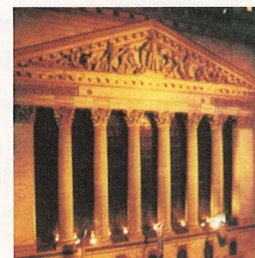


THE EXCHANGE



Global Leaders: The Market Is the Message

The importance of free markets was a central message emanating from a series of major events in the last several weeks involving global leaders and the NYSE.

NYSE Chairman and CEO Richard A. Grasso earlier this month joined U.S. President Clinton on a historic trip to China. And leaders from Korea, Chile and Australia conveyed strong endorsements of capital markets in recent meetings with the financial community held at the Exchange.

Working to Meet the Challenges

"China and, indeed, Shanghai face major challenges

in advancing economic progress beyond the present point," President Clinton said in his remarks to U.S. business leaders and leaders of the Shanghai business community at the Atrium of Portman Ritz-Carlton, Shanghai.



Joining President Clinton, left, on his tour of the Shanghai Stock Exchange were NYSE Chairman and CEO Richard A. Grasso, above center; U.S. Secretary of Commerce William M. Daley, above left; and Rep. Edward J. Markey, D-Mass., pictured behind Mr. Grasso.

"The success of China will affect not only the Chinese people and Chinese prosperity but America's well-being and global stability."

President Clinton, in his speech to U.S. and Shanghai business leaders

Further progress would require "more restructuring of state-owned enterprises, developing a transparent legal and regulatory system, preserving the environment as the economy grows, building a strong financial system, opening markets, playing a responsible role in sustaining the international financial system."

"The United States," he said, "is prepared to work with China in meeting these challenges because the success of China will affect not only the Chinese people and Chinese prosperity but America's well-being and global stability."

Continued on page 2

WHAT'S INSIDE

NYSE Board OKs 'Systemic Capture'

Perspective by Stephen M. Wolf

The Market Is the Message

Continued from page 1

Mr. Grasso was the sole representative of the U.S. private sector to accompany President Clinton on his tour of the Shanghai Stock Exchange. Mr. Grasso also attended President Clinton's speech to the American Chamber of Commerce in Shanghai. The Shanghai Stock Exchange hosted a special roundtable at which Mr. Grasso was the guest of honor.

White House Deputy Chief of Staff John Podesta said that "based on Mr. Grasso's experience working with the Chinese financial community and his recent meetings with President Jiang Zemin, his presence was invaluable on the trip."

"This was an opportunity for the NYSE to again reinforce the relationship between the U.S. capital markets and the People's Republic of China," Mr. Grasso said.

Replacing a 'House of Cards'

President Kim Dae Jung of Korea also conveyed a free-market message during his visit to the Exchange last month.

"Over the past 30 years we have sustained high economic growth but neglected the principles of a free-market society. . . . This kind of authoritarian-led growth is nothing but a house of cards," said President Kim.

President Kim said Korea's foreign-currency resources had rebounded sharply since Korea agreed last year to a \$58-billion economic package from the International Monetary Fund. He outlined a series of steps he had taken since becoming president last December to open Korea to foreign investment and trade and to reform its financial and corporate sectors.

Mr. Grasso introduced President Kim as a longtime proponent of democratic principles "at the cost of great personal risk and hardship. At various times he was imprisoned and even sentenced to death by his own government."

President Kim responded in his speech that he was pushing substantial reforms at all levels of Korean society with the same zeal "with which I overcame 40 years of political trial and personal agony. I will not quit. And we will succeed."

Asian Impact in Latin America

Chile's President Eduardo Frei presented a strong macroeconomic picture of his country but acknowledged the impact of the Asian crisis.

"Due to financial integration, it becomes impossible for emerging economies to get away from portfolio adjustments by international investors when they are faced with disruptions such as the one in Asia," said President Frei.



Chilean President Eduardo Frei talks with reporters following his meeting at the Exchange.

President Frei also discussed steps to stimulate Chile's stock market, which he said is experiencing low volume and share prices relative to Chile's growth potential. He said legislation was being introduced to boost trading of foreign stocks, reduce taxes on securities transactions, and create tax incentives for personal savings.

Mr. Grasso pointed out that 10 years ago, Chile had no stocks listed on the NYSE, but now, with 22 stocks trading, it ranks fourth in the number of Exchange-listed non-U.S. stocks.



Korean President Kim Dae Jung, center, is hosted on the trading floor by NYSE Chairman and CEO Richard A. Grasso. Joining them, at left, is Korean Stock Exchange Chairman and CEO In-Kie Hong.

Australia an Active Partner

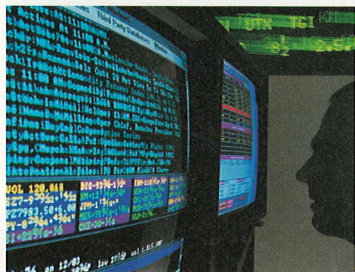
Australian Treasurer Peter Costello portrayed his nation as an active partner in addressing the Asian crisis. He said Australia has supported IMF packages for Korea and Indonesia and has acted as a role model for other Asia-Pacific nations in developing open markets, good corporate governance, and a stable economy.

Treasurer Costello forecast the completion later this year of the privatization of **Telstra**, the telecommunications company that listed on the NYSE last year when the government floated the first one-third of the company. He also predicted the privatization of insurance and other industries.



Australian Treasurer Peter Costello is presented a commemorative statue by NYSE President William R. Johnston.

NYSE Board OKs 'Systemic Capture'



The NYSE is proposing a rule package that aims to enhance regulation and order-processing efficiencies by maximizing the use of technology.

Under the proposal, all orders transmitted to the trading floor would first be recorded in an NYSE electronic system, or essentially "captured" in a database, before being executed.

Some brokers already use electronic order-management systems, and 80 percent of the Exchange's orders are delivered systemically. Those electronic orders account for about 45 percent of the NYSE's total share volume. But the rule proposal would make electronic capture of each order mandatory.

Continued on page 8

Thirteen Elected to Board of Directors

Six new directors were elected and seven current directors were re-elected to the NYSE's board of directors last month. All but one will serve two-year terms.

Newly elected public representatives are Stephen M. Case, chairman and CEO of **America Online Inc.**, and Gerald M. Levin, chairman and CEO of **Time Warner Inc.**

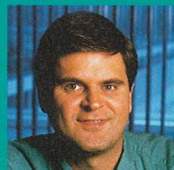
Newly elected securities-industry representatives are James M. Duryea, president of J.M. Duryea Inc.; Kenneth G. Langone, chairman of Invemed Associates Inc.; Robert M. Murphy, president, vice chairman and CEO of Robb Peck McCooley Specialist Corp.; and William B. Summers Jr., chairman and CEO of McDonald & Co. Securities Inc.

Linda J. Wachner, chairman, president and CEO of **The Warnaco Group Inc.**, who came on the board in 1997 to replace a retiring director, was elected to serve a one-year term.

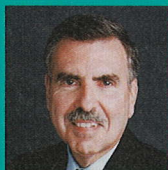
The four re-elected public representatives are Maurice R. Greenberg, chairman and CEO of **American International Group Inc.**; Sir Colin Marshall, chairman of **British Airways PLC**; Alex Trotman, chairman, president and CEO of **Ford Motor Co.**; and Dr. Clifton R. Wharton Jr., former chairman and CEO of TIAA-CREF.

Richard S. Fuld Jr., chairman and CEO of **Lehman Brothers Holdings**, and Deryck C. Maughan, co-chairman and co-CEO of Salomon Smith Barney, were re-elected as securities-industry representatives. Mr. Maughan also was re-elected vice chairman, and Robert B. Fagenson, president of Fagenson & Co. Inc., was elected vice chairman for the first time.

NEW NYSE DIRECTORS



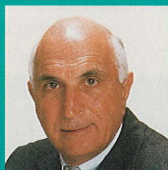
Stephen M. Case



Gerald M. Levin



James M. Duryea



Kenneth G. Langone



Robert M. Murphy



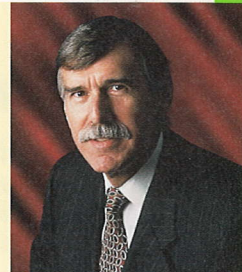
William B. Summers Jr.

PERSPECTIVE

We take so much for granted in this richly blessed country. While we may not always have everything we might want, we tend to assume we will have food on our tables, clothes for our backs, and a roof over our heads.

Reach Out to the Homeless in America

by Stephen M. Wolf
Chairman and CEO
US Airways Group Inc.
NYSE: U



Yet there are a stubbornly significant number of people for whom there is no home. In a country that knows seemingly unbounded wealth, there are estimates that at least three-quarters of a million people are homeless at any given time and that between 1.2 million and 2.0 million people experience homelessness in a year.

The debate about how to reduce the numbers of homeless in the U.S. has been a long one, and I do not claim to have the answers to the enormously complex questions that arise. What I do know is that this is a subject we all can find time to focus upon in our busy lives.

One approach—the concept of a continuum of services to deal with the issue at several levels—has been embraced by the federal government. Other programs at the state and local levels, often nurtured by one or two strong-willed individuals in a community, follow this or other models.

It is easy to walk past the homeless, pretending you do not see them. And it certainly is easy to pretend homelessness is someone else's problem. But it also is easy to pick up a telephone to see how you can help. You already may know of a program near you, or you can get information through the HUD Hotline at 1-800-483-1010. Reach out. It is important.

CAPSTAR



BROADCASTING CORPORATION

Capstar Broadcasting Corp.

The nation's largest owner and operator of radio stations, with over 300 radio stations in 75 small to mid-sized markets across the United States.

Headquarters: Austin, TX

Symbol: CRB

Specialist: Spear, Leeds & Kellogg LLC

Source of Listing: IPO

"We are proud to be listed on the world's largest stock market, the NYSE."—R. Steven Hicks, president and CEO



Carriage Services Inc.

Owns and operates 125 funeral homes and 21 cemeteries in 20 states.

Headquarters: Houston, TX

Symbol: CSV

Specialist: Stuart, Scotto, Cella/M.J. Meehan

Source of Listing: Transfer from Nasdaq

"The listing on the NYSE is another milestone toward building a great operating company in the death-care industry."—Melvin C. Payne, chairman and CEO

CLARION

COMMERCIAL HOLDINGS, INC.

Clarion Commercial Holdings Inc.

Invests in high-yielding commercial real estate investments, benefiting from an origination and management network of 350 employees in 20 offices nationwide.

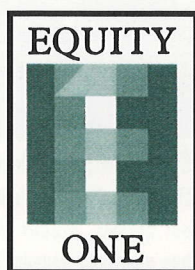
Headquarters: New York, NY

Symbol: CLR

Specialist: Walter N. Frank & Co. LLC

Source of Listing: IPO

"Listing on the NYSE is a milestone for our company. We are proud to be a part of the world's premier stock exchange."—Daniel Hefflin, president and CEO



Equity One Inc.

A self-administered, retail real estate investment trust that acquires, develops and manages community and neighborhood shopping centers, principally anchored by national and

regional supermarket chains.

Headquarters: Miami, FL

Symbol: EQY

Specialist: Einhorn & Co. LLC

Source of Listing: IPO

"As the premier Florida-based REIT, Equity One chose the premier financial-market address—the New York Stock Exchange."

—Chaim Katzman, chairman, president and CEO

EQUUS

Equus II Inc.

A business-development company that seeks to generate long-term capital gains by making equity investments in small to medium-sized privately owned companies.

Headquarters: Houston, TX

Symbol: EQS

Specialist: Robb, Peck, McCooley Specialist

Source of Listing: Transfer from AMEX

Web Site: www.equuscap.com

"The listing of EQS on the world's premier stock exchange is a major step forward in our continued focus on enhancing shareholder value."

—Sam P. Douglass, chairman and CEO

Federated

Federated Investors Inc.

One of the nation's leading investment-management companies, Federated manages \$100 billion in assets in more than 150 mutual funds and separate accounts.

Headquarters: Pittsburgh, PA

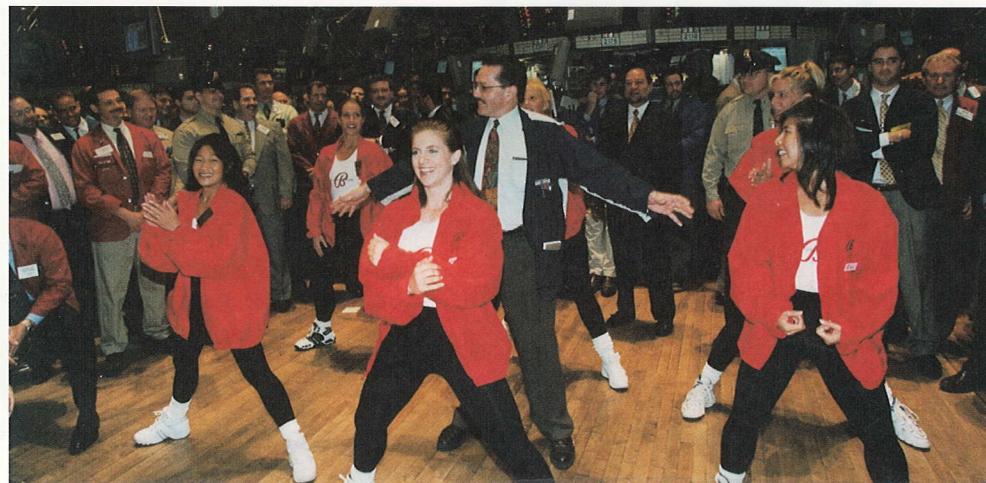
Symbol: FII

Specialist: Bocklet & Co.

Source of Listing: IPO

Web Site: www.federatedinvestors.com

"To help brand Federated as a world-class investment manager, we chose the world's largest and most prestigious stock exchange, the NYSE, to trade our company's stock and tell investors about our superior investment performance and distribution power."—J. Christopher Donahue, president and CEO



Joseph Murena of Robert W. Baird & Co. helped the Bally Total Fitness Performance Team commemorate Bally's listing (NYSE: BFT) with a workout before the opening bell.

NEW LISTINGS DURING THE MONTH OF MAY



Fomento Económico Mexicano, S.A. de C.V. (FEMSA)

Mexico's largest beverage company with an important presence in the beer and soft-drink sectors and a full integration into packaging and retail.

Headquarters: Monterrey, Nuevo León, Mexico

Symbol: FMX

Specialist: Merrill Lynch Specialists Inc.

Source of Listing: Non-U.S./Other

Web Site: www.femsa.com

"FEMSA's management acknowledges and appreciates the support of its shareholders manifested by the success of the Exchange offer. The listing on the world's largest and most dominant market will enable us to focus on the operations and performance of our businesses and to reaffirm our strong commitment to continue increasing our shareholder value."—José Antonio Fernández, CEO



Hawk Corp.

Designs, engineers, manufactures and markets specialized components, principally made from powdered metals.

Headquarters: Cleveland, OH

Symbol: HWK

Specialist: Fagenson/Frankel/Streicher

Source of Listing: IPO

Web Site: www.hawkc corp.com

"We are proud to be listed on the NYSE, where the leading companies trade."

—Norman C. Harbert, chairman and CEO, and Ronald E. Weinberg, vice chairman and executive committee chairman



Heller Financial Straight talk. Smart deals.™

Heller Financial Inc.

A worldwide commercial financial-services organization that provides its mid-sized and small business clients with equipment financing and leasing; factoring and working-capital loans; asset-based, cash-flow, and real estate financing; small-business lending; and project-financing investments.

Headquarters: Chicago, IL

Symbol: HF

Specialist: Lyden, Dolan, Nick & Co. LLC

Source of Listing: IPO

"We are certain our listing with the NYSE will enhance our stature and visibility in the financial community and further distinguish us as a leader in commercial finance."—Dick Almeida, chairman and CEO



Jabil Circuit Inc.

Manufacturer of circuit-board assemblies and systems for communications, computers, peripherals, and automotive and consumer products.

Headquarters: St. Petersburg, FL

Symbol: JBL

Specialist: CMJ Partners LLC

Source of Listing: Transfer from Nasdaq

"We believe listing on the NYSE will provide greater stability, tighter quotation spreads, and a broader potential investor base."

—Thomas A. Sansone, president



communications

L-3 Communications Holdings Inc.

A leading merchant supplier of sophisticated secure communications systems and specialized communications products, including secure, high data-rate communication systems; microwave components; avionics and ocean systems; and telemetry, instrumentation and space products.

Headquarters: New York, NY

Symbol: LLL

Specialist: Corroon, Lichtenstein & Co. LLC

Source of Listing: IPO



Loews Cineplex Entertainment Corp.

One of the world's largest motion-picture exhibition companies, with 2,700 screens in 425 locations primarily in major cities throughout the United States and Canada.

Headquarters: New York, NY

Symbol: LCP

Specialist: Scavone, McKenna, Cloud & Co. LLC

Source of Listing: Other

Web Site: www.loewscineplex.com

To celebrate FEMSA's listing (NYSE: FMX), a mariachi band accompanied FEMSA officials to the podium to ring the opening bell.



MuniHoldings Insured Fund Inc.

A non-diversified, closed-end management-investment company.

Headquarters: Plainsboro, NJ

Symbol: MUS

Specialist: Scavone, McKenna, Cloud & Co. LLC

Source of Listing: IPO



Neff Corp.

One of the largest and fastest-growing equipment-rental companies in the United States, with 72 locations in 15 states.

Headquarters: Miami, FL

Symbol: NFF

Specialist: Bocklet & Co.

Source of Listing: IPO

"We believe the NYSE offers the highest quality of service and is the world's finest exchange. Listing on the NYSE was clearly the correct choice for our shareholders and our company."

—Kevin P. Fitzgerald, president and CEO



Octel Corp.

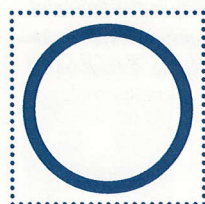
An international chemical company specializing in the manufacture, distribution and marketing of fuel additives.

Headquarters: South Wirral, England

Symbol: OTL

Specialist: Wagner Stott Mercator LLC

Source of Listing: Spin-Off



O C W E N

Ocwen Asset Investment Corp.

A real estate investment trust that invests primarily in subordinate and residual mortgage-backed securities and distressed commercial real estate.

Headquarters: West Palm Beach, FL

Symbol: OAC

Specialist: Bear Specialist/Hunter Specialists

Source of Listing: Transfer from Nasdaq

Web Site: www.ocwen.com

"We believe listing on the world's premier exchange, the NYSE, will increase our potential investor base, provide greater liquidity, and reduce trading volatility, thereby further enhancing shareholder investment."

—William C. Erbey, chairman and CEO



Petsec Energy Ltd.

An independent oil and natural-gas exploration and production company operating in the shallow waters of the Gulf of Mexico.

Headquarters: Sydney, Australia; Lafayette, LA

Symbol: PSJ

Specialist: Susquehanna Specialists

Source of Listing: Non-U.S./Nasdaq

Web Site: www.petsec.com

"Our listing on the NYSE is another step in our growth as an oil and gas company and will increase our visibility with investors worldwide."

—Terry Fern, chairman and CEO



PHILIPS INTERNATIONAL
REALTY CORP.

Philips International Realty Corp.

This REIT is engaged in the ownership, acquisition for redevelopment, and development of neighborhood and community shopping centers in the greater New York metropolitan area.

Headquarters: New York, NY

Symbol: PHR

Specialist: JJC Specialist Division of Fleet

Source of Listing: IPO



RESORTQUEST
INTERNATIONALSM

ResortQuest International Inc.

The first branded company providing vacation condominium and home rentals and property-management services in premier destination resorts throughout North America, creating a one-stop resource for travelers.

Headquarters: Memphis, TN

Symbol: RZT

Specialist: CMJ Partners LLC

Source of Listing: IPO

Web Site: www.resortquest.com

"Being listed on the New York Stock Exchange, the strongest and most prestigious market in the world, will be a key component to our company's success as we build the first national brand of vacation-rental and property-management services in the industry."—David Sullivan, chairman and CEO

Salomon Brothers High Income Fund II

A closed-end fund that seeks to maximize current income by investing primarily in a diversified portfolio of high-yield debt securities.

Headquarters: New York, NY

Symbol: HIX

Specialist: Fagenson/Frankel/Streicher

Source of Listing: IPO

Web Site: www.sbam.com



Petsec Energy (NYSE: PSJ), an exploration and production company headquartered in Sydney, Australia, gave away koala dolls in honor of its listing.

NEW LISTINGS DURING THE MONTH OF MAY



Sauer Inc.

A worldwide leader in the design, manufacture and sale of highly engineered hydraulic systems and components used primarily in demanding applications of off-highway mobile equipment.

Headquarters: Ames, IA; Neumunster, Germany

Symbol: SHS

Specialist: M. J. Meehan & Co.

Source of Listing: IPO

Web Site: www.sauer.com



SLI Inc.

A vertically integrated designer, manufacturer and seller of lighting systems comprising lamps, fixtures and assemblies, and ballasts.

Headquarters: Canton, MA

Symbol: SLI

Specialist: CMJ Partners LLC

Source of Listing: Transfer from Nasdaq

"We believe that this move is consistent with our goal of enhancing shareholder value by increasing the company's stock-trading liquidity and lowering investor transaction costs through more efficient pricing. The company has experienced dynamic growth in sales revenue, earnings and capitalization. The collection of these events led us to believe that the move to the NYSE will enhance the company's visibility and broaden our investor base."

—Frank M. Ward, chairman and CEO



Star Gas Partners L.P.

A master limited partnership and the nation's eighth-largest retail marketer of propane, Star serves more than 162,000 customers in the midwest and northeast sections of the United States.

Headquarters: Stamford, CT

Symbol: SGU

Specialist: KV Specialist LLC

Source of Listing: Transfer from Nasdaq

"We believe that our NYSE listing will offer more efficient pricing to investors and that Star will benefit from greater market depth and enhanced visibility within the investor community."

—Joseph P. Cavanaugh, president and CEO



Tricom S.A.

The sole alternate provider of diversified telecommunications services in the Dominican Republic, providing basic local service, international and domestic long distance, cellular, paging, Internet access, and value-added services.

Headquarters: Santo Domingo, Dominican Republic

Symbol: TDR

Specialists: Bear Specialist/Hunter Specialists

Source of Listing: Non-U.S./IPO

Web Site: www.tricom.net

"By listing its shares on the NYSE, the world's largest exchange, Tricom gains global presence and worldwide recognition."

—Manuel Arturo Pellerano Peña, chairman and president

UniCapital Corp.

A national operator and consolidator of equipment leasing and specialty finance business.

Headquarters: Bay Harbor Island, FL

Symbol: UCP

Specialist: Equitrade Partners

Source of Listing: IPO

"It was a thrill and honor to join the companies listed on the NYSE."—Robert New, chairman and CEO



Ventas Inc.

A self-administered, self-managed real estate company that currently owns 218 nursing centers and long-term, acute-care hospitals in 36 states.

Headquarters: Louisville, KY

Symbol: VTR

Specialist: Lyden, Dolan, Nick & Co. LLC

Source of Listing: Spin-Off

Web Site: www.ventasreit.com

Young & Rubicam Inc.

Young & Rubicam Inc.

A global marketing and communication enterprise with integrated services in advertising, perception management and public relations, identity and design, sales promotion, direct marketing, and health-care communications.

Headquarters: New York, NY

Symbol: YNR

Specialist: Equitrade Partners

Source of Listing: IPO

"As the premier communications company in the world, we saw no other choice than to join the world's premier marketplace, the New York Stock Exchange. We look forward to the benefits that our partnership with the NYSE will provide to our shareholders."—Peter Georgescu, chairman and CEO

"We believe the NYSE offers the highest quality of service and is the world's finest exchange. Listing on the NYSE was clearly the correct choice for our shareholders and our company."

Kevin P. Fitzgerald, president and CEO
Neff Corp.

Recent NYSE Visitors and Events



U.S. Rep. John McCain (photo left), R-Ariz., rings the closing bell with NYSE Chairman and CEO Richard A. Grasso and NYSE President and COO William R. Johnston. Michael LaBranche of LaBranche & Co. chats with **U.S. Rep. Michael Forbes**, R-N.Y., on the trading floor (photo

right). **Bill Richardson**, U.S. ambassador to the United Nations, is greeted by Mr. Grasso and Mr. Johnston (photo left) during a recent visit to the NYSE.



Floor traders welcome Mr. Grasso during his recent visit to the **Buenos Aires Stock Exchange** (photo right). Mr.

Grasso also met with Latin American business leaders and officials of NYSE-listed Argentinean companies. Robert McSweeney, NYSE senior vice president,



Market Surveillance, addresses members of the **New York County Lawyers' Association** Committee on Securities and Exchanges during their annual dinner held this year at the Exchange's Luncheon Club (photo left).



Board OKs 'Systemic Capture'

Continued from page 3

Members and member firms will be able to use proprietary, private-vendor or NYSE order-management systems to capture their orders, but non-NYSE systems must be able to transmit order details to the Exchange's database.

The NYSE believes the new order audit trail will enhance market integrity and result in other benefits. "From an operating point of view, the initiative is another building block in our trade-execution product, leading to end-to-end 'straight-through processing,'" said Robert G. Britz, NYSE group executive vice president. "In addition, it gives us the opportunity to offer enhanced customer-service features."

"Creating an electronic database of orders also will enhance the Exchange's ability to surveil for anomalous trading situations," said Brian M. McNamara, vice president, member trading department, Market Surveillance. "The origin of an order can be tracked more accurately through electronic records, enabling us to compare the times of order entry with the times of order execution."

As part of its rule initiative, the NYSE also is proposing a requirement that each member have an error account and disclose accounts in which they have an interest. The proposed rules and amendments, which would require SEC approval, have been adopted by the NYSE board of directors.

COMING EVENTS

Sept. 14, Nov. 16

Partnership Program, a one-day orientation for marketing, public-relations and investor-relations professionals of listed companies on how to maximize the value of a listing and increase visibility. Contact: 212-656-2204

Sept. 17, Nov. 19

Institutional FACTS Program, a full-day conference for institutional professionals with five years' securities-industry experience or three years' trading-related experience. Program includes trading-floor visits and overviews of listings, technology and regulation. A half-day program for less-experienced professionals will be held Oct. 14. Contact: 212-656-3388

Sept. 28, Dec. 7

NYSEfacts Program, a one-day orientation for executives of listed companies that includes discussions with NYSE officials and trading-floor visits. Contact: 212-656-5185

**THE
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