented by American Depositary Receipts (ADR's).

Participant Terminal System *(PTS)*

One function of The Depository Trust Company is to be a communications system for the various parties in the post-trade process—broker-dealers, institutions, and transfer agents. One element of that communications function is the Participant Terminal System *(PTS)*.

In the *PTS* system, computer terminal stations, including printers, in Participants' offices, tie directly into DTC's computer to obtain information about Participants' accounts or instruct DTC to update those accounts.

Seventy-six terminal stations were either installed or on order by Participants by the end of the year. *PTS* traffic grew to more than 29,000 messages a day, accounting for about 25 per cent of DTC's non-clearing corporation delivery instructions and 50 per cent of urgent withdrawals (COD's).

PTS is used by Participants in four basic ways:

- Getting up-to-the-minute information about the eligibility of issues, their positions in securities, money settlement and broker trade confirmations.
- Giving DTC instructions to make deliveries and urgent withdrawals. Early in 1976 day-cycle deliveries and physical withdrawals became available, as did

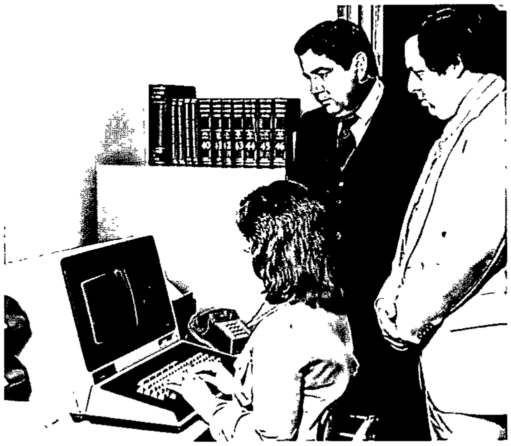
Arnold Fleisig, Vice President of DTC, with Leslie E. Oland, Senior Vice President, and Louis V. Segalini, Assistant Vice President, both of Manufacturers Hanover Trust Company.

acknowledgments of trade confirmations through the Institutional Delivery *(ID)* system. Recent additions allow the *PTS* to accept and store night-cycle delivery and urgent withdrawal instructions for next-day processing.

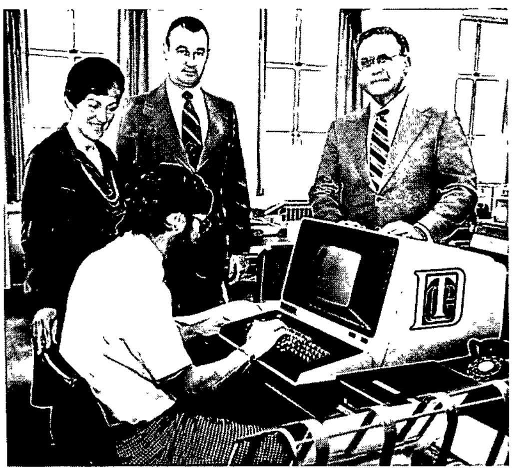
□ Receiving reports, such as those related to daily money settlement.

□ Receiving messages concerning deliveries to a Participant's account seconds after such transactions take place, giving the Participant more time to consider possible re-deliveries, withdrawals or pledges.

The depository plans continued expansion of the *PTS* network in 1977, as well as the addition of other *PTS* services.



At J. C. Bradford & Co. in Nashville: Carlene Martin, PTS Operator; Tax Malott, Partner, and Gary Raper, Manager of the Internal Audit Department.



At Wells Fargo Bank, N.A., in San Francisco: Emily Lowther, Vice President; Ron Hillman, Vice President; Dick Eglin, Assistant Vice President, and (seated) Bill Dougherty, Operations Officer, all of the bank.

Fast Automated Securities Transfer *(FAST)*

In January 1975, DTC initiated its Fast Automated Securities Transfer *(FAST)* program with the cooperation of the Morgan Guaranty Trust Company. Under the *FAST* program, DTC leaves securities with transfer agents in the form of balance certificates registered in the depository's nominee name—Cede & Co. The balance certificates are adjusted daily for DTC deposit and withdrawal activity.

There are two parts to the *FAST* program—urgent withdrawals the same day or overnight, called certificates on demand (COD's), and routine withdrawals in normal transfer turnaround time, called withdrawals by transfer (WT's). If a transfer agent subscribes to the COD part of *FAST,* the agent must be able to make certificates requested by Participants available to DTC within three hours. This part of *FAST* makes it possible for DTC to eliminate its vault supply of Cede & Co. certificates in eligible issues. If a transfer agent subscribes to the WT part of *FAST,* the agent can fulfill Participant requests in the turnaround time applicable to routine transfers, normally within three business days. A transfer agent may participate in both parts of *FAST* (COD's and WT's) or only the second part (WT's).

Alan D. Kahn, Assistant Vice President of DTC, and Arthur L. Smith, Vice President of Donaldson, Lufkin & Jenrette Securities Corporation.

FAST benefits corporations and transfer agents by cutting certificate issuance costs through the elimination of hundreds or even thousands of certificates for each issue annually. Transportation, handling and insurance costs are substantially reduced by eliminating the regular shipment of large value certificates between transfer agents and DTC. The cost of researching dividend claims also is reduced and proxy voting made easier by *FAST* COD's since Cede & Co. certificates no longer must be issued and circulate throughout the financial industry.

By the end of 1976, the *FAST* program had grown to the point where 17 transfer agents were holding balance certificates valued at $14.3 billion in 1,400 security issues. Between January 1975 when the program began and the end of 1976, more than 425,000 Cede & Co. certificates were cancelled by agents as issues were converted to *FAST* and into balance certificates. More than 150,000 *FAST* COD's had been processed and the issuance of more than 255,000 Cede & Co. certificates which would have been required to replenish DTC's vault inventory was avoided.

The *FAST* program continued to grow after year-end and as of the end of the first 1977 quarter, 20 transfer agents held $16 billion in Cede & Co. balance certificates in 1,450 issues. Six transfer agents executed both *FAST* COD's and WT's:

- Bank of New York
- Chase Manhattan Bank*
- Citibank*
- First Jersey National Bank
- Manufacturers Hanover Trust Company
- Morgan Guaranty Trust Company of New York

*Participation limited

Fourteen transfer agents executed *FAST* WT's only:

- Bank of America
- Citizens and Southern National Bank
- Connecticut Bank and Trust Company
- First & Merchants National Bank
- First National Bank of Atlanta
- First National Bank of Boston
- First National Bank of Chicago
- First Union National Bank of North Carolina
- Girard Bank
- Litton Industries
- New England Merchants National Bank
- Northwestern Trust Company
- State Street Bank and Trust Co.
- United Missouri Bank of Kansas City

David Fuchs, Vice President of DTC, and Henry J. Walsh, Assistant Vice President of Morgan Guaranty Trust Company of New York.

Magnetic Tape Transfer Instructions

In March 1976, Shearson Hayden Stone, Inc., Citibank, N.A., and DTC began a pilot program using magnetic tape to arrange withdrawals by transfer. The magnetic tape system is designed to improve transfer service and reduce processing costs for Participants and transfer agents by automating the labor-intensive process leading to the registration of securities. It permits Participants to submit transfer instructions to DTC on magnetic tape rather than paper forms. DTC processes the tape and forwards the information to the transfer agent on magnetic tape or printed forms.

In December 1976, Paine, Webber, Jackson & Curtis Incorporated also joined the program. With the addition of E. F. Hutton & Company Inc. and Thomson McKinnon Securities Inc. early in 1977, a daily average of more than 3,000 instructions for withdrawals by transfer —approximately 18 per cent of DTC's volume —was being submitted on magnetic tape.

Based on groundwork already laid, DTC anticipates a continuing increase in the percentage of transfer instructions from broker-dealers on magnetic tape while parallel efforts continue with industry groups working toward uniform data formats. Through the combination of transfer instructions by magnetic tape and FAST processing, further reduction of costs and errors can be achieved in the transfer of corporate securities.

Distributions of Underwritings

In 1976 DTC's new service for the distribution of and payment for securities offered in public underwritings had its first full year of operation. The book-entry service was used by fifteen managing underwriters to distribute 134 issues of securities.

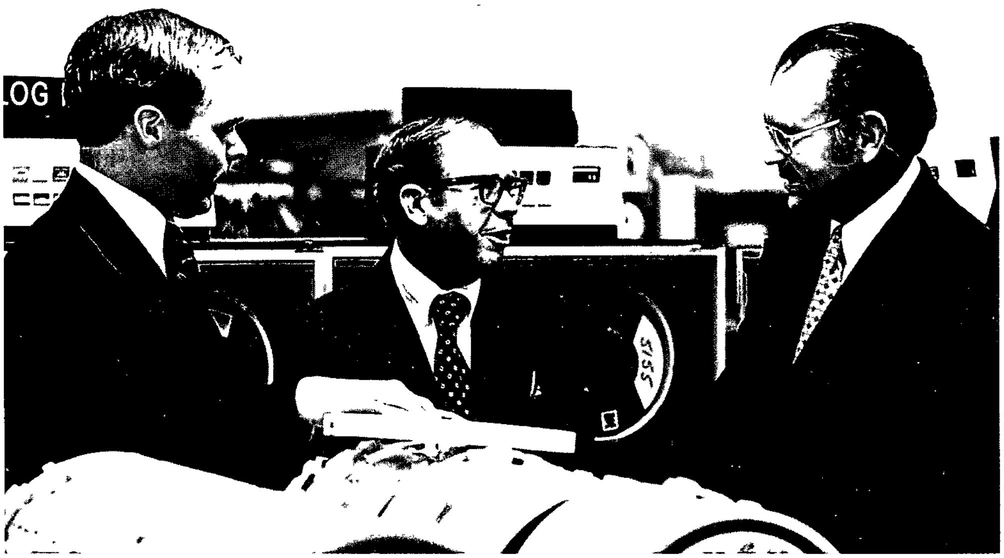
The total value of the 57 debt offerings distributed through DTC was $6.7 billion. The 77 equity issues distributed through DTC totaled 163 million shares including the 12-million-share, $658-million issue of American Telephone & Telegraph Company common stock —the largest public common stock offering in value ever underwritten.

Broker-dealer and bank Participants benefitted through:

- Elimination of endorsement, microfilming, packaging, delivery and receipt of certificates with associated documents, and
- Rapid delivery turnaround through the use of book-entry.

Underwriters realized lower financing costs through elimination of day loans and, in the case of distant closings, over-night or over-weekend loans.

Issuers benefitted through reductions in is-

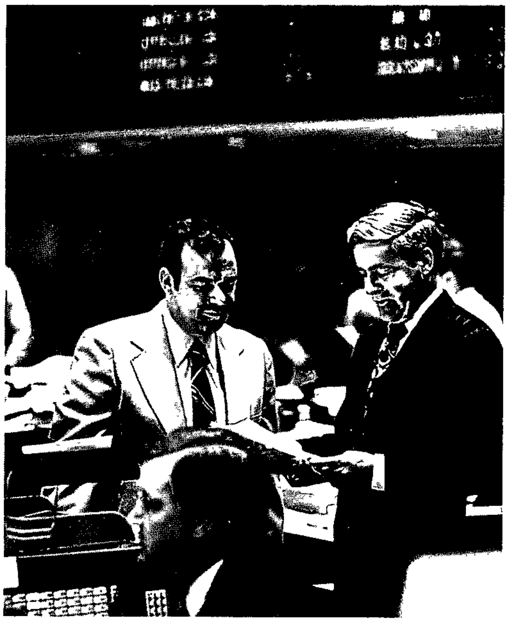


Dennis J. Dirks, Director of Participant Services at DTC; Robert Ross, Vice President, and Norman N. Epstein, Senior Vice President-Operations, both of E. F. Hutton & Company Inc.

suing and transferring certificates. Over 86 per cent of the AT&T issue described above was distributed through DTC, yet only 116 certificates were needed to do so. At least 17,000 certificates would have been needed for initial physical distribution of the same shares, and many of these certificates would have been transferred shortly after distribution.

Dividend Reinvestment Service

In December, DTC initiated a pilot program with American Telephone and Telegraph Company to reinvest dividends for Participants on AT&T common stock held by DTC.



At Salomon Brothers, William J. Tierney, Jr., Vice President-Operations of Salomon Brothers and James V. Reilly, Assistant Vice President of DTC.

Sydney L. H. Gordon, Senior Securities Officer at DTC, and Leonard A. Marotta, Vice President and Executive Cashier of Paine, Webber, Jackson & Curtis Incorporated.

Under this program, called the Dividend Reinvestment Service *(DRS),* Participants can maintain securities on deposit with DTC and, if they wish to do so, reinvest all or a portion of such dividends through DTC. No longer is it necessary to withdraw shares to reinvest the dividend.

At the turn of the year, AT&T offered an optional procedure for calculating dividend reinvestment payments by Participants' customer sub-totals rather than by gross Participant totals. Such customer-level calculations were based on data furnished directly to AT&T by Participants and did not disclose customer names.

After further experience with the AT&T plan in 1977, DTC will be prepared to offer *DRS* to Participants in other similarly qualifying common stocks.

In offering this service, the depository will continue to serve as an intermediary for Participants and dividend reinvestment plan administrators.

Interchangeable Coupon Bonds

The first deposits of the coupon form of twenty interchangeable corporate bond issues were accepted by The Depository Trust Company late in 1976. Since then the list of interchangeable bonds eligible for deposit has been expanded to 125.

Fred J. Hampton, Planning Consultant at DTC, and Elsie S. DeJianne, Financial Supervisor of American Telephone & Telegraph Company.

DTC accepts deposits of eligible coupon bonds and submits them promptly to the appropriate agents for exchange to registered form in the depository's nominee name. DTC neither stores coupon bonds in its vault nor provides withdrawal services in the coupon form.

Interfaces in a National Clearance and Settlement System

The interfaces which The Depository Trust Company and other clearing agencies—both stock exchange clearing corporations and other securities depositories—have been building for several years are major elements in a developing national clearance and settlement system.

In cooperation with these clearing agencies, Depository Trust continued to expand these interfaces during 1976. Such ties, for example, permit Participants to use their securities positions in DTC to settle transactions in other clearing corporations and with users of other depositories, without inter-regional movement of securities certificates.

In the New York area, Depository Trust sin(its inception has been closely related to the New York Stock Exchange's Stock Clearing Corporation, and the American Stock Exchange Clearing Corporation, permitting broker-dealers to settle transactions on those exchanges by book-entry deliveries. Also, since 1974, DTC has conducted an interface with the National Clearing Corporation of the National Association of Securities Dealers to help users of both entities settle over-the-counter transactions by book-entry.

In January of 1977 these three clearing corporations combined as separate operating divisions of a new National Securities Clearing Corporation (NSCC), and DTC continues its past relationships with each division. Later, when NSCC completes its evolution to a merged, single entity with the Securities Industry Automation Corporation as facilities manager, Depository Trust will provide increased depository services to the organization.

To facilitate the more efficient settlement of transactions by its Participants in other geographic markets and transactions in New York by users of clearing corporations and depositories elsewhere, Depository Trust has operated interfaces for several years with the Stock Clearing Corporation of Philadelphia, the Midwest Securities Trust Company (MSTC) and the Pacific Securities Depository Trust Company (PSDTC).

In 1976 DTC and MSTC added an additional service to their interface which permits a user of one depository to settle transactions with another user of the second depository. Prior to the inauguration of this "third-party" delivery service a book-entry delivery between depositories could be made only by a user of both depositories moving securities from its account in one depository to its account in the other.

Depository Trust and PSDTC also expanded their interface during 1976. This interface now permits any user of both depositories to move securities from its account in one depository to its account in the other. The Pacific and New York clearing corporations also can settle transactions with each other on behalf of their users through this interface. It is expected that the interface will soon provide for "third-party" delivery service as with MSTC and DTC.

Financial Industry Number Standard *(FINS)*

DTC has incorporated the Financial Industry Number Standard *(FINS)* as the standard identifier for institutions participating in the depository's Institutional Delivery *(ID)* system.

Broker-dealers submitting trade confirmations for ID use FINS to identify each institutional customer. In turn, DTC uses FINS to sort and distribute trade confirmations to institutions.

ID reports delivered to institutional customers' agent banks indicate the FINS numbers of the institutions (for customer-entered trades), thereby helping to eliminate mis-identified trades.

FINS was promulgated and supported financially by representatives of the banking and securities industries to serve as a standard for identifying securities processing organizations in much the same way that CUSIP is used to identify securities issues. DTC published the first FINS Directory in 1976 at the request of the National Coordinating Group for Comprehensive Securities Depositories.

Services

As the nation's largest holder of corporate securities, The Depository Trust Company is a custodian, an accounting system and a communications system whose services are being developed and enhanced continually to better serve the financial community.

As a custodian, DTC accepts deposits of securities certificates from or for its Participants, either at its offices or in cooperating Depository Facilities across the country.

As an accounting system, DTC uses computer book-entries to record deliveries of securities between its Participants and pledges of securities to secure collateral loans to Participants. It also segregates securities which are subject to options trading, passes on cash or stock dividends and interest, and facilitates the transmission of proxies so Participants can exercise the voting rights of equity issues.

The depository also provides a channel through which Participants communicate with each other to settle transactions and communicate with transfer agents as well. DTC arranges for the transfer of securities based on Participants' instructions and acts as a distribution point to Participants for certificates returned by transfer agents. While these channels have been limited to paper instructions in the past, electronic instructions are increasingly replacing paper instructions. DTC's on-line teleprocessing capability, called the Participant Terminal System, exemplifies this development. PTS provides inquiry, update, and message functions from any point in the nation.

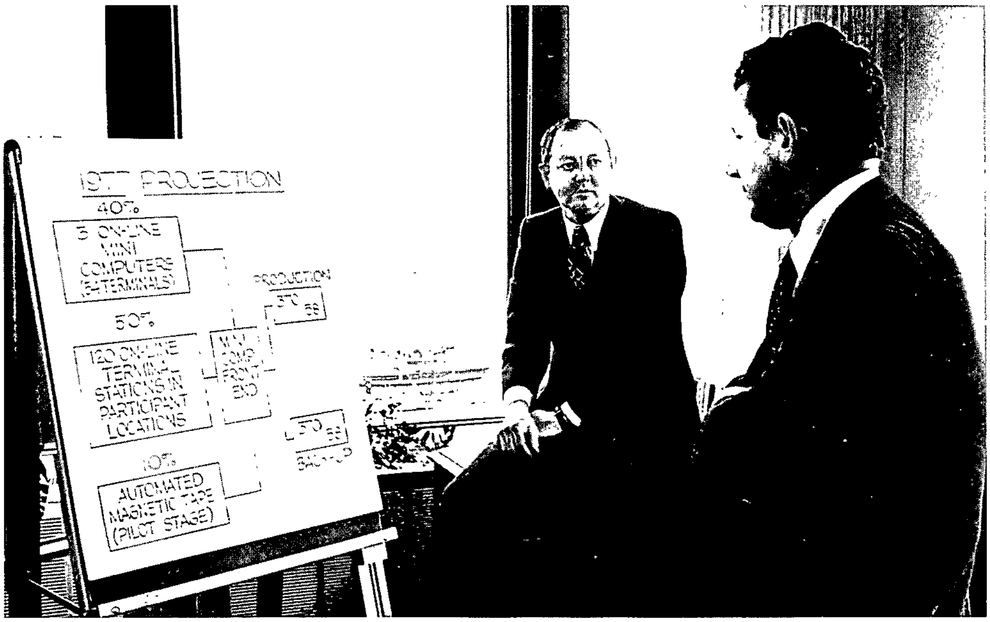
In the early days of DTC, book-entry deliveries by computers on the records of a central securities depository seemed somewhat adventuresome for those responsible for the safekeeping of securities, but now it is becoming the customary way to do business. Through this and other services DTC makes it possible for Participants to reduce the cost of their securities operations.

Deposits and Custody

Participants deposit securities with DTC either to deliver them conveniently to others by book-entry thereafter or possibly at some future date. They also deposit securities to relieve themselves from costly custody and safekeeping operations.

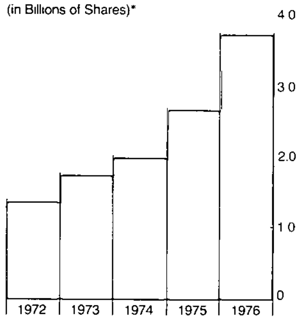
At the close of 1976 The Depository Trust Company had on deposit more than 3.8 billion shares of stock with a current market value of approximately $103 billion and debt securities with a face value of $7.7 billion.

During 1976 there was an increase of 41 per



Thomas J. Lee, Vice President of DTC, and Donald V. Martire, Vice President of United States Trust Company.

Equity Securities on Deposit
(in Billions of Shares)*



*Year-end figures

cent in the number of shares on deposit at the end of the year, of 75 per cent in the face value of the debt securities on deposit and of approximately 85 per cent in the value of all securities held by DTC.

Of the shares on deposit, 2.5 billion were from broker-dealers and 1.3 billion from banks. Broker-dealer deposits of shares increased by 25 per cent during the year, and those from banks almost doubled.

Of the debt securities on deposit, $4.2 billion in face value were from broker-dealers and $3.5 billion in face value from banks. Such broker-dealer deposits had increased 20 per cent during the year, and those of banks quadrupled.

In a typical current business day DTC receives 22,500 deposits from its Participants, representing 101,250 certificates. When these deposits are made the Participant receives prompt credit for them on DTC books and is able to use them for deliveries, pledges, and other activities.

Depository Facilities

A network of banks cooperating with DTC as Depository Facilities is developing across the country. Today's 31 Depository Facilities enable banks, broker-dealers and other financial institutions to deposit securities in DTC in 22 cities outside New York City. Deposits made there prior to 11:30 a.m., Eastern time, are promptly credited on DTC's books and can then be used for deliveries, collateral loans or other depository functions.

The bank where the deposit is made examines the securities and transmits deposit information by wire to Depository Trust where the securities are then credited to the appropriate Participant's account and verified the next day when the deposited securities are received by DTC.

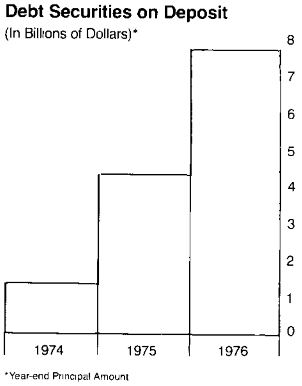
Institutional clients of bank and broker-dealer Participants also can use these facilities to deposit securities directly into Participants' DTC accounts. These deposits, called "piggyback deposits," can be delivered in DTC the same day if they are deposited at the facility prior to 11:30 a.m., Eastern time.

Any bank may apply to DTC for Depository Facility status if it believes it will experience adequate activity.

Joseph J. Marino, Director of Operations at DTC, and Leighton K. Waters, Manager of Investment Operations at Brown Brothers Harriman & Co.

At Mercantile Trust Company N. A. in St. Louis, Pamela Patterson, Clearing Teller; Harry N. Schweppe, Jr., Vice President, and Karen K. Krueger, Securities Clearance Manager.

At Bank of America N.T. & S.A. in San Francisco: Armand (Babe) Perasso, Vice President—Operations, San Francisco Main Office, and Nicholas J. Caputo, Vice President—Statewide, Corporate Agency Division, both of the bank.



Deliveries and Settlement

Deliveries in the settlement of securities transactions may be with or without money settlement obligation, depending upon the Participant's instructions. In 1976 DTC processed more than 16 million computer book-entry deliveries among Participants with a settlement value of $309 billion, including Continuous Net Settlement deliveries from brokers to clearing corporations and from clearing corporations to brokers. This represented a substantial increase from 1975 when over 14 million such deliveries were processed with a value of $210 billion.

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

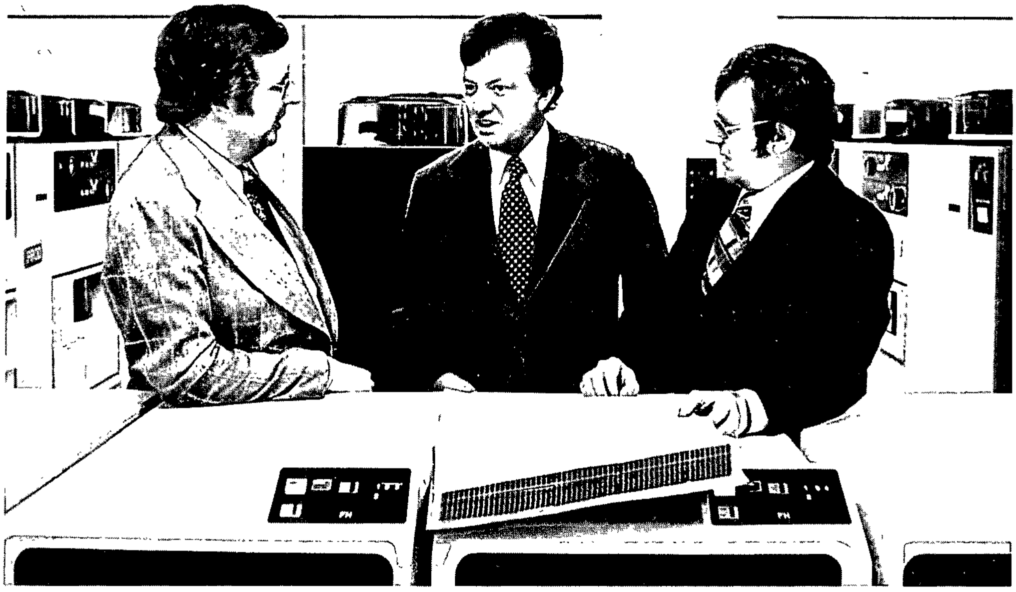
Institutional Delivery *(ID)* System

The Institutional Delivery *(ID)* system was developed by DTC to reduce the errors, costs and processing necessary for all parties in a trade. To use it an institution does not need to join the depository; only its agent bank needs to be a Participant.

The *ID* system greatly simplifies and automates settlement, reduces fails, and eliminates unknown trades (DK's), holdover items, delivery tickets, credit lists, envelopes and certificate movement.

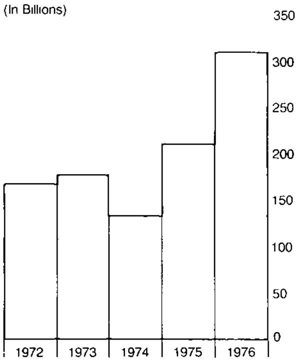
It enables:

- The broker-dealer to furnish a bank or other institutional customer with a printed or magnetic tape confirmation in a standard format on the morning following the trade date;
- The bank or other institution to acknowledge a trade to which it agrees by forwarding acknowledgments directly to DTC, or to DTC through an agent bank which is a DTC Participant, within two days;
- DTC to forward deliver and receive instructions to the agent bank and broker-



Robert E. Scales, First Vice President of Dean Witter & Co. Incorporated (center) with Nicholas J. Arrigan and Joseph Kazlau, Assistant Vice Presidents of DTC.

Dollar Value of Deliveries
(In Billions)



dealer, with the broker-dealer also receiving for correction a list of unacknowledged trades which are potential rejected trades, and

□ The depository, upon instruction by the institution, to complete the delivery and receipt of securities by computer book-entry on the morning of settlement date and complete related money settlement as well.

The initial or confirmation portion of the *ID* system may be used for all securities issues, including those not eligible for settlement in the depository, such as municipal bonds. For this purpose, Depository Trust processes the confirmation and acknowledgment of any trade reported and concludes its action with the printing of the receive and deliver instructions. This eliminates multiple clerical procedures for the parties involved, standardizes information processing and facilitates final delivery between Participants by whatever means they arrange.

ID confirmations meet the requirements of the rules and regulations of the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers which relate to the confirmation of securities transactions. In addition, the Securities and Exchange Commission has issued a "no-action" letter regarding the applicability to such confirmations of certain rules under the Securities Exchange Act of 1934. These actions allow an *ID* confirmation to replace a mailed confirmation.

The *ID* system expanded greatly during 1976. At year-end there were 78 broker-dealers putting trade data through the ID system and 80 institutions receiving confirmations, of which 43 acknowledged confirmations and settled the transaction through DTC by book-entry. The institutions are listed at the end of this report.

Thomas F. Price, Senior Vice President of Bankers Trust Company, and Nishan G. Vartabedian, Director of Participant Services at DTC. Behind them is Philip F. Coyle, DTC's Supervisor of Data Control/Settlement.

At The Equitable Life Assurance Society of the United States: Paul H. Olsavsky, Assistant Vice President of Equitable, and Robert T. Walsh, Director of Participant Services at DTC.

Withdrawals

Withdrawals from DTC can be accomplished in either of two ways:

1. Withdrawal by transfer (WT), in which securities are transferred to the name of a Participant's customer, or any other name. Such withdrawals generally are made by transfer agents within three days.

Michael T. Reddy, Vice President of White, Weld & Co., Incorporated, and Edwin Katz, Manager of DTC's Transfer Department. In the foreground is Viola Royster, Data Entry Clerk at DTC.

2. Urgent withdrawals of certificates on demand (COD), in which certificates are released to the Participant in as little as three hours.

During 1976 DTC received 4.1 million requests for withdrawals by transfer and provided 8.8 million certificates for this purpose. During the year it also received 1.4 million requests for urgent withdrawals and provided 3.4 million certificates for this purpose.

The number of withdrawals increased greatly during the high trading volume early in 1976. At that time urgent COD withdrawals reached a rate of 7,700 requests a day and WT's reached 20,900.

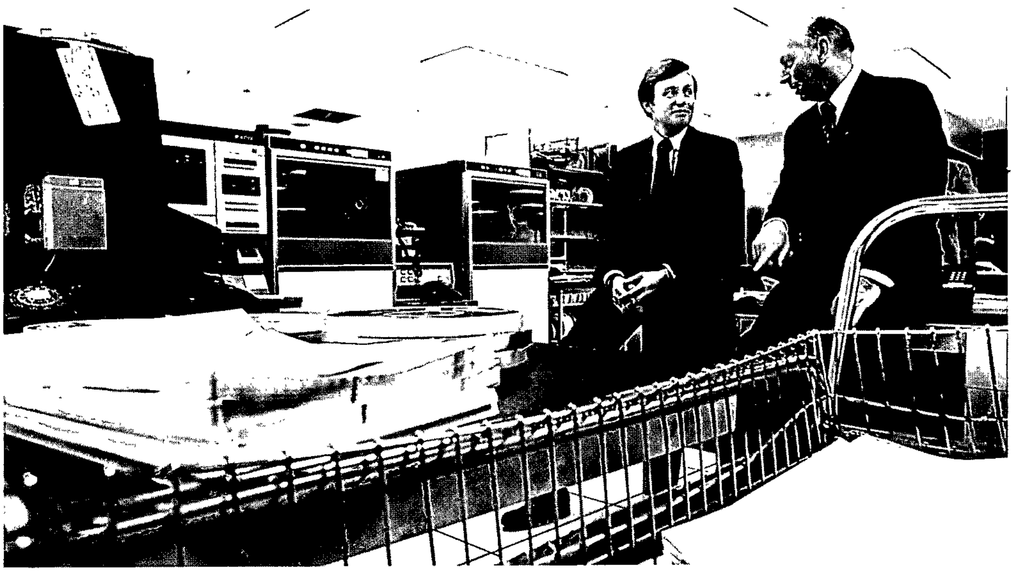
DTC's Fast Automated Securities Transfer *(FAST)* program represents a more economical method of processing both types of certificate withdrawals.

Collateral Loan Service

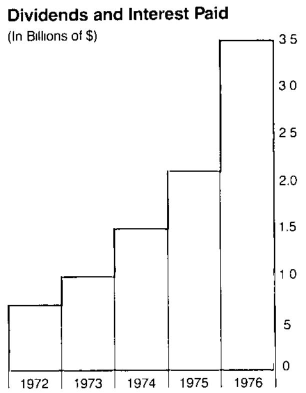
The collateral loan service of Depository Trust relieves broker-dealers of the need to lodge securities physically with banks as collateral for loans.

The service has expanded continually since it began in 1970, and at the end of 1976 over $6.8 billion in assets was pledged to participating banks.

To take part in the Pledgee service a bank need not be a DTC Participant, although many



David M. Kelly, Executive Vice President of Execution Services Incorporated, and Peter E. Bocage, Senior Vice President of Blyth Eastman Dillon & Co. Incorporated.



are. Brokers participating in DTC pledge their securities by book-entry to secure collateral loans from the banks.

DTC's large pool of deposits by brokers—over $50 billion—has made this service the center of the call loan business. Call loans are bank loans to broker-dealers which may be terminated or "called" at any time by the lender or borrower. They are used to finance purchases of securities. Banks throughout the country have come to realize that participation in the service may be essential to maintaining competitiveness in call loans. Eighteen of these Pledgee banks joined the service last year, bringing the total to 77. A list of them appears at the end of this report.

During 1976 DTC instituted a new service, overnight collateral loans, which allows Participants to pledge securities on deposit for an overnight loan from participating Pledgee banks while anticipating automatic release of the securities from pledge the next morning. The released securities are available in time to be used to fill any delivery or withdrawal instructions recycling in DTC's computer system. By year-end as much as 10 per cent of all DTC collateral loan activity on a busy day occurred through the new service.

Joseph J. Bellantoni, Director of Operations at DTC.

Dividend and Interest Payments

During 1976 cash dividends and interest paid through DTC to its Participants based on their depository positions increased more than 67 per cent, from over $2.1 billion in 1975 to over $3.5 billion.

Cash dividends and interest are credited to Participants' daily money settlement accounts. Virtually all such payments are made on the date DTC receives them from disbursing agents. During 1976, almost 50 per cent of the amount of such payments was credited to Participants' accounts on the payable date.

Stock dividends are credited on payable date to Participants' accounts.

Charles J. Horstmann, Director of Operations at DTC, and Vincent S. Morano, Senior Vice President of Lewco Securities Corp. In the foreground: James Thomas, Senior Clerk at DTC.

John M. Lanning, Jr., Senior Securities Officer at DTC; Edward J. McKigney, Vice President of Citibank, and Anthony DiMurro, Manager of DTC's Dividend Department.

Shareholder Communications

Depository Trust's custody of securities is necessary to permit book-entry transactions under applicable law. A primary objective of the depository, however, has been to prevent such custody from becoming a barrier to communications between issuers and beneficial owners. Every effort has been made to assure that if securities would otherwise be held by DTC Participants in street name, the deposit of such securities in Depository Trust would not result in any substantive change in the procedures by which issuers and beneficial owners communicate. Moreover, many of the shares now reported by DTC in its reports to issuer companies would, prior to the existence of the depository, have been included in certificates circulating by endorsement for prolonged periods before re-registration.

Depository Trust registers deposited securities in the name of its nominee, Cede & Co., for several reasons:

1. This permits a prompt determination of whether deposited securities are non-transferable, subject to a stop transfer order, counterfeit or otherwise not capable of negotiation. If such a problem exists, DTC can take appropriate steps quickly to obtain replacement securities from the depositing Participant.
2. This permits DTC to assure that dividends, distributions and voting rights will be attributed through it to the proper depositors.
3. This permits re-transfer in the simplest manner possible when necessary.

Depository Trust sends a shareholders meeting record date report to an issuer without charge. The depository also can make available to an issuer of any DTC-eligible security similar listings indicating the amount of that issuer's security it has on deposit for each Participant. Issuers may obtain such reports on a daily, weekly, monthly or dividend record date basis for a modest fee.

The depository mails an Omnibus Proxy to the issuer as soon as possible after record date for a shareholders meeting. The Omnibus Proxy in effect assigns to each depositor hav-

Joaquin R. Ruiz, DTC's Manager of Reorganization and Proxy, and Wallace Sloane, Vice President of Hornblower & Weeks-Hemphill, Noyes Incorporated.

Alan D. Hogan, Senior Vice President and Director of Operations at Bache Halsey Stuart Inc., and Daniel Zwiren, Assistant Secretary and Manager of the Brokers Loan Department at Irving Trust Company, with John H. Barthel, Director of Participant Services at DTC, center.

ing shares of the security credited to its account on record date all the voting rights Cede & Co. is entitled to in respect of such shares. Each such depositor is simultaneously notified of the submission of the Omnibus Proxy and the number of shares it is entitled to vote. Thus the depositing Participant is able to ask the issuer or its agent for the number of proxy cards and sets of proxy material necessary for the Participant to discharge its obligations to beneficial owners of the shares under applicable law, regulations and rules, and DTC is removed from the chain of communication between the issuer and beneficial owners.

Options

The Depository Trust Company continues to provide an interface with the Options Clearing Corporation (OCC) permitting Participants, both broker-dealers and banks, to satisfy OCC deposit requirements.

The OCC is the common clearing arm for options traded on the American Stock Exchange, the Chicago Board Options Exchange, the Pacific Stock Exchange and the Philadelphia Stock Exchange.

Broker-dealers have used DTC since 1973 to segregate the underlying shares supporting call option contracts in a special depository account until the option contracts either are exercised, expire or are covered.

In 1975 bank users of DTC and their customers were permitted to set aside securities to meet OCC requirements placed on broker-dealers through which they wrote option contracts.

If segregated in this manner, OCC's rules limiting the banks which may issue escrow receipts and the amount of such receipts do not apply. There are no such OCC limitations on DTC Participants using this service.

At the end of 1976 over $200 million of underlying securities in DTC were segregated in these special accounts.

Clifford J. Dean, Manager of DTC's Interface Department, and Leslie H. Pihlblad, Chairman of the Options Clearing Corporation and Vice President of Pershing & Co. Inc.

At the State Street Bank and Trust Company in Boston, A. Edward Allinson, Executive Vice President, and Dean P. Fowler, Senior Vice President, both of the bank.

Protection for Participants' Securities

Since the origin of The Depository Trust Company system in 1968, efforts have been made to develop safeguards for securities and funds in the custody of DTC which would justify the full confidence of the financial community. Depository Trust is the nation's largest holder of corporate stocks and bonds. DTC's record holdings and activity and their steady increase reflect the fact that the depository's program of safeguards is widely regarded as the most comprehensive yet developed to monitor the movement and custody of securities. This unique system consists of extensive internal controls, physical security, multiple internal and external audits, insurance coverage, a multi-million dollar protective fund and other procedures, as described below.

Two facts attest to the effectiveness of these safeguards: first, Depository Trust has made book-entry transfer of securities ownership worth more than $1.5 trillion in the eight years since its inception without once having to draw on its Participants Fund because of loss; second, despite extensive securities holdings the depository's insurance carriers have never had to pay on any claim for the successful negotiation of certificates missing from DTC.

Frank A. Licata, Vice President of Reynolds Securities Inc., and Valentine G. Stevens, Senior Securities Officer at DTC.

Internal Controls

Depository Trust's stringent internal control system begins with the receipt of certificates from Participants and continues through certificate processing to and from transfer agents, entry into the vault and delivery from the vault. This system has the following important features:

- Certificate number control over the inventory of certificates the depository holds is the key safeguard. This unique computerized record shows by issue the certificate number, incoming date and share quantity for each certificate. This record permits the detailed control of every certificate maintained in the vault or at custodian banks. It is an important research tool assisting in reconciliation and helping to insure the collection of dividends and interest payments. Certificate number control also permits the completion of precise audits since auditors can account for certificates by quantity and certificate number.
- Certificates deposited with DTC are normally transferred swiftly into the name Cede & Co., the depository's nominee. This permits prompt determination of the validity of the securities and that they are not subject to "stop-transfer" orders or otherwise deficient. It also provides control over the collection of dividends and interest.

Thomas F. Tierney, Vice President of Marine Midland Bank-New York, and Kenneth Scholl, Manager of DTC's Vault Operations.

□ Large denomination (jumbo) certificates are used to consolidate many of the shares on deposit. Properly controlled, jumbos can reduce the risk of loss since such certificates are extremely difficult to negotiate by unauthorized persons due to their high value.

□ DTC places special legends on the front of certain jumbo certificates and restrictive endorsements on the back to further ensure their non-negotiability by unauthorized persons.

□ Certificates are in non-negotiable form at the time of deposit into DTC, while held by DTC and when they leave DTC.

□ Microfilm records of certificates and their related documentation are made upon receipt into or delivery out of the depository.

□ Duplicate computer files of transactions are maintained in separate storage including one remote rural site. If an interruption in processing were to occur, files could be reconstructed promptly. In addition to these computer files and microfilm, the depository maintains comprehensive files of original documents and production reports.

Physical Security

DTC employs a sophisticated security system to protect both its computer and securities processing areas.

□ An access control mechanism including floor to ceiling, steel turnstiles inhibits unauthorized entry into data processing areas. Entry is limited to those employees with specially-encoded photo identification cards who must also undergo a password test. The turnstiles are monitored through the use of closed circuit television. A record of all entries and exits is maintained.

□ A surveillance system of closed circuit television cameras and video monitors covers the vault and other securities handling areas.

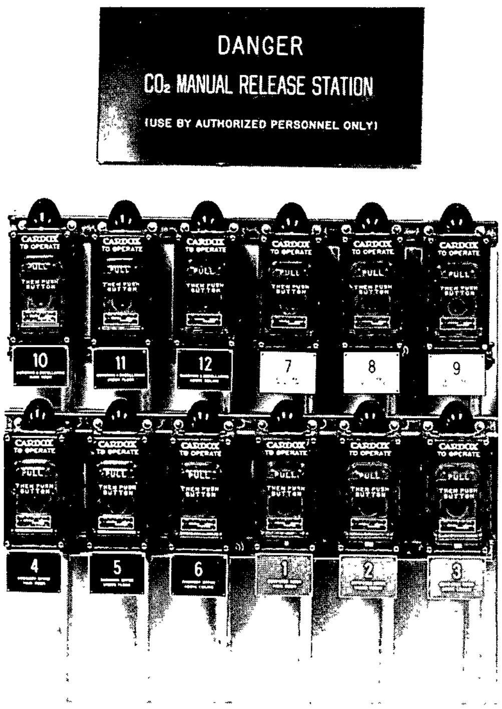
□ A silent alarm system is strategically located within securities processing areas. A modern smoke and heat detection and fire control system protects the vault and computer sites. Vibration alarms protect against an attempt to penetrate the vault. All such systems are fail-safe—that is, malfunctions produce alarms that alert the Security Department.

□ An armed security force screens persons entering and leaving critical areas and also monitors the television surveillance, access control and fire control systems.

□ The depository's working supply of certificates is stored in a modern, underground vault. Securities not needed for working inventory are in large denomination balance certificates with transfer agents or stored in the vaults of selected custodian banks.

□ Certificates delivered to or received from custodian banks and transfer agents are in non-negotiable form.

□ To inhibit the unauthorized removal of certificates, a special sensing device is located at the exit in the securities processing area. This is capable of detecting the removal of specially encoded large-value certificates.



User Verifications

Among the most effective depository safeguards are the continuous verifications of DTC records by users based on their own records of activity with the depository.

Participants and Pledgees receive daily reports itemizing and summarizing activity in their accounts. The reports show the opening balance of shares in each issue in which the Participant had a transaction on the prior business day, each transaction in that issue on that day, and the closing balance of shares in that issue after accounting for transactions. Daily reports of cash transactions are also received by Participants. Participants and Pledgees report any differences between their own records and the depository's statements. A research staff is available to reconcile any differences.

Michael T. Mullen, DTC's Director of Security, and Walter H. Cushman, Vice President of The Bank of New York.

Each Participant and Pledgee is furnished with a monthly position statement which shows the status of its securities positions. Each Participant and Pledgee is required to confirm the correctness of its monthly position statement, in writing, within 10 business days after the statement is available. Failure to confirm can result in a fine under the depository's Rules. These continuous confirmations verify the integrity of the DTC system and encourage a high degree of cooperation at the operational level between the depository and its users.

Internal and External Audits

The securities records of The Depository Trust Company are audited by DTC internal auditors as well as by Price Waterhouse & Co., the depository's external auditors. Through their combined efforts, all certificates on deposit with DTC are counted at least once a year.

The internal audit program includes:

□ Certificate processing and related operations;

□ Data processing operations;

□ Financial operations, and

□ Certificate inventory, including daily counts of all certificates in selected issues in the vault and a periodic special count of high-value certificates in the vault.

Monthly summary reports are made by DTC's Auditor to the Audit Committee of the Board of Directors. The Committee is comprised of three directors who supervise the Auditor and the Auditing Department, and review and approve the internal audit program.

Price Waterhouse & Co.:

□ Audits securities records and positions in the course of the year;

□ Reviews controls for the safeguarding of securities, dividends, data processing and other depository operations, and

□ Performs an examination of DTC's annual financial statements.

The independent auditors issue two reports on their review of DTC's internal controls. Their Report on Review of Internal Accounting Control prepared in accordance with Statement of Auditing Standards No. 1 of the American Institute of Certified Public Accountants is available to Participants, their accountants and others who may desire it. Their Memorandum on Principal Procedures and Internal Accounting Controls, is prepared especially for use by the independent auditors of Participants.

The Audit Committee also reviews the scope of the auditing procedures of the independent auditors. The committee receives directly all reports issued to the depository by the independent auditors and meets with them periodically to discuss their findings. The Audit Committee reports its conclusions to the Board of Directors.

Insurance

The insurance coverage available with respect to securities deposited in DTC provides protection which is among the most extensive of any for a private financial institution in the nation.

Insurance Coverage Affecting Securities Deposited with DTC (per event):

A. *Losses Occurring While on Premises*

1. $75,000,000 coverage under Primary and Excess Blanket Bonds.
2. $5,000,000 Lost Instrument Bond Premium Policy covering premiums for purchase of lost instrument bonds for securities losses in excess of $75,000,000.

Thomas F. Coleman, Auditor of DTC, and Clarice C. Brown, Auditing Clerk.

B. *Losses Occurring While in Transit by Messenger or an Armored Car Carrier*

1. Primary Coverage

(a) $5,000,000 Air Courier Messenger Policy covering securities lost while in transit via Brink's or Wells Fargo Armored Service Corporation.

(b) $75,000,000 In-Transit coverage provided by the insurer of the armored car carrier used by DTC.

2. Excess Coverage

(a) $75,000,000 coverage under Primary and Excess Bonds.

(b) $20,000,000 Excess In-Transit Bond covering securities losses in excess of $75,000,000 when securities are in the custody of messengers and in excess of $150,000,000 when in the custody of an armored carrier (as described above).

(c) $5,000,000 Armored Car and Messenger Policy covering securities losses in excess of $95,000,000 when securities are in the custody of messengers and in excess of $170,000,000 when in the custody of an armored carrier.

(d) $5,000,000 Lost Instrument Bond Premium Policy covering premiums for purchase of lost instrument bonds for securities losses in excess of $100,000,000 when securities are in the custody of messengers and in excess of $175,000,000 when securities are in the custody of an armored carrier (as described above).

C. *Losses Occurring While in the Mail*

1. $5,000,000 Mail Policy covering securities lost after being sent via registered mail.
2. $5,000,000 Mail Policy covering securities lost after being sent via the United States Postal Service's Express Mail Service, Option 1 (Door-to-Door).

In addition, bank and broker Participants who are covered by standard blanket bonds have available to them riders to their own policies providing that such bonds will cover securities held by DTC for the account of the Participant. In effect, these riders provide additional coverage for Participants. The bank or broker having this rider to its blanket bond, to the extent of such coverage, would be reimbursed by its own insurer for its *pro rata* share of securities losses by DTC in the unlikely event that such losses exceeded DTC's insurance and other coverage.

Participants Fund

The Participants Fund is a reserve fund available to satisfy liabilities not covered by DTC's insurance policies. DTC Rules provide that any such loss suffered by Depository Trust normally would be charged initially against undivided profits or retained earnings, but that the Board of Directors may charge it instead to the Participants Fund.

At year-end 1976 DTC's undivided profits or retained earnings were $1,397,000 and the Participants Fund amounted to $39,345,000.

Any loss caused by a Participant would be charged first to that Participant's contribution to the Fund. Any additional or other loss which would be charged to the Participants Fund would be charged *pro rata* against the contributions of all Participants, as such contributions are fixed at the time the loss or liability is discovered. In the event of a *pro rata* charge, each Participant would be required to contribute to the Participants Fund an amount equal to the charge.

As mentioned earlier, no claim has ever been made on the Fund of either DTC or its predecessor organizations.

Other Protective Procedures

Other depository procedures also are available to protect Participants. Depository Trust's Rules provide a variety of remedies by which it can minimize the possibility of loss due to the unexpected insolvency of a Participant. Depository Trust watches Participants for signs of operational or financial inadequacy and, in the event of such signs or advice from self-regulatory or other agencies, monitors activity by the firm carefully. If events warrant, it will implement its remedies including acting so that attempted securities deliveries to such a firm which has not paid for them may not be completed without payment.

Regulatory Examinations

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

The statements made herein include summaries of the terms of DTC's insurance policies and Rules and Procedures, to which reference should be made for complete statements on these subjects.

Administration

Since The Depository Trust Company functions as a mutualized service organization for its Participants, it seeks to operate at the lowest possible cost in the context of offering overall savings to its users. Thus, either the further automation of depository functions which assist DTC and its users or the addition of services which increase DTC's operating costs but create net savings for its Participants may be appropriate.

It is the policy of Depository Trust to limit profits and return to its users such revenues as the Board of Directors believes exceed the funds required for the depository's operation.

Based on this policy, the Board of Directors in December, 1976 authorized a return of $1,950,000 to Participants, Pledgees and Depository Facilities served during that year. Each user's share of this refund was in proportion to the amount of the fees it paid as compared with total service fees paid to the depository for the first eleven months of 1976.

This action marked the second consecutive year the depository has returned all estimated excess income to users. The size of the refund for 1976 was largely the result of unanticipated, record-high trading volume during the first quarter.

As a result of all-time high trading volume in the first quarter and the subsequent processing of issues made DTC-eligible during the course of the year, Depository Trust's full-time staff increased from 846 at the end of 1975 to 907 at the close of 1976.

John P. Crowley, Vice President, Kent S. Warner, Treasurer, and Michael A. Agnes, Comptroller, all of DTC.

Report of Independent Accountants

February 4, 1977

To the Board of Directors of
The Depository Trust Company

We have examined the statement of condition of The Depository Trust Company at December 31, 1976 and 1975, and the related statements of income and undivided profits and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Our examinations also extended to the records of securities held for others by the company and included physical examination of selected securities on hand and at custodian banks at selected dates during each year and such confirmation and additional auditing procedures as we considered necessary.

In our opinion, the accompanying financial statements present fairly the financial position of The Depository Trust Company at December 31, 1976 and 1975, and the results of its operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

SIXTY BROAD STREET
NEW YORK, NEW YORK 10004
212-422-6000

Price Waterhouse & Co.

The Depository Trust Company

Statement of Condition

	December 31, 1976	1975
Assets		
Cash	**$ 4,405,000**	$11,863,000
Repurchase agreements (Note 1)	**39,870,000**	27,535,000
Receivables:—		
Participants:		
For settlements	**2,529,000**	853,000
For services	**2,419,000**	2,124,000
Affiliates	**1,635,000**	2,017,000
Dividends, interest and other	**4,074,000**	1,342,000
Prepaid expenses and deposits	**502,000**	547,000
Equipment and leasehold improvements, less accumulated depreciation of $1,115,000 in 1976 and $791,000 in 1975	**1,381,000**	1,441,000
Contributions to Participants Fund, callable on demand (Note 3)	**36,532,000**	29,710,000
	$93,347,000	$77,432,000
Liabilities and Stockholders' Equity		
Liabilities:—		
Drafts payable	**$14,331,000**	$ 6,977,000
Accounts payable and accrued expenses	**2,079,000**	2,023,000
Payable to participants:		
On settlements	**7,655,000**	12,324,000
On receipt of securities	**10,093,000**	7,215,000
Dividends and interest received (Note 5)	**15,147,000**	10,310,000
Payable to affiliates	**961,000**	2,049,000
	50,266,000	40,898,000
Participants Fund (Note 3):		
Deposits received	**2,813,000**	3,145,000
Contributions callable on demand	**36,532,000**	29,710,000
	39,345,000	32,855,000
Stockholders' Equity:		
Capital stock—authorized, issued and outstanding, 18,500 shares of $100 par value	**1,850,000**	1,850,000
Surplus	**489,000**	483,000
Undivided profits	**1,397,000**	1,346,000
	3,736,000	3,679,000
	$93,347,000	$77,432,000

The Depository Trust Company

Statement of Income and Undivided Profits

	For the years 1976	1975
Income:		
Services to participants	**$30,190,000**	$25,223,000
Less—Refund to participants	**1,950,000**	2,200,000
	28,240,000	23,023,000
Services to affiliates	**565,000**	707,000
Interest income	**1,972,000**	1,559,000
	30,777,000	25,289,000
Expenses:		
Employee costs	**17,635,000**	15,030,000
Rent, maintenance and utilities	**3,199,000**	2,777,000
Data processing rentals and supplies	**2,961,000**	2,240,000
Charges from affiliates (Note 4)	**2,183,000**	1,409,000
Other expenses	**4,765,000**	3,793,000
	30,743,000	25,249,000
Income before income taxes	**34,000**	40,000
Income tax benefits (Note 6)	**23,000**	305,000
Net income	**57,000**	345,000
Undivided profits, beginning of year	**1,346,000**	1,036,000
	1,403,000	1,381,000
Less—Transfer to surplus	**6,000**	35,000
Undivided profits, end of year	**$ 1,397,000**	$ 1,346,000
Net income per share	**$ 3.08**	$ 18.65

Statement of Changes in Financial Position

	For the years 1976	1975
Financial resources were provided by:—		
Operations:		
Net income	**$ 57,000**	$ 345,000
Noncash charges included in net income—		
Depreciation	**324,000**	270,000
Other operating items	**92,000**	27,000
Resources provided from operations	**473,000**	642,000
Increase in payable to participants	**3,046,000**	15,924,000
Increase in drafts payable	**7,354,000**	1,643,000
Decrease (increase) in receivable from affiliates	**382,000**	(1,169,000)
Other	**76,000**	(250,000)
	11,331,000	16,790,000
Financial resources were used for:		
Increase in receivable from participants	**1,971,000**	817,000
Increase in dividends, interest and other receivables	**2,799,000**	212,000
Decrease (increase) in payable to affiliates	**1,088,000**	(1,976,000)
Decrease in cash contributions to Participants Fund	**332,000**	475,000
Equipment and leasehold improvements	**264,000**	473,000
	6,454,000	1,000
Net increase in cash and repurchase agreements during the year	**4,877,000**	16,789,000
Cash and repurchase agreements, beginning of year	**39,398,000**	22,609,000
Cash and repurchase agreements, end of year	**$44,275,000**	$39,398,000

The Depository Trust Company

Notes to Financial Statements

DECEMBER 31, 1976

Note 1—Summary of Significant Accounting Policies

(a) Securities on deposit

Securities held by the Company for participants, which aggregated approximately 3.8 billion share units at December 31, 1976 (1975—2.7 billion share units), are not recorded in the accompanying financial statements. Cash dividends and interest received or due on such securities and in process of distribution or awaiting claim are recorded in the statement of condition.

(b) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost. Equipment is depreciated over estimated useful lives (generally eight years), principally on the sum of the years-digits method. Leasehold improvements are amortized over the life of the related lease in equal annual instalments.

(c) Pension plan

The Company's eligible employees are included in the pension plan of New York Stock Exchange, Inc. and its subsidiary companies. Pension costs charged to expense and paid to New York Stock Exchange, Inc. for funding were $654,000 (1975—$519,000) and comprise normal costs and amortization over ten years of unfunded prior service costs. The value of the assets of the pension plan of New York Stock Exchange, Inc. at December 31, 1975 (the latest valuation date) exceeded the vested liability thereof.

(d) Repurchase agreements

Repurchase agreements represent U.S. Government and U.S. Government Agency securities purchased under agreements to resell at current prices, generally over periods of three days or less. These agreements are recorded at cost and interest is accrued as earned.

(e) Income taxes

Investment tax credits on property acquired and leased are applied as a reduction of the income tax provision when the property is placed in service.

(f) Surplus

Transfers to surplus of 10% of net income will be made annually until such time as surplus equals 65% of capital stock as required by the New York State Banking Law.

Note 2—Organization and Ownership

The Company is a limited purpose trust company providing central securities depository and related services to the securities, banking and related industries. At December 31, 1976, New York Stock Exchange, Inc. owned approximately 60% of the common stock of the Company, with the remainder owned by 24 participants or their representatives. A Stockholders' Agreement provides for an annual reallocation of the entitlement to purchase outstanding capital stock by eligible participants or their representatives based on relative depository activity of participants during the prior year.

Pursuant to a statement by the Board of Directors in 1975, the Company does not pay dividends to stockholders, but refunds to its participants each year revenues in excess of current needs. An agreement with New York Stock Exchange, Inc. (see Note 4) precludes payment of cash dividends in any year in excess of 6% of stockholders' equity as at the close of the preceding year.

Note 3—Participants Fund

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

Note 4—Transactions with Affiliate

The Company is party to an agreement to purchase software and software related improvements from New York Stock Exchange, Inc. The terms of the agreement provide for the Company to pay 6.5% of its gross revenues from services during the period January 1, 1976 to June 30, 1983, up to a maximum payment of $13,500,000. Payments are determined and recorded quarterly over the period of the agreement. Through December 31, 1976, $1,962,000 has been accrued with respect to such agreement. Prior to 1976, the charges from New York Stock Exchange, Inc. included a $1,000,000 annual license fee for software and software related improvements.

Note 5—Dividends and Interest Collections

The Company receives cash and stock dividends and interest on securities registered in the name of its nominee which it distributes to the owners of the securities. Amounts received on securities withdrawn before the record date but not transferred from the name of the Company's nominee cannot be distributed unless claimed by the owner of the security. At December 31, 1976, cash dividends and interest payable and unclaimed amounted to $15,147,000 and stock dividends payable and unclaimed totaled $5,774,000 at market value, representing amounts received by the Company since July 1, 1973. Unclaimed dividends received prior to June 30, 1973 were transferred to New York State in accordance with abandoned property laws.

Cash dividends and interest receivable at December 31, 1976 amounted to $3,833,000 and stock dividends receivable amounted to $365,000 at market value. Claims have been filed with disbursing agents and participants for substantially all of the amounts receivable.

Note 6—Income Taxes

The net income tax benefit for 1976 and 1975 is summarized as follows:

	1976	1975
Current:		
Federal	$32,000	$ 22,000
State and local	32,000	15,000
Deferred	(27,000)	(12,000)
Investment tax credits	(60,000)	(330,000)
	($23,000)	($305,000)

Investment tax credits in excess of amounts useable in 1976 and 1975 have been carried back to the consolidated tax return of New York Stock Exchange, Inc., of which the Company was a part until October 31, 1975.

Note 7—Commitments

A sublease with New York Stock Exchange, Inc. for improved office space provides for base rentals, escalations and other payments of approximately $2,500,000 per year through 1980 and $2,200,000 per year thereafter until its expiration in 1987, plus for both periods increases in rental escalations subsequent to 1976.

Long-term leases for certain computer equipment require annual rental payments aggregating approximately $1,100,000 through 1980 and $550,000 thereafter until 1983. Rent expense in 1976 was $2,500,000 (1975—$2,310,000) for the office space and $2,225,000 (1975—$1,630,000) for the equipment. See Note 4 for the commitment under the software purchase agreement.

Participants*

Broker - Dealers (211)

ABD Securities Corporation
Adams & Peck
Adler, Coleman & Co.
Advest, Inc.
American Securities Corporation
Amivest Corporation
Arnhold & S. Bleichroeder, Inc.
Asiel & Co.

Babbitt, Meyers & Company
Bache Halsey Stuart Inc.
Bacon, Whipple & Co.
Baird, Patrick & Co., Inc.
Baird (Robert W.) & Co., Incorporated
Baker, Watts & Company
Bear, Stearns & Co.
Becker Securities Corporation
Bell & Beckwith
Benton, Tompane & Co.
Bernstein (Sanford C.) & Co., Inc.
Blair (William) & Company
Blunt Ellis & Simmons Incorporated
Blyth Eastman Dillon & Co. Incorporated
Boesky (Ivan F.) and Co.
Boettcher & Company
Bradford (J.C.) & Co.
Branch, Cabell & Co.
Brown (Alex.) & Sons
Bruns, Nordeman, Rea & Co.
Burgess & Leith Incorporated
Burns Fry and Timmins Inc.

Carmcley Corporation
Chicago Corporation (The)
Christopher (B.C.) & Company
Cohn (S.D.) & Company
Colin, Hochstin & Co.
Conklin, Cahill & Co.
Conning & Company
Cowen & Co.

Davis (Shelby Cullom) & Co.
de Cordova, Cooper & Co.
De Haven & Townsend, Crouter & Bodine, Inc.
Dillon, Read & Co. Inc.
Doft & Co., Inc.
Dominick Investor Services Corporation
Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated
Drysdale Securities Corporation

Eberstadt (F.) & Co., Inc.
Edwards (A.G.) & Sons, Inc.
Einhorn & Co.
Eppler, Guerin & Turner, Inc.
Ernst & Co.
Evans & Co., Inc.
Execution Services Incorporated

Fagenson & Co., Inc.
Fahnestock & Co.
Faulkner, Dawkins & Sullivan, Inc.
First Albany Corporation
First Boston Corporation (The)
First Manhattan Co.
First Wall Street Settlement Corporation
Foster & Adams
Fowler & Rosenau
Freehling & Co.
Fried (Albert) & Co.

Garvin Bantel Corp. (The)
Gintel & Co.
Goldman, Sachs & Co.
Goldstein (M.E.) & Co., Inc.
Gradison & Company Incorporated
Granger & Company
Gruntal & Co.
Gruss (Oscar) & Son

Hardy & Co.
Haupt, Andrews, Fraiman & Hug
Henderson Brothers, Inc.
Henderson, Harrison & Co.
Herzfeld & Stern
Herzog, Heine & Co., Inc.
Hilliard (J.J.B.), Lyons (W.L.), Inc.
Hirshon, Roth & Co.
Hoppin, Watson Inc.
Hornblower & Weeks-Hemphill, Noyes Incorporated
Hummer (Wayne) & Co.
Hutton (E.F.) & Company Inc.

*As of December 31, 1976

Icahn & Co., Inc.
Illinois Company Incorporated (The)
Ingalls & Snyder
Institutional Equity Corporation
Interstate Securities Corporation

Jacobson (Benjamin) & Sons
Janney Montgomery Scott Inc.
Jefferies & Company, Inc.
Jesup & Lamont Incorporated
Johnson (Hugh) & Company, Inc.
Jones (Edward D.) & Co.
Josephthal & Co.

Kalb, Voorhis & Co.
Kaufmann, Alsberg & Co.
Kaufmann (Irving G.) & Co., Inc.
Keefe, Bruyette & Woods, Inc.
Kidder, Peabody & Co. Incorporated
Kingsley, Boye & Southwood, Inc.
Krieger (Henry) & Co.
Kuhn, Loeb & Co.

La Branche & Co.
Laidlaw-Coggeshall Inc.
Lasker, Stone & Stern
Lawrence (Cyrus J.) Incorporated
Lawrence, O'Donnell & Co.
Lazard Freres & Co.
Lenart, McHugh & Co.
Lewco Securities Corp.
Loewi & Co. Incorporated

Mabon, Nugent & Co.
Manley, Bennett, McDonald & Co.
Marcus Schloss & Co., Inc.
Masten (A.E.) & Co., Incorporated
Mayer (F.M.) & Co.
McDonald & Company
McMullen & Hard
Meehan (M.J.) & Company
Merkin & Co., Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Mesirow & Company
MidSouthwest Securities, Inc.
Mitchell, Hutchins Inc.
Moore, Leonard & Lynch, Incorporated
Moore & Schley, Cameron & Co.
Morgan, Olmstead, Kennedy & Gardner, Incorporated
Morgan Stanley & Co. Incorporated
Muir (John) & Co.
Mulholland, Kaufman Inc.
Murphey, Marseilles & Smith
Murphy & Durieu
Mutual Clearing Corp. of New York

Neuberger & Berman
Neuberger Securities Corporation
Newhard, Cook & Co. Incorporated
Nick (J.F.) & Co.
Nomura Securities International, Inc.

Oppenheimer & Co., Inc.

Paine, Webber, Jackson & Curtis Incorporated
Parrish Securities Inc.
Pasternack Securities
Pershing & Co. Inc.
Pforzheimer (Carl H.) & Co.
Prescott, Ball & Turben
Pressprich (R.W.) & Co. Incorporated
Purcell, Graham & Co., Inc.

Rauscher Pierce Securities Corporation
Raymond, James & Associates, Inc.
Reaves (W.H.) & Co., Inc.
Reich & Co., Inc.
Reinholdt & Gardner
Reynolds Securities Inc.
Rice (R.M.) & Co., Inc.
Robb, Peck, McCooey & Co., Inc.
Robertson, Colman, Siebel & Weisel
Robinson-Humphrey Company, Inc. (The)
Rodman & Renshaw, Inc.
Roney (Wm. C.) & Company
Rotan Mosle Inc.
Rothschild (L.F.) & Co.
Roulston and Company, Inc.
Rowland (R.) & Co., Incorporated

Sade & Co.
Salomon Brothers
Securities Settlement Corporation
Seligman (J.&W.) & Co.

Seskis & Co.
Shaine (H.B.) & Co., Inc.
Shearson Hayden Stone Inc.
Shields Model Roland Incorporated
Shuman, Agnew & Co., Inc.
Simon (I.M.) & Co.
Smith Barney, Harris Upham & Co., Incorporated
Spear, Leeds & Kellogg
Stern & Kennedy
Stern, Frank, Meyer & Fox Incorporated
Stern, Lauer & Co.
Sterne, Agee & Leach, Inc.
Stifel, Nicolaus & Company Incorporated
Stillman, Maynard & Co.
Stokes, Hoyt & Co.
Streicher (J.) & Co.
Stuart Brothers
Sutro & Co. Incorporated

Thomson McKinnon Securities Inc.
Trask (Spencer) & Co. Incorporated
Troster Singer & Co.
Tucker, Anthony & Day (R.L.), Inc.
Tweedy Browne Clearing Corporation

UBS-DB Corporation

Vincent (Burton J.), Chesley & Co.
Viner (Edward A.) & Co., Inc.

Wagner, Stott & Co.
Watling Lerchen & Co. Incorporated
Weber, Hall, Cobb & Caudle, Inc.
Wedbush, Noble, Cooke, Inc.
Weeden & Co.
Weiss, Peck & Greer
Wellington & Co.
Westminster Securities Corporation
Wheat, First Securities, Inc.
White, Weld & Co. Incorporated
Whitney (H.N.), Goadby & Co.
Witter (Dean) & Co. Incorporated
Wood Gundy Incorporated
Wood, Struthers & Winthrop Inc.
Wreszin, Prosser, Romano & Co.

Banks (40)

Bank of New York (The)
Bankers Trust Company
Bank of Tokyo Trust Company (The)
Boston Safe Deposit and Trust Company
Bradford Trust Company
Brown Brothers Harriman & Co.

Central Bank of Denver (The)
Central National Bank of Richmond (The)
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Citibank, N.A.
Citizens and Southern National Bank (The)
Connecticut Bank and Trust Company (The)

Equitable Trust Company (The)

Fidelity Union Trust Company
Fiduciary Trust Company of New York
First & Merchants National Bank
First Jersey National Bank
First National Bank in Dallas
First National Bank in St. Louis
First National Bank of Atlanta (The)
First National Bank of Boston (The)

Hartford National Bank and Trust Company

Industrial National Bank of Rhode Island
Irving Trust Company

Lincoln First Bank of Rochester

Manufacturers Hanover Trust Company
Marine Midland Bank - New York
Mercantile-Safe Deposit and Trust Company
Merchants National Bank & Trust Company of Indianapolis
Morgan Guaranty Trust Company of New York

New England Merchants National Bank
Northwestern National Bank of Minneapolis

Shawmut Bank of Boston, N.A.
State Street Bank and Trust Company
Swiss Bank Corporation, New York Branch

Toledo Trust Company (The)

United Bank of Denver, National Association
United States Trust Company of New York

Wells Fargo Bank, National Association

Clearing Agencies (7)

American Stock Exchange Clearing Corporation
Midwest Securities Trust Company
National Clearing Corporation
Options Clearing Corporation (The)
Pacific Securities Depository Trust Company
Stock Clearing Corporation (NYSE, Inc.)
Stock Clearing Corporation of Philadelphia

Equitable Trust Company (The)
European-American Bank & Trust Company
Equibank N.A.

Fidelity Bank (The)
First & Merchants National Bank
First Jersey National Bank
First National Bank and Trust Company of Oklahoma City
First National Bank in Dallas
First National Bank in St. Louis
First National Bank in St. Petersburg
First National Bank of Arizona
First National Bank of Atlanta (The)
First National Bank of Chicago (The)
First National Bank of Denver (The)
First National Bank of Maryland (The)
First National Bank of Minneapolis
First Pennsylvania Bank, N.A.

Pledgees*

American Security and Trust Company, N.A.
Arizona Bank (The)

Banco Urquijo, S.A.—New York Agency
Bank of America N.T. & S.A.
Bank of California N.A. (The)
Bank Leumi Trust Company of New York
Bank of New York (The)
Bank of Tokyo Trust Company (The)
Bankers Trust Company
Barclays Bank International Limited
Bradford Trust Company

California First Bank
Canadian Imperial Bank of Commerce
Central National Bank of Richmond (The)
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Citibank, N.A.
Cleveland Trust Company (The)
Connecticut Bank and Trust Company (The)
Continental Illinois National Bank and Trust Company of Chicago
Credit Lyonnais New York Branch
Credito Italiano
Crocker National Bank

Daiwa Bank Limited (The), New York Agency
Detroit Bank & Trust Company (The)

Harris Trust and Savings Bank
Hartford National Bank and Trust Company
Houston National Bank

Irving Trust Company

Lincoln First Bank of Rochester

Manufacturers Hanover Trust Company
Marine Midland Bank - New York
Maryland National Bank
Mellon Bank N.A.
Mercantile-Safe Deposit and Trust Company
Merchants National Bank & Trust Co. of Indianapolis
Mercantile Trust Company National Association
Midlantic National Bank
Morgan Guaranty Trust Company of New York

National Bank of North America
North Carolina National Bank
Northern Trust Company (The)

Pittsburgh National Bank
Provident National Bank

Republic National Bank of Dallas
Royal Bank of Canada, New York Agency (The)

Seattle First National Bank

*As of December 31, 1976

Security Pacific National Bank
Shawmut Bank of Boston, N.A.
State Street Bank and Trust Company
Swiss Bank Corporation, New York Branch
Swiss Credit Bank

Texas Commerce Bank National Association
Toronto-Dominion Bank (The)

Union Bank of Switzerland New York Branch
United Bank of Denver, National Association
United California Bank
United States Trust Company of New York
United Virginia Bank

Wachovia Bank and Trust Company, N.A.
Wells Fargo Bank, N.A.

Depository Facilities*

Atlanta, Georgia
Citizens and Southern National Bank (The)
First National Bank of Atlanta (The)

Baltimore, Maryland
First National Bank of Maryland (The)

Boston, Massachusetts
Shawmut Bank of Boston, N.A.
State Street Bank and Trust Company

Charlotte, North Carolina
First Union National Bank of North Carolina

Dallas, Texas
First National Bank in Dallas
Republic National Bank of Dallas

Denver, Colorado
Central Bank of Denver (The)
United Bank of Denver, National Association

Hartford, Connecticut
Connecticut Bank and Trust Company (The)
Hartford National Bank and Trust Company

Jersey City, New Jersey
First Jersey National Bank

Los Angeles, California
American City Bank
Wells Fargo Bank, National Association

Louisville, Kentucky
Citizens Fidelity Bank and Trust Company

Milwaukee, Wisconsin
First Wisconsin Trust Company

Minneapolis, Minnesota
First National Bank of Minneapolis
Northwestern National Bank of Minneapolis

Nashville, Tennessee
United American Bank

Philadelphia, Pennsylvania
First Pennsylvania Bank N.A.
Provident National Bank

Pittsburgh, Pennsylvania
Pittsburgh National Bank

Providence, Rhode Island
Industrial National Bank of Rhode Island

Richmond, Virginia
First & Merchants National Bank

Rochester, New York
Lincoln First Bank of Rochester

San Francisco, California
Wells Fargo Bank, National Association

St. Louis, Missouri
First National Bank in St. Louis
Mercantile Trust Company N.A.

St. Paul, Minnesota
First National Bank of St. Paul (The)

St. Petersburg, Florida
Century First National Bank in St. Petersburg

*As of December 31, 1976

Institutions Participating in the Institutional Delivery (ID) System†

Alaska National Bank of the North
American Bank & Trust Co. of Pa.
American Casualty Company of Reading, Pennsylvania*

Bank of New York (The)
Bank of Tokyo Trust Company
Boston Safe Deposit and Trust Company*
Bullock Fund

CBT Trust Division
CNA Financial Corp. (Chicago)*
CNA Income Shares, Inc.*
California Union Insurance Company*
Canadian Fund
Chase Manhattan Bank (The)
Citibank, N.A.
Citizens & Southern National Bank
College Retirement Equities Fund (New York)*
Continental Assurance Company*
Continental Assurance Company Pension Investment Fund*
Continental Casualty Company*

Dividend Shares Inc.

Equitable Life Assurance Society of the United States
Equitable Trust Company (Baltimore, Md.)

Fidelity Union Trust Company
First City National (Houston)*
First National Bank in Dallas
First National Bank in St. Petersburg*
First National Bank of Boston (The)
First National Bank of Denver (The)

General Electric Pension Trust*

IDS (Minneapolis)*
INA Insurance Company of Ohio*
INA Life Insurance Company*
INA Insurance Company of New York*
INA of Philadelphia*
INA of Texas*
INA Reinsurance Company*
Investors Stock Fund Inc.
Irving Trust Company

Life Insurance Company of North America*
Lincoln First Bank of Rochester

Manufacturers Hanover Trust
Marine Midland Bank
Massachusetts Financial Development Fund
Massachusetts Investors Trust*
Massachusetts Investors Growth Stock Fund, Inc.*
Massachusetts Income Development Fund, Inc.*
Massachusetts Capital Development Fund, Inc.*
Massachusetts Financial Bond Fund, Inc.*
Mercantile Safe-Deposit & Trust Company (Baltimore, Md.)
Monthly Income Shares
Morgan Guaranty Trust Company*

Nation-Wide Securities Co.
National Bank of Alaska
National Bank of Detroit*
National Fire Insurance Company of Hartford*
New England Merchants National Bank (Boston)*
New York Venture Fund, Inc.
Nomura Securities International, Inc.
Northwestern National Bank of Minneapolis

Pacific Employers Insurance Company*
Prudential Insurance Company of America
Public Employees Insurance Company*

Republic National Bank of Dallas
Riggs National Bank (Washington, D.C.)*

Shawmut Bank of Boston, N.A.*
State Street Trust Division
St. Louis Union Trust Company

Teachers Insurance Company*
Transcontinental Insurance Company*

Union Bank of Switzerland (Basle)
Union Bank of Switzerland (Berne)
Union Bank of Switzerland (Chiasso)
Union Bank of Switzerland (Lausanne)
Union Bank of Switzerland (Lugano)
Union Trust Company (New Haven, Conn.)
Union Trust Company (Stamford, Conn.)
United Bank of Denver, N.A.

Valley Forge Insurance Company*
Valley Forge Life Insurance Company*
Wells Fargo Bank, N.A.

†As of December 31, 1976

* Confirms only

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