Highlights

For the Year Ended December 31,

	1998	1997	1996	1995	1994	1993
Marketing Trading Volume (in billions of US.$)	4,174	5,916	5,297	2,739	2,766	1,979
Brady Bonds	1,541	2,403	2,690	1,580	1,684	1,021
Non-Brady Eurobonds	1,021	1,335	568	211	159	177
Loans	213	305	249	175	244	274
Local Markets Instruments	1,176	1,506	1,274	593	524	NA
Derivatives (Options, etc.)	223	367	471	179	142	57
Number of Members at year end:						
Full	60	62	63	60	83	75
Associate	43	36	35	43		
Affiliate	39	65	51	43	69	43
Local Markets	5	6	5			
Total Members	147	169	154	146	152	118
Revenue:						
Membership dues	$1,981,337	$1,782,417	$1,652,167	$1,337,250	$1,364,250	$ 894,500
Fees for program services	1,539,856	1,432,037	1,711,782	2,212,351	1,434,922	—
Directors' support (assessments and donated services, facilities and supplies)	950,000	1,137,500	1,151,250	1,170,000	1,312,500	787,949
Other	206,164	293,234	416,137	148,620	30,675	13,203
Total Revenue	4,677,357	4,645,188	4,931,336	4,868,221	4,142,347	1,695,652
Expenses:						
Staff	2,110,905	2,577,942	2,490,805	1,763,810	1,269,064	366,983
Office	346,122	350,452	372,247	309,775	201,987	91,436
Communications	165,475	204,657	251,085	335,653	260,433	11,241
Professional Services	608,033	774,080	1,198,475	2,153,877	1,945,580	839,169
Conferences, receptions and travel	93,560	161,284	240,713	235,549	196,415	250,707
Total expenses	3,324,095	4,068,415	4,553,325	4,798,664	3,873,479	1,559,536
Increase in net assets	1,353,262	576,773	378,011	69,557	268,868	136,116
Net assets:						
Beginning of year	1,380,642	803,869	425,858	356,301	87,433	(48,683)
End of year	$2,733,904	$1,380,642	$ 803,869	$ 425,858	$ 356,301	$ 87,433

Consolidated Statements of Financial Position

	December 31, 1998	1997
Assets		
Current assets:		
Cash and cash equivalents	$ 4,094,840	$ 3,771,236
Dues and fees receivable from Members	65,092	211,997
EMCC subscriptions receivable	—	1,441,193
Prepaid expenses and other assets	8,877	17,710
Total current assets	4,168,809	5,442,136
Property and equipment:		
Leasehold improvements	89,112	89,112
Computer equipment and network	119,601	105,618
Furniture and fixtures	80,607	80,607
Telecommunication equipment	38,312	38,000
	327,632	313,337
Less accumulated depreciation	(251,632)	(206,656)
	76,000	106,681
EMCC start-up costs	95,960	95,960
Total Assets	**$ 4,340,769**	**$ 5,644,777**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 947,312	$ 682,084
Unearned Membership dues	612,000	182,387
Payable to EMCC	—	3,340,000
Total current liabilities	1,559,312	4,204,471
Deferred rent expense	47,553	59,664
Total liabilities	1,606,865	4,264,135
Net assets	2,733,904	1,380,642
Total Liabilities and Net Assets	**$ 4,340,769**	**$ 5,644,777**

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

FINANCIAL STATEMENTS

Consolidated Statements of Activities

	For the Year Ended December 31, 1998	1997
Revenue		
Membership dues	$ 1,981,337	$ 1,782,417
Fees for program services	1,539,856	1,432,037
Directors' assessments	950,000	1,137,500
Investment income	171,815	119,481
Other	34,349	173,753
Total revenue	**4,677,357**	**4,645,188**
Expenses		
Compensation and benefits	2,110,905	2,577,942
Occupancy	139,299	136,964
Office supplies and administration	161,846	140,487
Depreciation	44,977	73,001
Telecommunications	118,732	111,213
Shipping and delivery	43,369	74,595
Printing of documents for Member services	3,374	18,849
Legal	352,610	313,869
Program contractors	137,446	298,296
Public relations and annual report	71,535	111,751
Audit, tax and computer consultants	46,442	50,164
Conferences, receptions and meetings	11,580	24,905
Travel, lodging, meals and other	81,980	136,379
Total expenses	**3,324,095**	**4,068,415**
Increase in net assets	1,353,262	576,773
Net assets, beginning of year	1,380,642	803,869
Net assets, end of year	**$ 2,733,904**	**$ 1,380,642**

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

Consolidated Statements of Cash flows

	For the Year Ended December 31, 1998	1997
Cash flows from operating activities:		
Increase in net assets	$ 1,353,262	$ 576,773
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	44,977	73,001
(Increase) decrease in dues and fees receivable from Members	146,905	6,109
(Increase) decrease in EMCC subscriptions receivable	1,441,193	(524,193)
(Increase) decrease in prepaid expenses and other assets	8,833	(12,510)
Increase (decrease) in accounts payable and accrued expenses	265,228	45,541
Increase (decrease) in unearned Membership dues	429,613	147,388
Increase (decrease) in payable to EMCC	(3,340,000)	1,587,500
Increase (decrease) in deferred rent expense	(12,111)	(1,772)
Net cash provided by operating activities	337,900	1,897,837
Cash flows from investing activities:		
EMCC start-up costs	—	(95,960)
Payments for purchases of property and equipment	(14,296)	(9,990)
Net cash used for investing activities	(14,296)	(105,950)
Increase in cash and cash equivalents	323,604	1,791,887
Cash and cash equivalents, beginning of year	3,771,236	1,979,349
Cash and cash equivalents, end of year	**$ 4,094,840**	**$ 3,771,236**

Notes to Consolidated Financial Statements

December 31, 1998 and 1997

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.

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 operates 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 serves 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.

Membership Dues and Directors' Assessments

EMTA has four membership categories:

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;

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

Local Markets Members – locally-based market participants that trade or invest in Emerging Markets instruments.

Membership dues and Directors' assessments for each calendar year are billed in advance and are recorded as unearned Membership dues 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 $25,232 in 1998 and $17,500 in 1997. The allowance for doubtful accounts amounted to $87,000 at December 31, 1998, $228,170 at December 31, 1997 and $25,670 at December 31, 1996.

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.

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, 1998 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, 1998	1997
Membership dues:		
Full	$ 1,496,504	$ 1,216,667
Less provision for doubtful accounts	(50,000)	—
Subtotal Full	1,446,504	1,216,667
Associate	403,333	347,500
Affiliate	113,250	192,000
Less provision for doubtful accounts	(3,000)	—
Subtotal Affiliate	110,250	192,000
Local Markets	21,250	26,250
Total Membership dues	**$ 1,981,337**	**$ 1,782,417**
Fees for program services:		
Multilateral Netting Facility	$ 921,400	$ 1,043,100
Plus recoveries of previously provided doubtful accounts	173,775	—
Less provision for doubtful accounts	—	(190,000)
Subtotal Multilateral Netting Facility	1,095,175	853,100
Match-EM	293,532	608,937
Plus recoveries of previously provided doubtful accounts	29,163	—
Less provision for doubtful accounts	(10,000)	(30,000)
Subtotal Match-EM	312,695	578,937
Clear-EM	131,986	—
Total fees for program services	**$ 1,539,856**	**$ 1,432,037**
Directors' assessments	$ 974,000	$ 1,137,500
Less provision for doubtful accounts	(24,000)	—
Total Directors' assessments	**$ 950,000**	**$ 1,137,500**

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

4. Summary of Expenses

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

	For the Year Ended December 31,	
	1998	**1997**
Program expenses:		
Direct:		
Multilateral Netting Facility	$ 12,024	$ 20,600
Match-EM	134,446	307,982
Clear-EM	—	65,893
Documentation and Market Practices	305,351	159,053
Conferences, receptions and meetings	11,581	24,905
Other	—	8,363
Indirect (primarily staff and facilities costs)	1,846,656	2,249,770
Total program expenses	2,310,058	2,836,566
Non-Program expenses:		
Direct:		
Public relations and membership development	71,535	111,751
General administration	84,676	100,439
Indirect (primarily staff and facilities costs)	857,826	1,019,659
Total non-program expenses	1,014,037	1,231,849
Total expenses	**$ 3,324,095**	**$ 4,068,415**

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 $120,188 in 1998 and $113,704 in 1997. 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 $171,548 in 1998 and $170,563 in 1997, which are included in compensation and benefits in the Consolidated Statement of Activities.

7. Commitments — 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, through its subsidiary Clear-EM, Inc., provided management and legal expertise and certain administrative services, including billing and collection of EMCC's initial funding requirements. These receivables were recorded in 1996 and 1997 as EMCC subscriptions receivable, and the related credit recorded as payable to EMCC, in the Consolidated Statement of Position.

Total subscriptions of approximately $4.8 million were billed, half in each of 1997 and 1996. The proceeds were used for development and implementation of EMCC, of which $750,000 was remitted to NSCC in each of 1997 and 1996, and $2.6 million was remitted in 1998 along with the remaining uncollected receivables of $700,000. In addition, EMCC reimbursed EMTA for certain legal expenses incurred. Such reimbursements amount to approximately $150,000 in each of 1997 and 1996, and are recorded as other revenue in the Consolidated Statement of Activities. In addition, in March 1999 EMTA received a minority interest in EMCC in exchange for various services rendered by EMTA in connection with EMCC's development. The carrying cost of the investment in EMCC will be the 1997 loss of $95,960 generated by Clear-EM, Inc, which was capitalized as EMCC start-up costs in the Consolidated Statement of Financial Position. These costs consist primarily of allocated but unreimbursed staff compensation and benefits.

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. Additionally, EMCC assumed responsibility for operating Match-EM, for which it reimburses the transaction costs incurred by Match-EM. These reimbursements amounted to $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.