EMTA's net assets stood at nearly $3 million at the end of 1999, an increase of $234,000 during the year. The increase in net assets was significantly less than 1998's increase of $1.4 million, largely because of anticipated decreases across almost all major revenue categories, as well as lesser expense savings. A significant contributing factor was EMTA's decision to charge its entire investment in 1999 of nearly $228,000 in EMCC against current operations. EMTA's Net Assets have shown an increase in each year since 1992, when they stood at -$48,683.

Revenue

Total revenue decreased by $1.4 million (30%) to $3.3 million in 1999 from $4.7 million in 1998. This compares to a budgeted decrease of $1.6 million. The decline in revenues continued a trend that began in 1997 when netting activity began to fall off.

The largest revenue decline was in fees for program services, which dropped by $986,000 (64%) to $554,000 in 1999 from $1.54 million in 1998; the largest single component of this decline was the Multilateral Netting Facility, which decreased by $649,000 (59%) to $447,000 in 1999 from $1.1 million in 1998. This decline in revenues from Multilateral Netting was anticipated, as market trading activity in Russian VEB 'Restructured Prin' fell off substantially in 1999 from 1998 levels from $183 billion to $38 billion due to continuing market repercussions of the 1998 Russian financial crisis. In addition, combined revenue from Match-EM and the Emerging Markets Clearing Corporation (EMCC) decreased by $338,000 (76%) to $107,000 in 1999 from $445,000 in 1998. EMTA's involvement in Match-EM's activities was phased out as planned in late 1998 after recording fees of $313,000, as its trade comparison and matching functions were assumed by EMCC, although the related fees from EMCC, which totaled $107,000 in 1999, continued until Match-EM's termination in October 1999.

Revenue from Membership dues declined by $255,000 (13%) to $1.73 million in 1999 from $1.98 million in the previous year. This was primarily because the number of Members declined by 40 (27%) from year-end 1998 to 1999, partially offset by increases in Associate and Affiliate annual dues. The decline in Membership during 1999 is believed to have been due mainly to the continuing effects of the Asian financial crisis that began in mid-1997 and spread to Russia and other Emerging Markets by mid- 1998; contributing factors were the continued trend toward consolidation in the global financial industry and EMTA's decreased attention to local markets activities. The increase in annual dues for Associates and Affiliates was introduced to more equitably spread the burden of financing EMTA's activities among Member categories.

For the same reason, assessments for members of EMTA's Board of Directors were reduced by a total of $135,000 (14%) to $815,000 in 1999 from $950,000 in 1998.

Expenses

Total expenses declined by $263,000 (8%) to $3.06 million in 1999 from $3.32 million in 1998. This decrease resulted from a continuing emphasis on cost containment and reductions across most expense categories, partially offset by a small increase in staff expenses and a charge of $228,000 against EMTA's income resulting from EMTA's investment in EMCC. EMTA's total expenses have declined in each year since 1995 when they peaked at nearly $4.8 million.

The largest component of the overall decline in expenses was professional services, which decreased by $399,000 (66%) to $209,000 in 1999 from $608,000 in 1998. Most of this decrease came from legal expenses, which dropped by $249,000 (71%) to $104,000 in 1999 from $353,000 in 1998, as EMTA continued to rely increasingly (as it has since 1995) on its staff lawyers to provide legal services in support of EMTA's activities. Program contractors expense also went down significantly, to less than $1,000 in 1999 from $137,000 in 1998, due primarily to the elimination of nearly all Match-EM expenses starting in late 1998 when its operations were absorbed into EMCC.

During 1999, EMTA received 300 shares of Class A voting stock and 132 shares of Class B nonvoting stock in EMCC. The Class A shares were received pursuant to a 1996 Memorandum of Understanding in exchange for various services provided by EMTA during the period 1996 – 1998 in connection with EMCC's development and formation. These services were valued at $95,960 at December 31, 1998. The Class B shares were received in exchange for cash in the amount of $132,000, representing the approximate amount of fee revenue received by EMTA from EMCC during 1998 in connection with its operation of EMTA's Match-EM trade comparison and matching system. Because EMTA did not make its investment in EMCC for commercial purposes, management has determined that it is appropriate to carry such investment at the nominal value of $1, and EMTA charged its entire recorded $227,959 investment in EMCC against 1999 operations and reduced its net assets by this amount.

Total staff costs increased by $94,000 (4%) to $2.2 million in 1999 from $2.1 million in 1998, primarily due to an increase in the average compensation per staff person.

Reductions in office expenses ($88,000 or 25%), communications ($41,000 or 25%), and expenses for conferences, receptions and travel ($58,000 or 61%) also contributed to the overall decline in expenses. These cost reductions resulted primarily from use of more electronic forms of communication and aggressive cost containment.

FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

	December 31,	
	1999	**1998**
Assets		
Current assets:		
Cash and cash equivalents	$ 4,039,396	$ 4,094,840
Dues and fees receivable from Members	14,800	65,092
Prepaid expenses and other assets	8,760	8,877
Total current assets	4,062,956	4,168,809
Property and equipment:		
Leasehold improvements	89,112	89,112
Computer equipment and network	119,601	119,601
Furniture and fixtures	80,607	80,607
Telecommunication equipment	39,931	38,312
	329,251	327,632
Less accumulated depreciation	(287,764)	(251,632)
	41,487	76,000
Investment in EMCC	1	95,960
Total Assets	**$ 4,104,444**	**$ 4,340,769**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 939,650	$ 947,312
Unearned Membership dues	160,000	612,000
Total current liabilities	1,099,650	1,559,312
Deferred rent expense	36,408	47,553
Total liabilities	1,136,058	1,606,865
Net assets	2,968,386	2,733,904
Total Liabilities and Net Assets	**$ 4,104,444**	**$ 4,340,769**

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Consolidated Statements of Activities

	For the Year Ended December 31,	
	1999	**1998**
Revenue		
Membership dues	$ 1,725,916	$ 1,981,337
Fees for program services	553,863	1,539,856
Directors' assessments	815,000	950,000
Investment income	183,914	171,815
Other	17,206	34,349
Total revenue	**3,295,899**	**4,677,357**
Expenses		
Compensation and benefits	2,205,084	2,110,905
Occupancy	137,845	139,299
Office supplies and administration	84,608	161,846
Depreciation	36,133	44,977
Telecommunications	87,302	118,732
Shipping and delivery	33,536	43,369
Printing of documents for Member services	3,668	3,374
Legal	103,948	352,610
Program contractors	806	137,446
Public relations and annual report	72,418	71,535
Audit, tax and computer consultants	32,083	46,442
Conferences, receptions and meetings	4,152	11,580
Travel, lodging, meals and other	31,875	81,980
Adjustment to carrying value of investment in EMCC	227,959	—
Total expenses	**3,061,417**	**3,324,095**
Increase in net assets	234,482	1,353,262
Net assets, beginning of year	2,733,904	1,380,642
Net assets, end of year	**$ 2,968,386**	**$ 2,733,904**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	1999	**1998**
Cash flows from operating activities:		
Increase in net assets	$ 234,482	$ 1,353,262
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	36,132	44,977
Adjustment to carrying value of investment in EMCC	227,959	—
Decrease in dues and fees receivable from Members	50,292	146,905
Decrease in EMCC subscriptions receivable	—	1,441,193
Decrease in prepaid expenses and other assets	117	8,833
(Decrease) increase in accounts payable and accrued expenses	(7,662)	265,228
(Decrease) increase in unearned Membership dues	(452,000)	429,613
(Decrease) in payable to EMCC	—	(3,340,000)
(Decrease) in deferred rent expense	(11,145)	(12,111)
Net cash provided by operating activities	78,175	337,900
Cash flows from investing activities:		
Investment in EMCC	(132,000)	—
Payments for purchases of property and equipment	(1,619)	(14,296)
Net cash (used for) investing activities	(133,619)	(14,296)
(Decrease) increase in cash and cash equivalents	(55,444)	323,604
Cash and cash equivalents, beginning of year	4,094,840	3,771,236
Cash and cash equivalents, end of year	**$ 4,039,396**	**$ 4,094,840**

The accompanying notes are an integral part of these financial statements.

December 31, 1999 and 1998

1. Organization

Emerging Markets Traders Association ("EMTA") is a non-profit corporation, formed in 1990 to promote the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments. EMTA's primary sources of revenue are Membership dues, Directors' assessments and, through its subsidiaries, fees for program services. All revenues and assets are unrestricted.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Operations of Subsidiaries

The consolidated financial statements include the accounts of EMTA and its four subsidiaries described below. Intercompany accounts and transactions are eliminated in consolidation.

The subsidiaries were organized in 1996 to provide services to participating Members, for which they charge fees, in carrying out EMTA's mission. The subsidiaries include: (a) Match-EM, Inc., which operated an electronic post-trade matching and confirmation system, (b) Net-EM, Inc., which operates a multilateral netting and clearing facility for outstanding trades of loans and other instruments, (c) Clear-EM, Inc., which served as EMTA's interface with Emerging Markets Clearing Corporation (EMCC), and (d) EMTA Black Inc., a holding company that is wholly owned by EMTA and that owns 100% of the common stock of the above three subsidiaries. The operations of Match-EM and Clear-EM were discontinued in November 1999 (see Note 7).

Membership Dues and Directors' Assessments

EMTA had three membership categories during 1999:

Full Members – active market participants that trade or invest in Emerging Markets instruments;

Associate Members – market participants that trade or invest in Emerging Markets instruments, but which are smaller and less active than Full Members; and

Affiliate Members – non-market participants that are nevertheless interested in Emerging Markets trading such as advisors, vendors, law firms, rating agencies and consultants.

Membership dues and Directors' assessments for each calendar year are billed in advance and are recorded as unearned in the Consolidated Statement of Financial Position at the beginning of such year. The unearned dues and assessments are then amortized to income throughout the year as earned. Members not paying their annual dues within 60 days of billing may be suspended from membership. The Board of Directors may levy special assessments on Members to defray certain expenses. Such special assessments are to be equal for all Members of the same class. Additionally, the Board may agree to levy assessments on Directors (payable by the Members that employ them) to meet working capital deficiencies.

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Excess funds are maintained in either: (a) an interest-bearing money market account with a bank that is also an EMTA Member or (b) an income-producing mutual fund managed by the same bank. This mutual fund invests in high quality short-term obligations of corporations, governments and banks and is carried at fair value. Balances in these two accounts are included in cash and cash equivalents in the Consolidated Statement of Financial Position.

Allowance for Doubtful Accounts

The allowance for doubtful accounts provides for the risk of losses arising from non-collection of dues, assessments and fees. Amounts included in the allowance are specifically reserved for, and the offsetting charge is recorded to the applicable revenue caption in the Consolidated Statement of Activities. Any subsequent recoveries are credited to the same caption. The allowance is increased by provisions for doubtful accounts and reduced by write-offs and recoveries of allowances previously provided. Write-offs are recorded when, in the judgment of management, a receivable is considered uncollectible. Such write-offs amounted to $35,000 in 1999 and $25,232 in 1998. The balance in the allowance for doubtful accounts was zero at December 31, 1999 and $87,000 at December 31, 1998.

Property and Equipment

Amortization of leasehold improvements is provided on a straight-line basis over the shorter of the estimated lives of the improvements or the related lease, beginning at the lease inception date. Depreciation of computer, network and telecommunications equipment is provided on a straight-line basis over estimated useful lives of three years. Depreciation of furniture and fixtures is provided on a straight-line basis over estimated useful lives of five years.

Investments

Investments are carried at cost adjusted for permanent diminutions in value.

Income Taxes

EMTA is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code and similar provisions of state and city tax codes. However, EMTA is subject to tax on any unrelated business taxable income. An unused net operating loss carryforward of approximately $96,000 was available at December 31, 1999 and can be used to offset future taxable unrelated business income. This carryforward will expire in 2010 if not used before then. The operations of EMTA's subsidiaries are also subject to income tax, but taxable income generated since inception in 1996 has not been material.

3. Summary of Revenue

The individual components of the primary revenue categories are set forth below:

	For the Year Ended December 31,	
	1999	**1998**
Membership dues:		
Full	$1,090,916	$1,496,504
Plus recoveries of previously provided doubtful accounts	25,000	—
Less provision for doubtful accounts	—	(50,000)
Subtotal Full	1,115,916	1,446,504
Associate	447,500	403,333
Affiliate	159,500	113,250
Plus recoveries of previously provided doubtful accounts	3,000	—
Less provision for doubtful accounts	—	(3,000)
Subtotal Affiliate	162,500	110,250
Local Markets		21,250
Total Membership dues	**$1,725,916**	**$1,981,337**
Fees for program services:		
Multilateral Netting Facility	$ 446,600	$ 921,400
Plus recoveries of previously provided doubtful accounts	—	173,775
Subtotal Multilateral Netting Facility	446,600	1,095,175
Match-EM	—	293,532
Plus recoveries of previously provided doubtful accounts	—	29,163
Less provision for doubtful accounts	—	(10,000)
Subtotal Match-EM	—	312,695
Clear-EM	107,263	131,986
Total fees for program services	**$ 553,863**	**$1,539,856**
Directors' assessments	$ 791,000	974,000
Plus recoveries of previously provided doubtful accounts	24,000	—
Less provision for doubtful accounts	—	(24,000)
Total Directors' assessments	**$ 815,000**	**$ 950,000**

4. Summary of Expenses

Following is a summary of program and non-program expenses:

	For the Year Ended December 31,	
	1999	**1998**
Program Expenses:		
Direct:		
Multilateral Netting Facility	$ —	$ $ 12,024
Match-EM	806	134,446
Documentation and Market Practices	6,183	305,351
Conferences, receptions and meetings	4,152	11,581
Advocacy	77,177	—
Indirect (primarily staff and facilities costs)	2,028,174	1,846,656
Total program expenses	2,116,492	2,310,058
Non-Program Expenses:		
Direct:		
Public relations and membership development	72,418	71,535
General administration	52,671	84,676
Indirect (primarily staff and facilities costs)	819,836	857,826
Total non-program expenses	944,925	1,014,037
Total expenses	$3,061,417	$3,324,095

5. Office Space Lease

EMTA's office space lease became effective March 1, 1995 and runs through January 31, 2003, with an option to renew for five additional years at a rate of 95% of the fair market rental at July 31, 2002. The annual payments for rent are $124,614 ("base") plus EMTA's proportionate share of increases in property taxes and other building expenses after the first year ("escalation"), except that EMTA made no payments for six months in 1995 and for three months in 1996. Annual rent expense consists of the year's ratable share of the total base amount to be paid over the life of the lease plus the escalation amount for the year, which totaled $115,222 in 1999 and $120,188 in 1998. An EMTA Member employing a Director has provided a letter of credit (subject to partial reimbursement by three other Members that also employ Directors) to provide additional security to the landlord of EMTA's performance under the lease.

6. Employee Benefit Plans

EMTA has two Plans, descriptions of which are set forth below:

- a 401(k) Plan, whereby participants are allowed to contribute up to 15% of taxable compensation, subject to statutory limitations. EMTA matches the first 4% of such contributions. All employees are eligible to participate, and balances in participants' accounts are fully vested at all times; and
- a SEP-IRA arrangement, whereby EMTA contributes a certain percentage of eligible compensation each year, at the election of EMTA and subject to statutory limits. All staff employed at year-end are eligible to participate, and balances in participants' accounts are fully vested at all times.

Contributions to the above two Plans totaled $184,133 in 1999 and $171,548 in 1998, which are included in compensation and benefits in the Consolidated Statement of Activities.

7. Emerging Markets Clearing Corporation ("EMCC")

In 1996, EMTA entered into an agreement with a subsidiary of National Securities Clearing Corporation ("NSCC") to develop EMCC, which clears trades of Emerging Markets debt instruments. EMTA coordinated industry decision-making regarding EMCC's development. In this connection, EMTA provided management and legal expertise and certain administrative services, including billing and collection of EMCC's initial funding requirements.

In March 1999, EMTA received a minority interest of 300 shares of Class A voting stock in EMCC in exchange for various services rendered by EMTA during the period 1996–1999 in connection with EMCC's development. The recognized cost of this investment in EMCC of $95,960 is attributable primarily to unreimbursed staff expenses incurred in 1997.

In the fall of 1999 EMTA made an additional cash investment in EMCC of $132,000 representing 132 Class B non-voting shares, derived as the approximate revenue received from EMCC by Clear-EM during 1999. EMTA management has determined that it is appropriate to carry its investment in EMCC at a value of $1.

EMCC began actual operations in the spring of 1998. As part of its commencement of operations, it began paying a royalty to Clear-EM for trades processed through Match-EM and entered into EMCC, which is recorded as fees for program services in the Consolidated Statement of Activities. Such royalties amounted to $107,263 in 1999 and $131,986 in 1998.

Additionally, EMCC assumed responsibility for operating Match-EM, for which it reimburses the transaction costs incurred by Match-EM. These reimbursements amounted to $351,750 in 1999 and $276,869 in 1998 and are recorded as a credit to program contractors expense in the Consolidated Statement of Activities, as if EMCC were legally responsible for liabilities incurred by Match-EM. Starting November 1999, EMCC began accepting trades from Match-EM members directly into its system, essentially replacing the functions of Match-EM. The operations of Match-EM and Clear-EM were discontinued at this time, and EMTA expects to dissolve these two entities in 2000.

Report of Independent Accountants

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Emerging Markets Traders Association and its subsidiaries (the "Association") at December 31, 1999 and 1998, and the results of its net activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

New York, New York
March 14, 2000