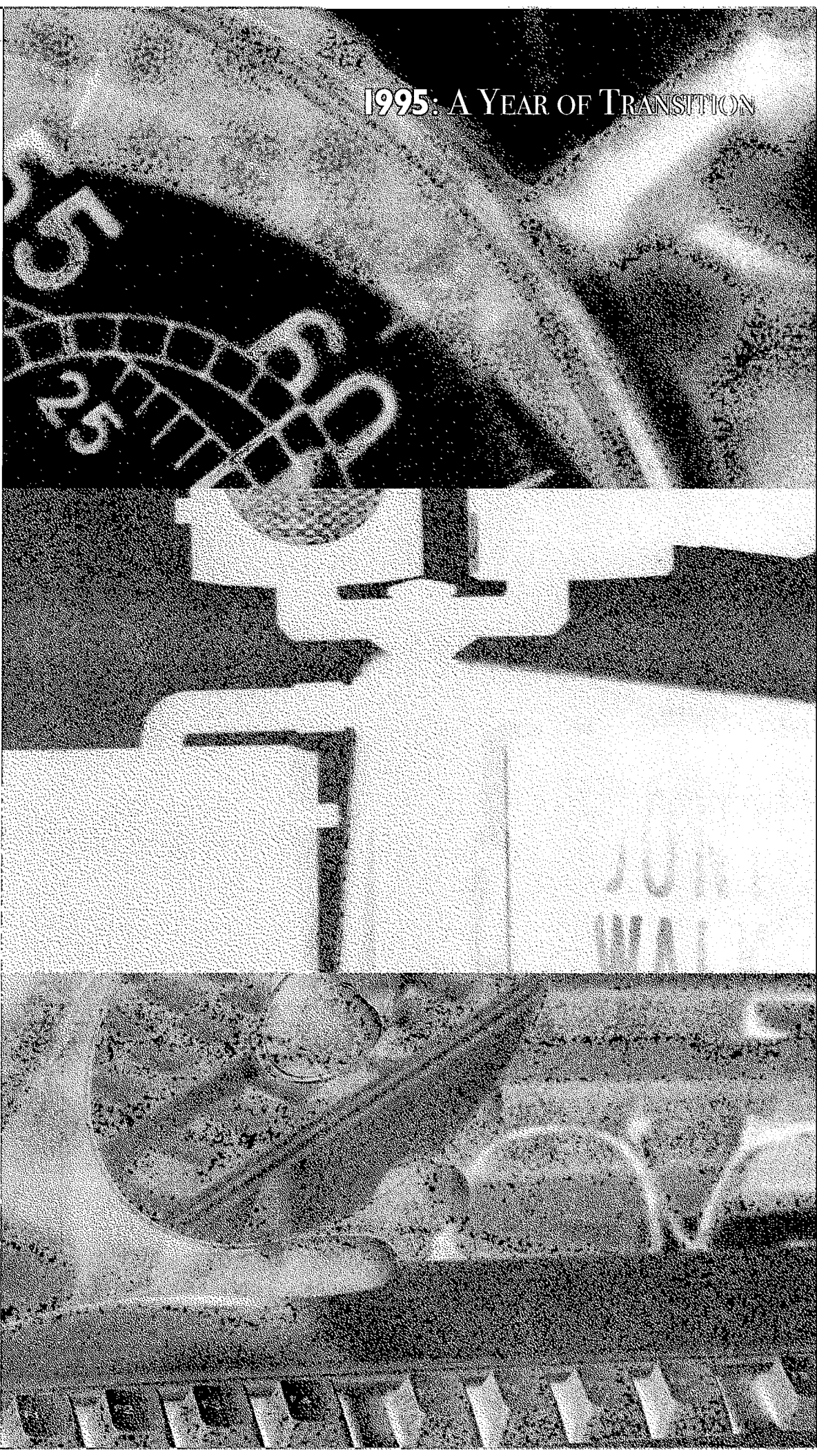


1995: A YEAR OF TRANSITION



mbs
clearing corporation

1995 Annual Report

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M*BSC Clearing Corporation (MBSCC) is the market's sole provider of trade comparison, confirmation, risk management, net settlement and electronic pool notification services for mortgage-backed securities (MBS). Guided by its participants—MBS dealers, inter-dealer brokers and institutional users—MBSCC's mission is to deliver value-added services to participants that minimize the costs and risks associated with MBS trading.*

MBSCC's services are provided to organizations that actively trade in Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), cash, forward and over-the-counter option markets.

Established in 1979 as a registered clearing agency to facilitate the post-trade activities of the MBS market, MBSCC now processes more than \$240 billion in MBS trades every month.

MBSCC is owned by the majority of its participants and is affiliated with the National Securities Clearing Corporation.

To Our Participants

We are pleased to report that 1995 was a year of solid operational and financial performance for MBS Clearing Corporation (MBSCC). In addition, several major changes occurred in 1995, making it a very busy—and successful—year of transition. These changes included the reorganization into a new independent organization that is primarily owned by 32 securities dealers and banks, as well as the National Securities Clearing Corporation (NSCC); the move to New York City; the launching of MBSCC's Electronic Pool Notification (EPN) system, which transmits mortgage-backed securities (MBS) pool information; and the development of a fully redundant EPN Disaster Recovery facility.

Many synergistic relationships were created in 1995 as a result of our reorganization and move to New York City, which enabled us to be closer, both structurally and physically, to most of our participants. After careful planning, our employees moved MBSCC 750 miles over a single weekend and opened its new offices on Monday, July 31, 1995, at 8 a.m. sharp, never missing a beat. But our success this past year could not have occurred without strong support from our participants, some of whom we have featured in this annual report.

Our new organization has placed us in a better position to enhance our communications with most MBSCC participants and to find new ways to lower costs and reduce risks inherent in the MBS marketplace. We have also been able to accomplish many of the objectives of the Vision 2000 Committee to leverage more functionality from the industry's infrastructure and further reduce costs. As a result, we have been able to better link our operating costs and expenditures for new service developments with the fees charged to participants.

While 1995 was a year filled with transitions, it was also a year filled with solid operational performance as 1995 trade input volume was easily accommodated by MBSCC systems. An average monthly volume of MBS trades valued at well over \$240 billion was successfully and easily processed in 1995, and netting continued to eliminate the settlement of approximately 90 percent, or \$2.2 trillion, of all trades entered into the settlement balance order system.

Our Electronic Pool Notification system went live in a pilot phase in early 1995 and now enables participants to transmit MBS pool information more quickly, efficiently and reliably. The EPN system reached full production status late in 1995 and includes a sophisticated Disaster Recovery System, which is permanent, at dual-sites, and fully-redundant. And the Securities and Exchange Commission (SEC) approval of MBSCC rules paved the way for the EPN system to be fully operational in 1996.

MBSCC currently has 30 users on the EPN system. Throughout 1995, the monthly message volume was growing exponentially and in March 1996, EPN users processed approximately 10,200 EPN messages with a current face value of about \$104 billion dollars. Each message can include up to 250 pools worth \$50 million. The successful launch of MBSCC's EPN system was recognized by the Public Securities Association (PSA) in their decision to adopt staggered cut-off times for notification of MBS pools beginning in November 1996. The staggered notification will encourage firms to utilize the efficiencies provided by EPN and greatly contribute to the growth in the number of EPN users.

Steady operating revenues and prudent expenditures resulted in a solid financial performance in 1995. Participants benefited from that performance by receiving trade recording fee discounts that last year exceeded \$3.5 million.

We've enjoyed working with the members of our Board of Directors and all of our participants to achieve such a smooth transition last year. We particularly want to thank our employees—especially those who moved to New York—for their dedication to MBSCC. We recognize how difficult it was for them to relocate their families and thank them for their hard work, which enabled MBSCC to experience a successful 1995.

As a result of last year's transitions, we are better positioned to efficiently and effectively meet the current and future needs of our participants. We thank NSCC and the Securities Industry Automation Corporation (SIAC) for fully supporting our move and other initiatives. Working together with our participants, many of whom are our new owners, and with the support of our Board of Directors, the MBSCC staff is dedicated to delivering high quality and value-added services. We thank all of you for your continued support, and we look forward to our ongoing and mutual efforts to achieve another successful year in 1996.

On February 3, 1996, Harvey J. Cartmell formerly of Goldman Sachs & Company, resigned from the Board and as Chairman of MBSCC. Harvey served as a Director from September 1989 and as Chairman from July 1990. During his tenure on the Board, Harvey provided steady support and inspirational leadership to MBSCC as it designed and implemented the complete rewrite of its operating systems and the Electronic Pool Notification (EPN) System.

On April 16, 1996, John G. Moran formerly of Morgan Stanley Market Products Inc., completed his term on the Board, the first of which began in April 1989. John consistently provided valuable insight and guidance to the Board and staff of MBSCC during his seven years of service.

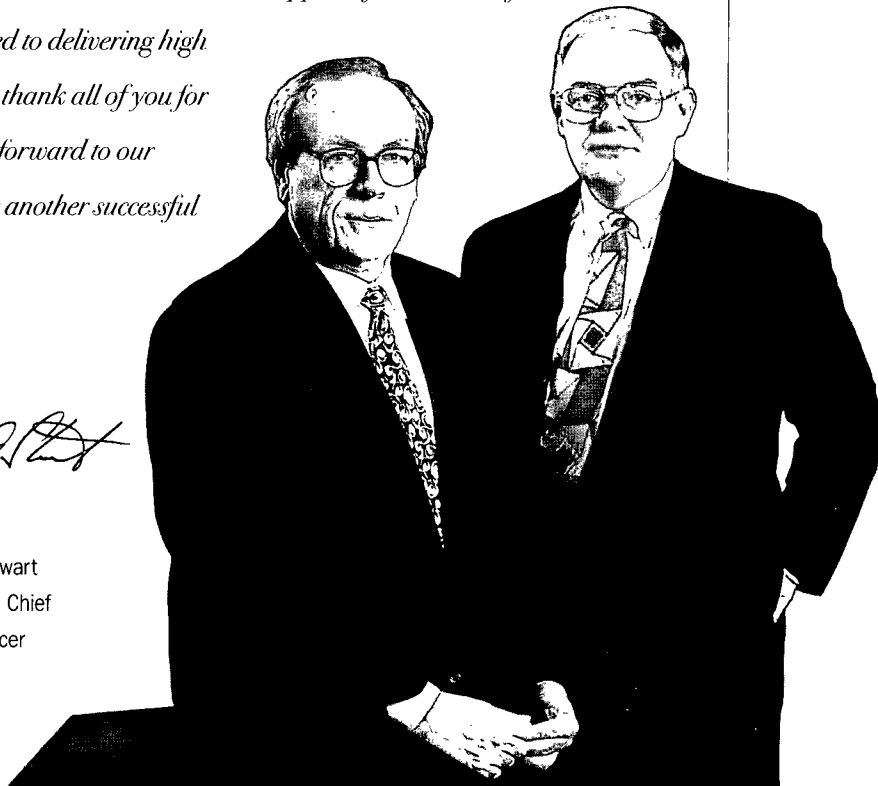
On behalf of our Participants, Staff and Board, thank you, Harvey and John for service "beyond the call", and best of luck in your future endeavors.

— Ronald A. Stewart



Harvey J. Cartmell
Chairman of the Board

Ronald A. Stewart
President and Chief
Executive Officer



MBSCC's mission is important yet simple: to reduce the costs and risks associated with trading in the mortgage-backed securities market. To accomplish this mission, MBSCC provides high-quality and value-added services that are driven by the needs of its members and industry participants.

MBSCC provides automated trade comparison, confirmation, net settlement and pool notification services. MBSCC also assesses and manages financial risk; evaluates and improves MBS market systems and technologies; and enhances communication among all MBS market participants.

The two most significant events in 1995 were the automation of pool notification by bringing into full production the Electronic Pool Notification (EPN) system and the creation of the EPN Disaster Recovery facility. The EPN system is a real-time store and forwarding message switch that enables users to exchange mortgage pool information electronically. In essence, it eliminates busy

“With the reorganization of MBSCC that took place last year, participants became part-owners of the company. Now we have a more direct say in the direction in which MBSCC will embark.”

— Greg Burnes, V.P., C.S. First Boston Corporation

signals and the fail costs that have historically been incurred because of the sender's inability to reach the recipient.

The development of an Electronic Pool Notification system was first addressed in late 1991

when the Public Securities Association (PSA) distributed a request for proposals. In March of 1992, PSA selected MBSCC to develop the current EPN system. An EPN Beta System was rolled out in June 1994 in a test environment. It was so successful that eight months later, in February of 1995, with the Securities and Exchange Commission's (SEC) approval, EPN began pilot operations, which marked the required exchange of live pool information by EPN users.

The pilot program also gave MBSCC the opportunity to develop an EPN Disaster Recovery capability. The EPN Disaster Recovery facility mirrors the EPN production facility. Both sites employ fault-tolerant technology and maintain redundant communications links between EPN and its users to ensure that no single point of failure exists. In the event of a catastrophic failure of the EPN system, users would connect to the Disaster Recovery system via their redundant communications links, and resume real-time processing. In February of 1996, after extensive development and testing efforts, MBSCC fully implemented the Disaster Recovery facility. This completed MBSCC's deliverables and the full production implementation of the EPN system.

A new EPN fee structure was implemented in 1995 to promote an increase in off-peak volume and to facilitate non-dealer usage. Transaction fees are based on receipt

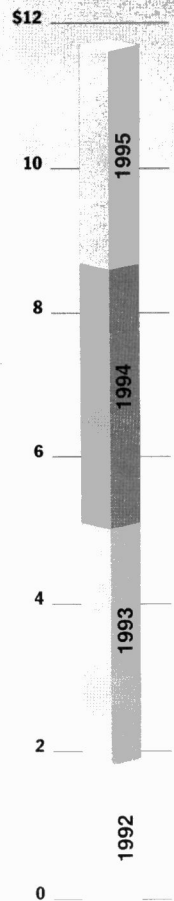


A MORE EFFICIENT TRADING ENVIRONMENT

CUMULATIVE VOLUME OVER A FOUR YEAR PERIOD.

Yearly par values of
transactions entered for
comparison and
settlement.

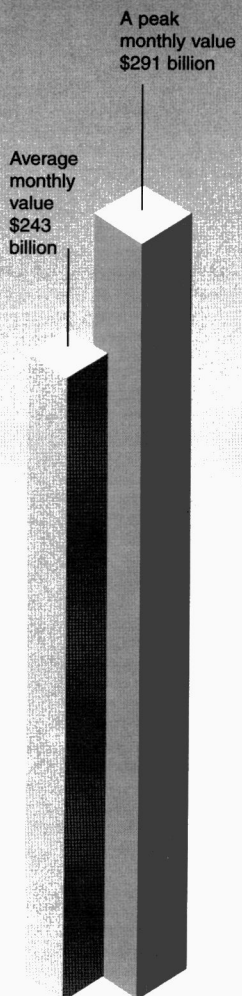
All values are expressed
in trillions of dollars.



ASSESSING AND MANAGING RISK

CAPACITY TO HANDLE PEAK VOLUME.

Monthly average par
value compared with a
peak month in 1995.



WALK

and delivery times, and an Account Maintenance fee was implemented for a new type of user. The new fees encourage earlier delivery and later acceptance and are geared towards the institutional "buy-side" market.

Many objectives of the Vision 2000 Committee were accomplished in 1995. The Securities Industry Automation Corporation (SIAC) remained MBSCC's facility manager and MBSCC began sharing office space and professional resources with NSCC. Some of the corporate services that are shared include legal counsel, human resources, internal auditing, finance and treasury functions.

MBSCC's services and systems are driven by distinctive market fundamentals, including long settlement periods of 45 to 90 days; a high transaction value of typically \$10 million or more in par value; a guideline by the Public Securities Association (PSA) that permits a seller to deliver securities that vary from the original traded value by a certain percentage (higher or lower); and an independent credit assessment that enables participants to decide with whom they execute trades.

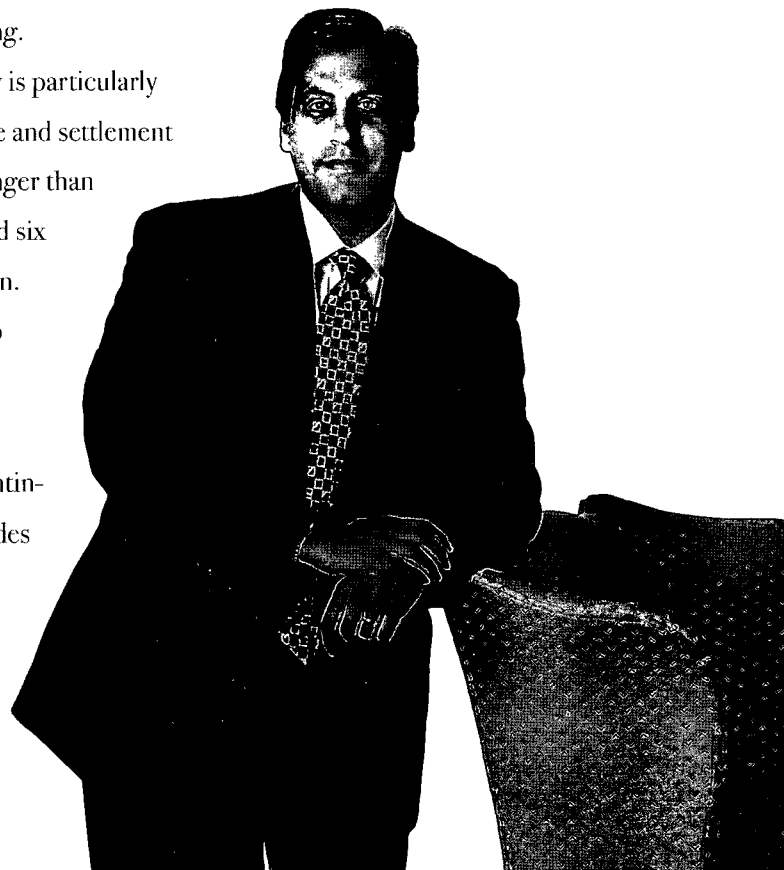
MBSCC facilitates an orderly and efficient trading environment with the least amount of risk to the market and its participants through three primary MBSCC services: trade comparison, risk management and netting.

Trade comparison. Comparing trades quickly and accurately is particularly critical in the MBS market, where the time period between the trade and settlement dates (and subsequent exposure to market fluctuations) is much longer than in other securities markets. In 1995, the volume of trades decreased six percent and the value of trades decreased 22 percent to \$2.9 trillion.

Risk management. MBSCC offers many safeguards that help eliminate uncertainty and provide liquidity within the marketplace. Because of the lengthy settlement period and an increased risk that one party to a trade will not fulfill its trade obligations, MBSCC continually assesses the current value of each participant's underlying trades and ensures that all participants' potential exposure is satisfied through appropriate levels of collateral. On average, MBSCC holds approximately \$1.5 billion in collateral for participants in the event of a contra-side default.

"MBSCC's move from Chicago to New York City was so well planned that it was business as usual. We never encountered any problems and now it's even more convenient to work on system enhancements and business issues."

— Frank DiMarco, V.P., Merrill Lynch, Pierce, Fenner & Smith, Incorporated



Netting. One of the most significant MBSCC services is netting, which reduces participants' overall MBS settlement obligations. Of the nearly \$2.9 trillion matched through MBSCC's comparison system, approximately \$2.4 trillion worth of trades entered MBSCC's Settlement Balance Order (SBO) system. The system netted more than 90 percent of all trades submitted for netting and resulted in an elimination of \$2.2 trillion in MBS trades requiring settlement. This created lower clearing costs, fewer fails and decreased financing costs for participants.

MBSCC is committed to implementing new enhancements, further streamlining processing systems and reducing costs in accordance with the changing needs of this dynamic market. Overall activity in the MBS market has grown steadily and substantially since the early 1980s, and this

"EPN's pilot program went very smoothly and the system proved successful in everything it set out to accomplish, reducing fail costs and increasing efficiency"

— Laura LoCosa, Principal, Morgan Stanley & Co.

"Since EPN started operating last February, we have found it to be extremely reliable and efficient."

Michael D. Ackerman, V.P., Morgan Stanley & Co.

increased activity is expected to continue. The globalization of the MBS market has become evident in the rise in the number of non-domestic firms that have joined and are utilizing MBSCC and its services for their own post-trade processing.

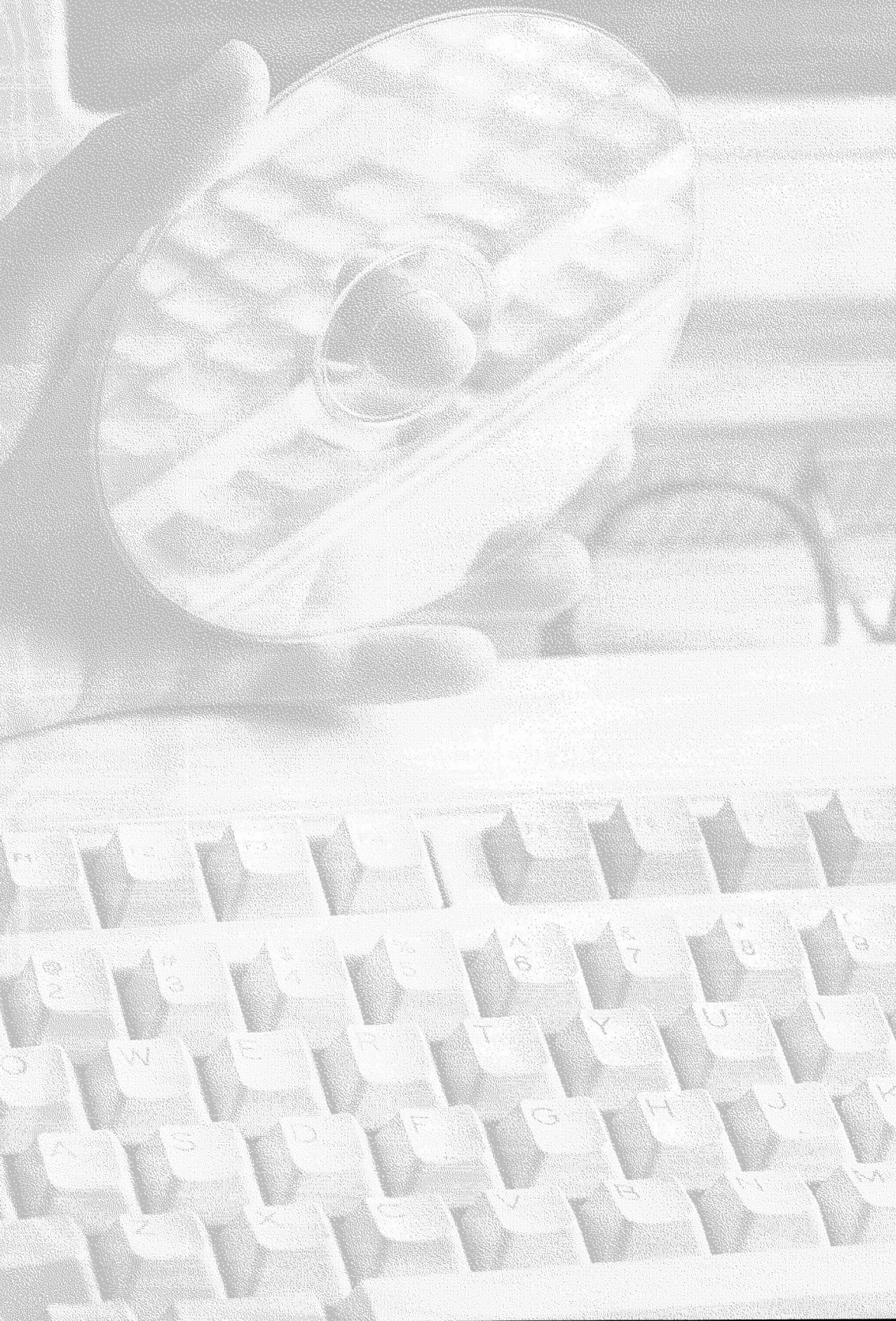
Staying ahead of industry growth and abreast of the accompanying trends is a major priority for MBSCC. To further streamline the MBS settlement

process for institutions, MBSCC recently began preliminary discussions with the Public Securities Association (PSA), the Depository Trust Company (DTC) and the Participants Trust Company (PTC) to explore synergies which would be gained by linking the EPN system with DTC's communication and PTC's settlement systems. These preliminary discussions have led to an agreement between the three organizations to move toward achieving the objective of straight through processing.

By working closely with members to ensure that systems remain flexible and able to accommodate future growth, MBSCC is poised to meet both the current and future needs of its participants and the MBS industry.



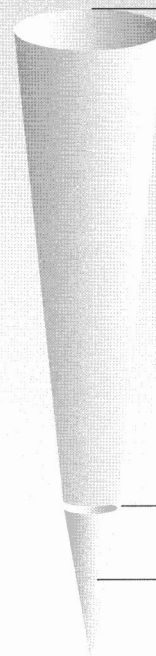
MEETING FUTURE TECHNOLOGICAL DEMANDS



EFFECT OF NETTING.

MBSCC nets or reduces the total number of financial obligations requiring settlement.

\$247,000,000,000
Par value into
netting system,
June 1995



83% Netting
Factor

\$41,400,000,000
Net financial
obligation

MBS CLEARING CORPORATION
BALANCE SHEETS

	December 31, 1995	December 31, 1994
	(In thousands)	
Assets		
Cash and cash equivalents	\$6,485	\$9,776
Accounts receivable	742	926
Participants' deposits	996,040	387,280
Fixed assets, less accumulated depreciation of \$137,000 and \$45,000 at December 31, 1995 and 1994, respectively	1,014	36
Deferred income taxes	341	723
Prepaid taxes and other assets	1,569	81
Total assets	\$1,006,191	\$398,822
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	\$3,489	\$4,322
Participants' deposits	996,040	387,280
Note payable	1,662	3,325
Total liabilities	1,001,191	394,927
Excess of net assets acquired over purchase price	1,760	2,844
Stockholders' equity:		
Common stock, no par value:		
Class A: 50,500 shares authorized, 38,346 shares issued and outstanding at December 31, 1995 and 1994		
Class B: 5,000 shares authorized, 4,260 shares issued and outstanding at December 31, 1995 and 1994	432	432
Retained earnings	2,807	618
Total stockholders' equity	3,240	1,051
Total liabilities and stockholders' equity	\$1,006,191	\$398,822

The accompanying notes are an integral part of these statements.

MBS CLEARING CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS

For The
Year Ended
December 31, 1995

For The
Period From
August 13, 1994 to
December 31, 1994

(In thousands)

	For The Year Ended December 31, 1995	For The Period From August 13, 1994 to December 31, 1994
Revenues:		
Operations	\$ 10,496	\$ 4,237
Discount to participants	3541	—
Net revenue from operations	6,955	4,237
Interest income	869	202
Amortization of excess of net assets acquired over purchase price (Note 2)	1,084	406
Total revenues	8,908	4,845
Expenses:		
Employee compensation	1,954	655
Systems and related support	1,720	297
Rent, maintenance and utilities	224	662
Professional and other services	1,422	2,214
General and administrative	442	362
Depreciation and amortization	414	163
Total expenses	6,176	4,353
Income before income taxes	2,732	492
Income tax provision (benefit):		
Current	161	595
Deferred	382	(721)
Total income tax provision (benefit)	543	(126)
Net income	2,189	618
Retained earnings, beginning of period	618	—
Retained earnings, end of period	\$ 2,807	\$ 618

The accompanying notes are an integral part of these statements.

MBS CLEARING CORPORATION
STATEMENTS OF CASH FLOWS

	For The Year Ended December 31, 1995	For The Period From August 13, 1994 to December 31, 1994
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 2,189	\$ 618
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization of excess of net assets acquired over purchase price	(1,084)	(406)
Depreciation	94	45
Decrease (increase) in assets:		
Accounts receivable	184	(429)
Deferred income taxes	382	(583)
Prepaid taxes and other assets	(1,488)	(76)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(833)	634
Net cash used in operating activities	(556)	(197)
Cash flows from investing activities:		
Purchase of fixed assets	(1,072)	(80)
Investments made through purchase transaction	—	(3,325)
Net cash used in investing activities	(1,072)	(3,405)
Cash flows from financing activities:		
Note payable on purchase transaction	(1,663)	3,325
Proceeds from issuance of common stock	—	433
Net cash (used in) provided by financing activities	(1,663)	3,758
Net (decrease) increase in cash and cash equivalents	(3,291)	156
Cash and cash equivalents, beginning of period	9,776	9,620
Cash and cash equivalents, end of period	\$ 6,485	\$ 9,776
Supplementary disclosures:		
Income taxes paid	\$ 1,552	\$ 1,384

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

1. Organization and Operations

MBS Clearing Corporation, (MBSCC), a clearing agency registered with the Securities and Exchange Commission, provides trade comparison and settlement processing for mortgage-backed securities. Through August 12, 1994, MBS Clearing Corporation (Old MBS) was wholly owned by the Chicago Stock Exchange, Incorporated (the Exchange). Under a Stock Purchase Agreement (the Agreement), dated August 12, 1994, by and between the Exchange and MBSCC Acquisition Corporation (the Purchaser), the Exchange agreed to sell all the outstanding stock (the Shares) of Old MBS to the Purchaser. The sale closed on August 12, 1994, at which time the Exchange delivered to the Purchaser stock certificates representing the Shares, duly endorsed for transfer. At the close of business on such date, the Purchaser and Old MBS were merged and the name of the Purchaser was changed to MBS Clearing Corporation (MBSCC).

2. Summary of significant accounting policies

Cash Equivalents: MBSCC invests funds in overnight reverse repurchase agreements, which are considered cash equivalents. Such agreements provide for MBSCC's delivery of cash in exchange for securities having a market value which is at least 102% of the amount of the agreement. An independent custodian designated by MBSCC takes possession of the securities. Overnight reverse repurchase agreements are recorded at the contract amounts and totaled \$6,475,000 and \$9,776,000, at December 31, 1995 and 1994, respectively.

Fixed Assets: Fixed assets consist primarily of computer hardware which is depreciated on a straight line basis over 5 years.

Excess of Net Assets Acquired Over Purchase Price: The fair value of net assets acquired by MBSCC exceeded the purchase price by \$4,738,000. The excess was first allocated to reduce fixed assets by \$1,488,000. The remaining \$3,250,000 excess is being amortized to operations on a straight-line basis over three years.

Income Taxes: Deferred tax assets and liabilities are provided for the expected future tax consequences of temporary differences between the carrying amount and tax basis of assets and liabilities.

Financial Instruments: Management believes that the carrying value of all financial instruments approximates market value.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications of 1994 amounts have been made in the accompanying financial statements to conform to the 1995 presentation.

3. Participants' clearing fund deposits

The rules of MBSCC require its participants to maintain a minimum deposit in cash and to make additional deposits to cover market differentials to secure participants' obligations. Additional amounts may be assessed against participants in accordance with MBSCC's rules.

Participants' deposits consist of cash, securities issued or guaranteed by the U.S. Government, and letters of credit. A summary of the deposits held at December 31, 1995 and 1994 follows:

	1995	1994
Cash	\$ 19,253,000	\$ 19,032,000
Securities issued or guaranteed by the U.S. Government, at market	976,787,000	368,248,000
Letters of credit	457,735,000	510,085,000

4. Transactions with related parties

National Securities Clearing Corporation (NSCC), a minority shareholder of MBSCC, provides various support services and office facilities to MBSCC. The costs of providing these services are charged to MBSCC in accordance with the provisions of a service agreement. The agreement expires in 1999 and will automatically be extended after the initial five year term unless canceled by either party upon six months prior written notice. Charges to MBSCC pursuant to this agreement during 1995 amounted to approximately \$354,000. Amounts payable to NSCC at December 31, 1995 and 1994 were \$61,000 and \$71,000, respectively.

MBSCC is contingently liable, under a service agreement, for a portion of NSCC's office lease which expires on December 31, 2012. At December 31, 1995, the contingent commitment of MBSCC is approximately \$1,900,000.

5. Income taxes

MBSCC files Federal, New York State, New York City and Illinois income tax returns. The 1995 income tax provision and the 1994 tax benefit differ from an amount based upon the statutory Federal income tax rate of 34% due principally to the amortization of the excess of net assets acquired over purchase price and state and local taxes. The tax effect on temporary differences that give rise to significant portions of deferred tax assets consist primarily of depreciation in 1995 and relocation costs in 1994.

6. Post-retirement benefit plans

All eligible employees of MBSCC participate in NSCC's trustee, noncontributory defined benefit pension plan. In addition, MBSCC also participates in NSCC's noncontributory supplemental executive retirement and benefit restoration plans which provide for certain benefits to identified executives of MBSCC upon retirement. Further, MBSCC also participates in NSCC's life insurance program which provides payment of death benefits to beneficiaries of the retired employees. In 1995, costs for these plans aggregated \$44,000 and were determined based upon an actuarial calculation using information related to all eligible MBSCC employees. Disclosure of post-retirement benefit obligations, expense components and actuarial assumptions for the NSCC plans are included in NSCC's 1995 financial statements.

Price Waterhouse LLP



REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Stockholders of
MBS Clearing Corporation

February 16, 1996

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of MBS Clearing Corporation (the Company) at December 31, 1995, and the results of its operations and its cash flows for the year in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. The financial statements of the Company for the period from August 13, 1994 to December 31, 1994 were audited by other independent accountants whose report dated February 28, 1995 expressed an unqualified opinion on those statements.

Price Waterhouse LLP

MANAGEMENT'S REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

To the Board of Directors
and Stockholders of
MBS Clearing Corporation

February 16, 1996

MBS Clearing Corporation (MBSCC) maintains a system of internal control over financial reporting which is designed to provide reasonable assurance regarding the preparation of reliable published financial statements. The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective internal control system, no matter how well designed, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control system effectiveness may vary over time.

MBSCC's management assessed its internal control over financial reporting as of December 31, 1995, in relation to criteria for effective internal control described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, MBSCC believes that, as of December 31, 1995, its system of internal control over financial reporting met those criteria.



Ronald A. Stewart
President and Chief Executive Officer



Marvin B. Koehler
Chief Financial Officer and Treasurer

Price Waterhouse LLP



REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
and Stockholders of
MBS Clearing Corporation

February 16, 1996

We have examined management's assertion that, as of December 31, 1995, MBS Clearing Corporation's (MBSCC's) internal control over financial reporting met the criteria for effective internal control described in "Internal Control-Integrated Framework." Management's assertion is included in the accompanying Management's Report on Responsibility for Financial Reporting.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control structure over financial reporting, testing and evaluating the design and operating effectiveness of the internal control structure, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure over financial reporting to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that, as of December 31, 1995, MBSCC's system of internal control over financial reporting met the criteria for effective internal control established by the Committee of Sponsoring Organizations of the Treadway Commission is fairly stated, in all material respects, based upon criteria established in "Internal Control-Integrated Framework."

Price Waterhouse LLP

MBS CLEARING CORPORATION
PARTICIPANTS

Alex Brown & Sons, Inc.	Dean Witter Reynolds Inc.	△ Morgan Stanley Market Products, Inc.
Anchor National Life Insurance Co.	Deutsche Morgan Grenfell/C.J. Lawrence	Nationsbank Capital Markets, Inc.
BA Securities Inc.	△ Donaldson Lufkin & Jenrette Securities Corporation	Nationsbank, N.A. (Carolinas)
Bankers Trust (Delaware)	△ EVEREN Clearing Corporation	△ Natwest Bank N.A.
Bankers Trust Company	△ Federal Home Loan Mortgage Corporation	New York Life Insurance & Annuity Corp.
Barclays De Zoete Wedd Securities Inc.	First Union Corp./FAO First Union Capital Markets Corporation	New York Life Insurance Co.
△ Bear Stearns & Company, Inc.	△ Garban LLC	Nikko Securities Co. International, Inc.
△ BT Securities Corporation	△ Goldman Sachs & Company	△ Nomura Securities International, Inc.
Cantor Fitzgerald & Co.	Greenwich Capital Markets, Inc.	Oppenheimer & Co., Inc.
△ Cantor Fitzgerald Securities Corporation	Gruntal & Company, Inc.	△ PaineWebber, Inc.
Chase Manhattan Bank N.A.	△ Hilliard Farber & Company, Inc.	△ Prudential Securities, Inc.
Chase Manhattan Mortgage Corporation	△ HSBC Securities, Inc.	Rauscher Pierce Refsnes, Inc.
Chase Securities, Inc.	△ J.P. Morgan Securities Inc.	Residential Funding Corporation
Chemical Bank	△ Lehman Brothers Inc.	△ RMJ Securities Corporation
Chemical Residential Mortgage Corporation	△ Liberty Brokerage Inc. FAO Patriot Securities, L.P.	△ Salomon Brothers Inc.
△ Chemical Securities, Incorporated	△ Long Term Capital Portfolio LP	Sanwa Securities (USA) Co., LP
Citibank, N.A.	△ Mabon Securities Corporation	△ Smith Barney, Inc.
Citicorp Mortgage, Inc.	Mark Twain Bank	Spear Leeds & Kellogg
△ Citicorp Securities, Inc.	McDonald & Company Securities, Inc.	Stephens Inc.
CNA Financial Corporation/FAO	△ Merrill Lynch GSI	SunAmerica, Inc.
Continental Casualty Corporation	Morgan Guaranty Trust Co. of New York	SunAmerica Life Insurance Co.
Countrywide Funding Corporation	△ Morgan Keegan & Company, Inc.	△ UBS Securities, Inc.
△ CS First Boston Corporation		△ Yamaichi International (America), Inc.
△ Daiwa Securities America, Inc.		

△ Shareholders

MBS CLEARING CORPORATION

The Board of Directors

Harvey J. Cartmell
Chairman of the Board
Vice President
Goldman, Sachs & Company

Ronald A. Stewart
President & Chief
Executive Officer
MBS Clearing Corporation

Edward Almeida
Senior Managing Director
Bear Stearns & Co. Inc.

Joseph Bzezinski
Managing Director
Donaldson, Lufkin & Jenrette
Securities Corporation

Frank J. DeCongelio
Managing Director
CS First Boston Corporation

Patricia Dodson
Vice President
Federal Home Loan
Mortgage Corporation

James Dooley
Managing Director
Lehman Brothers, Inc.

Ronald G. Keenan
Managing Director
Chemical Securities, Inc.

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

Eric N. Miller
Vice President
Salomon Brothers Inc.

John G. Moran

Edwin F. Payne
President
Liberty Brokerage, Inc.

Arthur L. Thomas
Senior Vice President
Merrill Lynch, Pierce,
Fenner & Smith, Incorporated

Senior Officers

Harvey J. Cartmell
Chairman of the Board

Ronald A. Stewart
President and Chief Executive
Officer

Lynn Douglas
Senior Vice President &
Chief Operating Officer

Virginia Hanson
Vice President/Director of
Planning & Development

Dennis J. Paganucci
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