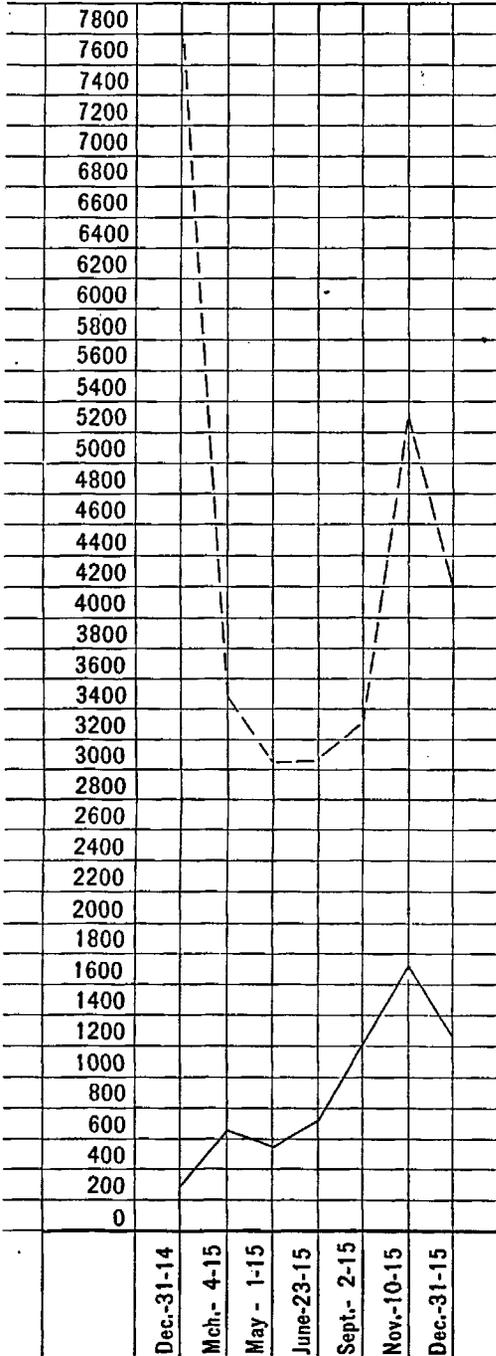


REDISCOUNTING  
WITH THE  
FEDERAL RESERVE BANK  
OF ST. LOUIS

# FEDERAL RESERVE BANK OF ST. LOUIS.

000  
Omitted  
8000



This Chart is compiled from reports to the Comptroller of the Currency. The heavy black line indicates amount of rediscunts with the Federal Reserve Bank of St. Louis; the dotted line indicates money obtained elsewhere.

On December 31st, 1915, paper re-discounted with the Federal Reserve Bank of St. Louis for **Stockholding Member Banks** amounted to \$1,200,000, while the total of obligations for money obtained elsewhere was over \$4,200,000. The average rate paid the Federal Reserve Bank of St. Louis on rediscunts was 4.08%. The average rate paid on money obtained elsewhere was 4.91%.

**Discount Rates of the Federal Reserve Bank of St. Louis, in effect February 15th, 1916. Subject to change.**

Maturities of 10 days and less	Maturities of over 10 to 90 days inclusive	Agricultural and live stock paper over 90 days to 6 months	Trade acceptances to 90 days inclusive	Commodity paper
3%	4%	5%	3½%	3%

**REDISCOUNTING**  
**WITH THE**  
**FEDERAL RESERVE BANK**  
**OF ST. LOUIS**

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February, 1916

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## **THE NECESSITY FOR A GENERAL KNOWLEDGE OF REDISCOUNT OPERATIONS.**

**This Bank will prove successful to the extent that it and its Members develop into a harmonious working unit. The rediscount feature of the Federal Reserve Act is such an important one, that this development of the Bank must depend to a great measure upon the knowledge by its Members of the principles governing rediscount operations.**

**Some twelve months ago, this Bank issued a letter setting out the qualifications of paper eligible for rediscount. This booklet is written to put into a more convenient form the principles set out in that letter and to add thereto the results of the year's experience.**

**Paper rediscounted for Member Banks is the basis for Federal Reserve Notes. This being true, it is necessary to exercise**

**every care possible in the rediscount operations of a Federal Reserve Bank. Every note accepted here may possibly become collateral for the Federal Reserve Currency. This Bank is confident that every Member Bank in its District realizes that the Federal Reserve Bank is charged with the duty of safeguarding the collateral for currency. To do this, it is necessary to have certain regulations governing the rediscounting of notes so that the paper accepted shall be fit to serve as such collateral.**

**This booklet sets out these regulations or standards and the reasons therefor. It is sent to Member Banks to familiarize them with the qualifications of eligible paper and in the hope that it will be retained for reference.**

## MATURITIES.

The paper acceptable for rediscount is that made by borrowers engaged in farming, merchandising, manufacturing or mining. The paper must be both *eligible* for rediscount and *safe* as an investment for this Bank's funds.

*Eligibility* is based upon the use made of the proceeds of the note by the borrower. It is fixed by the terms of the Federal Reserve Act under the regulations of the Federal Reserve Board.

The *safety* of the paper as an investment for its funds is determined by the Federal Reserve Bank.

It is important that officers of Member Banks become familiar with these factors: *eligibility*, and the methods used by this bank to determine *safety*.

The general rule may be set out here that if the proceeds of the paper were

**used in the current transactions of the borrower's business, and the paper has the required maturities, it is eligible for rediscount. The requirements as to maturities are:**

**All paper must be payable at a fixed date.**

**Agricultural paper, or paper based on live stock, may have a maturity up to six (6) months from the date it is offered for rediscount.**

**All other paper must mature within ninety (90) days from the date it is offered for rediscount.**

**The time limits are calculated from the date the note is offered for rediscount. A note written for six (6) months, but having only ninety (90) days to run from date rediscounted, comes within the limit fixed for ninety (90) day paper.**

## **CERTIFYING TO ELIGIBILITY BY THE MEMBER BANKS.**

The Federal Reserve Act places upon Member Banks the duty of knowing whether or not the paper offered for rediscount is eligible under the law.

To be eligible for rediscount, the proceeds of the note have been used or will be used in producing, purchasing, carrying or marketing goods. It is quite true that the officers of Member Banks may not know that the proceeds of *a particular* note have been used in the manner above defined. In the absence of this positive knowledge, this would cause hesitancy, and rightly so, upon the part of an officer in certifying to the *use* of the proceeds. This certification is to insure the rediscounting of only that paper prescribed by the Act. Since this is the purpose, it serves every theoretical and practical end if the Member Bank shows by a financial

**statement of the borrower that the borrowed money is employed in the current transaction of business. It can be assumed that the money is thus employed and certification rightfully made as to eligibility, if the borrower's financial statement shows that the current assets exceed the current debts. It is evident from this that Rediscounting goes hand in hand with Financial Statements of borrowers.**

*It is in fact impossible to establish standards of rediscountable paper without the assistance of financial statements of borrowers.*

## FINANCIAL STATEMENTS.

The advantages of having borrowers furnish financial statements are conceded by every one.

The larger banks now maintain credit records which contain in one form or another information regarding their borrowing customers. No matter how small the bank, or how well its borrowers are personally known to the officers, the bank is benefited if it has, as a matter of record, information on which its investments and loans have been made. There is no argument which can be advanced to support the practice of a bank's officer carrying in his head information which belongs to the bank. Many things can happen that might suddenly deprive the bank of this knowledge. It is infinitely better to have this information in the form of signed statements furnished by the borrowers themselves; but, when

such cannot be obtained, without detriment to the bank, there is no good reason why the next best thing cannot be done and have the officer record his knowledge of every borrower's condition.

Financial statements sent this Bank are received and held in the strictest confidence. Member Banks are authorized to give this assurance to their customers. Copies are made for this Bank's use, and the originals are returned to the Member Bank. An annual statement, or a statement made during the current year is sufficient. When a statement has been filed here, it is not necessary to send the same statement if a note of the same borrower is offered again during the year.

*Recognizing the difficulty, in some instances the impossibility, of obtaining signed financial statements of borrowers, this Bank accepts in its discretion statements of a borrower's*

*condition made by a Member Bank's officers.*

**A supply of financial statements will be furnished Member Banks, without charge, on application, for the use of their customers. Forms of these statements appear on pages 35 to 40.**

## **QUICK ASSETS AND CURRENT LIABILITIES.**

The discussion of rediscounts cannot proceed further without a full understanding of the terms "QUICK ASSETS" and "CURRENT LIABILITIES", which will appear so often in this booklet. "QUICK ASSETS" are defined to be: Articles intended for sale in the customary transaction of the owner's business, and resulting assets created by their sale, namely: Cash, Accounts Receivable, and Notes Receivable. It is well to fix here the sharp distinction between "Quick Assets" and "Fixed Assets." "Fixed Assets" are Real Estate, Plants, Machinery, Equipment and other assets which the owner does not purchase to be sold in the ordinary conduct of his business.

"CURRENT LIABILITIES" are debts represented by notes or accounts which

are payable within a period of say thirty days to six months. These should be separated from mortgage debts or bonded debts, which mature over a period of years.

In the consideration of a loan, it should be noted whether the "QUICK ASSETS" exceed the "CURRENT LIABILITIES." When this is *not* true, the conclusion is evident that part of the borrowed money is being used for the purchase of fixed assets, or for the payment of debts which were contracted for fixed assets.

The amount of the excess of Quick Assets above the "Current Liabilities" is commonly termed "THE MARGIN OF QUICK ASSETS." To what extent this margin should exist, to make the paper desirable for investment, is a matter for the judgment of the Banker making the loan. In considering the paper here, this Bank exercises the

same right of judgment in determining whether the paper shall be received.

### MERCHANTS' NOTES.

Jobbers and Wholesale Merchants stand between the original producer and Retailers. Attention is called to the fact that the ACCOUNTS RECEIVABLE of a Jobber are largely due from retail merchants, and, are collectable as a rule, and that his merchandise is in unbroken packages and is readily salable in the event of liquidation.

Retail Merchants stand between the Wholesale Dealers and the general public in the distribution of merchandise. Since the ACCOUNTS RECEIVABLE are largely due from individuals, and the merchandise consists of a widely distributed variety of articles, more difficulty will be met in realizing upon these assets, should it become necessary. The MARGIN OF QUICK ASSETS should neces-

sarily be large, in considering paper of Retail Merchants as contrasted with that of Wholesalers, for the reasons given above. This is no reflection upon the Retail Merchant's paper, but is simply setting out well established principles of credit. This Bank has taken notes of Retail Merchants freely in the past, and there is no reason for hesitancy on the part of Member Banks in offering us such notes.

## MANUFACTURERS' NOTES.

Manufacturers of staple merchandise, sold through the regular channels of trade, stand close to the source of production. Their Accounts Receivable are due from merchants and other distributors. Their raw material and finished product would generally command a ready sale in the event of liquidation.

It is a well recognized principle that a manufacturer should have capital sufficient to cover his investment in plant, machinery and equipment less the bonded or mortgage debt on same. His borrowed money will be represented by raw material, finished and unfinished product, and current manufacturing expenses. The fixed investment of a manufacturer is often so large that there exists a small margin, if any, between "Quick Assets" and "Current Liabilities." The earning power of the

business is such an important feature that proper consideration of a manufacturer's statement cannot be made without the collateral information furnished by the *profit and loss* statement reflecting the earning power and the *turn over* shown by the sales of product. This Bank gives special attention to that feature of a manufacturer's statement, in those instances where a MARGIN OF QUICK ASSETS does not exist.

During the past year, several Member Banks have related examples of loans to manufacturers made expressly for carrying accounts and purchasing raw material, which would be repaid from the collection of said accounts and sale of the raw material when manufactured, yet which would be *ineligible for rediscount under any fixed rule requiring a margin of quick assets* in the borrower's financial statement. In such

**instances, when the proceeds of the notes were used as indicated, and this fact is within the knowledge of the Member Bank, this Bank will entertain the offering of the paper. Every consideration will be given to the circumstances surrounding the loan in passing upon the paper.**

**The principles set out above will also apply to notes given by Companies engaged in the mining of coal, ore, or quarrying stone, etc.**

## **AGRICULTURAL PAPER.**

**Notes made for the raising of crops, purchasing and preparing live stock for market, and carrying on the ordinary operations of agriculture, are eligible for rediscount.**

**The principal distinction to be kept in mind is whether or not the money will be used by the farmer in such a way as to enable him to repay the loan from the products obtainable by its use. This liberal construction does not embrace loans made for the purpose of acquiring land, or making permanent improvements.**

**NOTES SECURED BY CHATTEL  
MORTGAGE ON LIVE STOCK;  
or WAREHOUSE RECEIPTS FOR  
STAPLE COMMODITIES.**

Notes accompanied by chattel mortgage on live stock, which in itself is sufficient to insure the payment of the loan, are eligible without financial statement of the borrower. Any information accompanying the note assists this Bank in determining the desirability of the paper. This information need not be in the form of a financial statement.

Notes secured by warehouse receipts for staple commodities, such as cotton, grain, tobacco, etc., need not be accompanied by financial statement of the borrower. If the warehouse receipts are issued by a public warehouseman, *chartered by the State*, the collateral will be sufficient. If issued by other classes of warehousemen, some information

**should accompany the note, reciting the financial strength of the warehouseman.**

**NOTES SECURED BY OTHER  
COLLATERAL.**

**Notes secured by other collateral are not ineligible if the notes are given for Commercial, Industrial or Agricultural purposes, and not for the purpose of carrying the collateral attached. Such notes should be accompanied by a specific statement from the Member Bank that the collateral was taken as additional security and the proceeds of the note are not invested in the said collateral.**

## RENEWALS.

The subject of renewal has given rise to more erroneous opinions regarding rediscount operations than any other single subject. It is a well established custom of merchants and others to borrow money from a bank and to employ it in the current transactions of business. When the note matures, a new note is taken in its place, and this is commonly termed A RENEWAL.

If the merchandise bought from the proceeds of the first note has been absorbed in the trade of the merchant, and the new note is to make fresh purchases, the new note is not a renewal, but is in reality a new loan. So long as the Bank is not furnishing capital to the borrower, there is no reason why it should not continue making these new loans, on the retirement of the old ones. How, then, may a Bank determine when

**this is good practice? Simply by the condition reflected in the borrower's financial statement, showing the MARGIN OF QUICK ASSETS, the sales and purchases of merchandise.**

**Here, again, is emphasized the importance of a bank requiring financial statements from its borrowing customers. The current purchases and sales of merchandise have a relation to the needs for borrowed money, and will reveal if the new note is given merely to carry old merchandise, or, if it is, in reality, given for new transactions. The Banker exercises his discretion as to the desirability of discounting new notes at the maturity of the old ones. This Bank exercises the same discretion. *This statement should dispel any idea that because a note is a so-called renewal, it will not be accepted here. The quality of the note is the real test.***

**ENDORISING AND FORWARDING  
THE NOTES.**

**Notes sent for rediscount to the Federal Reserve Bank should be endorsed by the Member Bank. The following form of endorsement is suggested, but an endorsement in blank is permitted if the Member Bank prefers it.**

**PAY TO THE ORDER OF  
THE FEDERAL RESERVE BANK OF ST. LOUIS.  
DEMAND, NOTICE AND PROTEST WAIVED.**  
(Name of Bank) .....  
By .....  
**President or Cashier.**

**The notes should be listed on Form D. G. 4. This form appears on page 34.**

**Member Banks will be furnished these forms, *on application* without cost.**

## **REDISCOUNTING FOR A FIXED PERIOD.**

**It often happens that a Member Bank needs money for, say, thirty or sixty days, and does not desire to be under discount for a longer period. At the same time, it may not have sufficient eligible paper with exactly that maturity. Under these circumstances, it may offer its paper, and if it desires to retire the rediscount before maturity, this Bank will, on request, charge such notes to its account and return them. If this Bank has had the paper for as long as fifteen (15) days, the full unearned discount will be refunded the Member Bank.**

## **PAYING OFF REDISCOUNTED NOTES.**

**At their maturity, rediscounted notes are charged to the account of the Member Bank discounting same. Ten days prior to the maturity of each note, it is sent to the Member Bank, so that it may be in the hands of the Bank in ample time for presentation and collection. It is not necessary for the Member Bank to remit separately for each note, provided it has sufficient funds in this Bank to its credit to cover the note at its maturity. This applies to notes which are not secured by collateral.**

**Notes secured by warehouse receipts, chattel mortgages or like pledges, are held here until maturity, but ten days before maturity the Member Bank is notified, so that it may provide funds to cover; or, if desired, the note will be**

mailed to the Member Bank before maturity, by arrangement.

### **BANKERS' ACCEPTANCES.**

**This Bank is constantly in the market for Bankers' Acceptances. In some States, the banking laws permit State Banks to accept drafts drawn on them payable at a distant maturity for domestic transactions. The St. Louis Federal Reserve Bank is constantly in the market for prime acceptances of this character, with or without the endorsement of Member Banks. Acceptances of National Banks are by law limited to transactions relating to the importation and exportation of goods.**

## BILL OF LADING DRAFTS.

A large volume of merchandise is sold in this District for payment by drafts with Bills of Lading attached. Drafts drawn on demand, or at sight, or for a period not exceeding fifteen (15) days, will be accepted for credit, on receipt, when endorsed by a Member Bank with Waiver of Protest; provided, the drafts are accompanied by Bills of Lading made to shippers' order without other conditions, and covering staple marketable commodities. On receipt of these drafts, credit will be given to Member Banks, and the drafts sent for collection to the place of payment. When this Bank is in receipt of proceeds, an interest charge will be made for the actual time elapsing between the date of the receipt of the draft and the date of payment to us. Interest will be calculated at the same rate per annum as this Bank's

current rate of discount, on thirty day notes. Exchange charges, if any, will be added to the interest. Drafts drawn on demand, but which are to be held for payment until the arrival of cars covered by attached Bills of Lading, can be received for immediate credit under arrangement with the Member Bank which will provide that if any draft remains unpaid for fifteen (15) days after its receipt by us, it will be charged back to the Member Bank's account, and entered for collection. These drafts are not to be listed in the regular cash letter, but should be sent in a separate letter.

Member Banks desiring to use this service, with this Bank, may make arrangements for us to handle such drafts regularly.

## **TRADE ACCEPTANCES.**

**When a draft has been accepted by the drawee, it can be defined as an accepted Bill of Exchange, or a "Trade Acceptance."**

**This Bank is permitted to buy Bills of Exchange, provided the said Bills conform to the regulations issued by the Federal Reserve Board. At any time that a Member Bank deems it advisable to sell such Bills, this Bank will entertain the offering.**

**REDISCOUNTING NOT NECESSARILY LIMITED TO AN EMERGENCY.**

So much publicity has been given to the Federal Reserve Act, and especially the important provisions for rediscounting, that the item "REDISCOUNTS WITH THE FEDERAL RESERVE BANK," in the bank's published statement, does not reflect anything except that the bank is turning over customers' paper to give to other customers the benefit of the funds thus released. It signifies more than anything else that the bank has in its assets paper which will pass the scrutiny of the Federal Reserve Banks.

*Rediscounting with the Federal Reserve Bank is a current, not necessarily an emergency operation.*

TO THE  
**FEDERAL RESERVE BANK,**  
 ST. LOUIS, MO.

Paper offered should mature within  
 Ninety Days from date of this applica-  
 tion, excepting agricultural paper  
 which may run six months.

DEAR SIR:

The \_\_\_\_\_ National Bank of \_\_\_\_\_  
 begs to submit herewith for rediscount the following notes or acceptances eligible under section 13 of the  
 Federal Reserve Act, duly endorsed by it and waiving demand notice and protest:

MAKER	ENDORSED	AMOUNT	MATURITY	STATE WHETHER PAPER IS DEPOSITED HEREIN, RECALLED PAPER OR PAPER NOT COUNTED FOR OTHER MEMBER BANKS.

The above described notes are enclosed herewith and are submitted for rediscount at the going Bank  
 rate and, to be charged to the account of the \_\_\_\_\_  
 National Bank of \_\_\_\_\_ at maturity.

To the best of our knowledge and belief the loans represented by the above notes were made for  
 agricultural, industrial, or commercial purposes and the provisions of the Federal Reserve Act and the  
 regulations issued by the Federal Reserve Board have been complied with.

Our Bills Payable at this date are \$ \_\_\_\_\_; our rediscounted paper not including this  
 offering, amounts to \$ \_\_\_\_\_ at this date.

\_\_\_\_\_  
 NATIONAL BANK.

\_\_\_\_\_  
 CASHIER

••••

**CREDIT STATEMENT—AGRICULTURAL**

C. D. 1

To the \_\_\_\_\_ of \_\_\_\_\_  
(Name of Bank) (Location)

For the purpose of procuring credit from time to time with you for my negotiable paper or otherwise, I furnish the following as a true and accurate statement of my financial condition on \_\_\_\_\_ which may hereafter be considered as representing a true statement of my financial condition, unless notice of change is given you.

PROPERTY OWNED BY UNDERSIGNED		DEBTS DUE BY UNDERSIGNED	
CASH in bank and on hand _____		ACCOUNTS PAYABLE by me _____	
GOOD ACCOUNTS due me _____		NOTES PAYABLE by me _____	
GOOD NOTES on hand _____		MORTGAGE NOTES due by me _____	
LIVE STOCK on hand, show kind and value _____		ALL OTHER DEBTS _____	
FARM PRODUCTS on hand: grain, peeson, hay, feed, etc _____			
FARM LANDS _____ acres			
OTHER LANDS _____ acres			
BUILDINGS on farm are worth _____			
CITY REAL ESTATE, if any _____ <small>(Describe and give value of any other property)</small>			
		*I have endorsed or guaranteed notes for other people for \$ _____	
<b>TOTAL PROPERTY</b>		<b>TOTAL DEBTS</b>	

**QUESTIONS TO BE ANSWERED REGARDING FARM LAND:**

Farm is situated in county of \_\_\_\_\_ State of \_\_\_\_\_

Described as follows: Range, Section, Township, Etc. \_\_\_\_\_

Total number of acres? \_\_\_\_\_ Acres under cultivation? \_\_\_\_\_ Acres used for cultivation? \_\_\_\_\_

Any reasonable year, this land will produce per acre: \_\_\_\_\_ bushels cotton; bushels of wheat \_\_\_\_\_; bushels of corn \_\_\_\_\_

Other crops \_\_\_\_\_

(OVER)

land subject to overflow? \_\_\_\_\_ How long have you owned this land? \_\_\_\_\_  
any part rented; how much, and for what rent? \_\_\_\_\_  
distance from nearest town to your farm? \_\_\_\_\_ miles from \_\_\_\_\_  
distance from nearest railroad station to farm? \_\_\_\_\_ miles from \_\_\_\_\_  
what price per acre, have improved farms in your neighborhood sold during past year? \_\_\_\_\_  
what price per acre has rough land in your neighborhood sold in past year? \_\_\_\_\_  
does any mortgage on your land? Amount \_\_\_\_\_ due \_\_\_\_\_  
the title to the land in your name? \_\_\_\_\_  
or what is this land assessed for taxation? \_\_\_\_\_

I hereby solemnly declare and certify that the above is a true statement of my financial condition

(Signed) \_\_\_\_\_

at \_\_\_\_\_

TO THE \_\_\_\_\_ BANK  
 of \_\_\_\_\_  
 Name \_\_\_\_\_ Corporation  
 Location \_\_\_\_\_ Branches \_\_\_\_\_ Partnership.  
 Business \_\_\_\_\_  
 (Describe kind of business fully and state whether wholesale or retail.)

For the purpose of procuring credit from time to time, the undersigned hereby makes to you the following statement of the condition of the undersigned on this \_\_\_\_\_ day \_\_\_\_\_ 19\_\_\_\_; and the undersigned hereby maintains and guarantees that said statement is in all respects true and correct; and you may consider said statement as to the pecuniary responsibility of the undersigned as continuing to be true and correct until written notice of a change is given to you by the undersigned.

ASSETS				LIABILITIES			
CASH on hand				BILLS PAYABLE given for merchandise			
CASH in _____ Bank				BILLS PAYABLE negotiated to own bank			
NOTES RECEIVABLE of customers (not transferred or pledged)				BILLS PAYABLE otherwise disposed of			
ACCOUNTS RECEIVABLE of customers (not transferred or pledged)				BILLS PAYABLE to directors or stockholders			
NOTES and ACCOUNTS RECEIVABLE of partners, officers or stockholders (not trans- ferred or pledged)				ACCOUNTS PAYABLE			
MERCHANDISE finished (how valued _____)				DEPOSITS OF MONEY WITH US			
_____ unfinished (how valued _____)				MORTGAGE ON REAL ESTATE			
INVESTMENTS, stocks and bonds; (Attach the showing per value, market value, and interest)				CHATTEL MORTGAGE DEBT			
REAL ESTATE used in business				OTHER LIABILITIES			
FIXTURES used in business				TOTAL LIABILITIES			
OTHER ASSETS:				NET WORTH			
				TOTAL			
				* CAPITAL STOCK \$ _____			
				SURPLUS & PROFITS \$ _____			
				(Put out above 2 lines if corporation)			
TOTAL				TOTAL			

Dr. PROFIT AND LOSS ACCOUNT, FISCAL YEAR ENDING \_\_\_\_\_ 19\_\_\_\_ Cr.

Actual expense of conducting business	\$ _____	GROSS PROFITS	
Bad Debts charged off	\$ _____	From Merchandise	\$ _____
Withdrawals or Dividends Paid	\$ _____	From Investments	\$ _____
Net Profits	\$ _____	From Other Sources	\$ _____
TOTAL	\$ _____	TOTAL	\$ _____
Notes or Accounts Receivable discounted or sold	\$ _____	Date of last annual statement preceding above statement	_____
Accommodation endorsements	\$ _____	Net Worth shown by that statement	\$ _____
Insurance on Buildings	\$ _____	Merchandise on hand on that date	\$ _____
Insurance on Merchandise	\$ _____	Amount of merchandise bought since that date to date of above statement	\$ _____
		Total sales of merchandise in the same period	\$ _____

On what assets are mortgages a lien? \_\_\_\_\_

Is Statement based on actual inventory? \_\_\_\_\_ If so, give date of inventory \_\_\_\_\_

What amount of merchandise has been on hand over one year? \_\_\_\_\_

What amount of accounts and bills receivable are past due and extended? \$ \_\_\_\_\_

Usual terms on which you buy? \_\_\_\_\_

Usual terms on which you sell? \_\_\_\_\_

Total Sales for past twelve months \$ \_\_\_\_\_

Are any Bills payable given by you to Banks or others, secured by pledge of collateral, endorsement, guarantee or bond? If so, give amount of such Bills Payable and how secured.

Is any part of items, "Notes Receivable of Customers" or "Accounts Receivable of Customers," due from allied companies or firms in which you are interested?

If so, give amounts, \$ \_\_\_\_\_ Notes Receivable. \$ \_\_\_\_\_ Accounts Receivable.

Time have been in business \_\_\_\_\_

What is character of raw material? (Please answer fully) \_\_\_\_\_

Is raw material prepared specially for your use, or can it be used by other manufacturers in same line? (Please answer fully) \_\_\_\_\_

Have all bad and doubtful assets been eliminated from foregoing statement? \_\_\_\_\_

Bank Accounts, where kept? \_\_\_\_\_

If a Corporation, fill out following schedule:

**OFFICERS AND DIRECTORS.**

NAME IN FULL	TITLE	No. of Shares Held	ADDRESS

If a Partnership, fill out following schedule.

**PARTNERS.**

NAME IN FULL	Worth Outside of Interest in this Business	Partnership Liability Limited to	Expiration of Partnership Interest	ADDRESS

I hereby certify that, to the best of my knowledge and belief, the figures and information given are, in every respect, true and in accordance with the facts.

(Sign Corporation or Firm Name Here)

Date Signed \_\_\_\_\_

By \_\_\_\_\_ Title \_\_\_\_\_

Name \_\_\_\_\_ of \_\_\_\_\_  
 Location \_\_\_\_\_ Branches \_\_\_\_\_ [A Corporation / A Partnership]  
 Business \_\_\_\_\_  
 (Describe character of business fully)

For the purpose of procuring credit from time to time, the undersigned hereby makes to you the following statement of the condition of the undersigned on the \_\_\_\_\_ day \_\_\_\_\_ 19\_\_\_\_; and the undersigned hereby maintains and guarantees that said statement is in all respects true and correct; and you may consider said statement as to the pecuniary responsibility of the undersigned, as continuing to be true and correct until written notice of a change is given to you by the undersigned.

Fill all blanks, writing "no" or "none" where necessary to complete information.

ASSETS				LIABILITIES			
Cash on hand				Bills Payable, for Merchandise			
Cash in _____ Bank				Bills Payable, to Bank or Banks			
Bills Receivable, from Customers, good (Not transferred or pledged)				Bills Payable, otherwise disposed of			
Accounts Receivable, from Customers, good (Not transferred or pledged)				Bills Payable, to Partners, Directors or Stockholders			
Bills and Accounts Receivable, due from Partners, Officers or Stockholders (not transferred or pledged)				Accounts Payable, for Merchandise			
Merchandise, finished				Accounts Payable, to Partners, Directors or Stockholders			
Merchandise, unfinished				Mortgage on Real Estate			
Raw Material				Bonded Debt			
Investments; Bonds and Stocks (Show stock list, showing par value, market value & amount)				Chattel Mortgage Debt			
Real Estate (market value) used in this business				Other Liabilities			
Buildings used in this business				TOTAL LIABILITIES			
Machinery and Fixtures used in this business				NET WORTH			
Other Assets, etc.				*CAPITAL STOCK \$			
				*SURPLUS & PROFITS \$			
				(*Fill out above 2 lines if corporation)			
TOTAL				TOTAL			

Dr. PROFIT AND LOSS ACCOUNT, FISCAL YEAR ENDING \_\_\_\_\_ 19\_\_\_\_ Cr.

DISBURSEMENTS		RECEIPTS	
For all expenses, including material bought, manufacturing and general expense, etc.	\$ _____	From Sales of Product	\$ _____
For depreciation, bad debts, etc.	\$ _____	From Investments	\$ _____
Withdrawals or Dividends paid	\$ _____	From Re-valuations	\$ _____
Net Profits added to surplus	\$ _____	From all other sources	\$ _____
Total	\$ _____	Total	\$ _____
Notes or Accounts Receivable discounted or sold	\$ _____	Date of last annual statement preceding above statement	\$ _____
Accommodation endorsements	\$ _____	Net Worth shown by that statement	\$ _____
Insurance on Buildings	\$ _____	Total of Inventories of Raw Material, Finished and Unfinished Merchandise, shown in that statement	\$ _____
Insurance on Merchandise	\$ _____	Amount of sales since that date to date of above statement	\$ _____

On what assets are mortgages a lien?

Is Statement based on actual inventory? \_\_\_\_\_ If so, give date of inventory \_\_\_\_\_  
 How is valuation arrived at? On Raw Material? \_\_\_\_\_  
 How is valuation arrived at? On Unfinished Merchandise? \_\_\_\_\_  
 How is valuation arrived at? On Finished Merchandise? \_\_\_\_\_  
 Total Sales for past twelve months \$ \_\_\_\_\_



## MUNICIPAL WARRANTS.

(The word "*Municipal*" as used herein means any Town, City, County or State. The word "*Warrant*" means any bill, note, revenue bond or warrant, — payable within six (6) months from date of purchase, issued in anticipation of the collection of taxes already assessed, or the receipt of assured revenues.)

It is the purpose of this part of the pamphlet to call the attention of Member Banks to the new market for Municipal Warrants, in order that the Member Bank may be of assistance to the Municipality in which it is located, as well as to the Agricultural and Commercial borrower, and at the same time, afford the Member Bank an additional field for operation.

The Federal Reserve Act authorizes Federal Reserve Banks to invest a portion of their funds in warrants, issued by Towns, Cities, Counties and States, either with or without the endorsement of a Member Bank; provided,

- (1) That under the laws of the State, the warrant is a legal obligation against the Town, City, County or State issuing it.**
- (2) That the warrant must have a fixed maturity from the date of purchase of not exceeding six (6) months and must be issued in anticipation of the collection of taxes, already assessed, or the receipt of assured revenues.**
- (3) That the net funded indebtedness of the Town, City, County or State must be within the amount authorized by the laws of the State and in no instance can it be more than 10% of the assessed valuation of its taxable property.**

**The taxes necessary to pay the current expenses of a large per cent of the Towns, Cities, Counties, and some States, in the**

**Eighth Federal Reserve District, are assessed at the beginning of the year, but are not collectable and available for use until the middle or last of the year. In the meantime, the Town, City, County or State has to borrow money in sufficient amounts to pay its current expenses. This is usually done by selling its warrants issued in anticipation of the collection of the assessed taxes or receipt of assured revenues.**

**In the past, these warrants have not found a ready market with Commercial Banks. The Federal Reserve Act makes such warrants eligible for purchase by Federal Reserve Banks, thereby providing a ready market for them when a Member Bank finds it necessary to obtain additional money.**

**In addition to the right of a Federal Reserve Bank to purchase such paper from Member Banks, it is authorized to**

**purchase it on the open market, that is, without the endorsement of a Member Bank.**

**The demand on a Member Bank for money for regular commercial purposes may be such that it does not care to invest its funds in this class of paper, even though, being acquainted with local conditions, it considers the investment a good one. If this is the case, when it is ascertained that a loan is to be negotiated, if the Member Bank will take the matter up by correspondence with this Bank, and act as its agent in the purchase of such paper, it will thereby afford the Federal Reserve Bank an outlet in which to invest the surplus portion of its funds not required in its regular discount operations, and at the same time, be of assistance to the Town, City, County or State in which the Member Bank is located.**

**\* \* \* \* \***

**The following are copies of**

- (a) The form of warrant which could be used.**
- (b) The form of Certificate of authority to issue warrant.**
- (c) The form of Certificate required to be furnished by the fiscal officer of the Town, City, County or State.**
- (d) The form of Certificate to be furnished by the City Attorney or some recognized authority on Municipal issues.**
- (e) A list of questions to be answered by the fiscal officer of the Town, City, County or State, in order that Counsel for the Federal Reserve Bank may determine whether the warrants have been issued in accordance with the Regulations of the Federal Reserve Board, and the laws of the State.**

(a)

**CERTIFICATE OF INDEBTEDNESS OR WARRANT.**

\$.....191..

**This is to Certify That the City of.....**

**.....is indebted to.....**

**in the sum of.....Dollars, which, for**

**value received, it promises to pay to <sup>his</sup><sub>her</sub><sub>its</sub> order at the office of**

**.....on the.....day**

**of.....191..., with interest at the rate**

**of.....per cent. per annum.**

**Issued under and pursuant to an ordinance adopted by the**

**City Council or [Board of Commissioners] of the City of.....**  
**.....on the.....day of**  
**.....191..., and duly approved by the Mayor.**

.....  
**Mayor.**

.....  
**City Treasurer.**

.....  
**City Secretary.**

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**No.....**

**Countersigned.**

**(SEAL)**

(b)

**CERTIFICATE OF AUTHORITY.**

This is to Certify That the Certificate of Indebtedness of the City of....., for.....Dollars, dated....., 191..., and numbered No..... was made in behalf of said City under and in pursuance of an ordinance of its City Council [or Board of Commissioners,] passed ....., 191..., and duly approved by the Mayor, being Ordinance No....., and that such certificate with other certificates issued under the said Ordinance does not in the aggregate exceed the sum of.....Dollars named in said ordinance.

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.....  
City Secretary.

.....  
Mayor.



(c)

**CERTIFICATE OF FACTS.**

I Hereby Certify That the Certificate of Indebtedness of the City of....., signed by its Mayor and Treasurer and countersigned by its Secretary, for the sum of.....Dollars, bearing date of .....191..., payable.....191..., numbered No....., was issued in payment of a current liability of the City of....., for the current year, and that the revenues of said City which are derived from taxes and other purposes which can be applied to the payment of this and similar claims will be sufficient to pay off and discharge all Certificates of Indebtedness authorized by the City Council or Board of Commissioners of the City of....., by Ordinance No....., passed the.....day of.....191..., and approved by the Mayor.

—05—

**I Further Certify That the.....has  
existed for a period of more than ten years, and for such a period  
immediately preceding the date of this Certificate it has not defaulted  
for a period exceeding fifteen days in the payment of any principal  
or interest of its funded debt, and that the funded indebtedness  
is....., and does not exceed  
.....per centum of the valuation of its taxable property,  
which amounts to \$....., as ascertained by the last  
preceding valuation; that the aggregate amount of all similar revenue  
warrants for the current and prior years, including these warrants,  
issued and outstanding is \$.....; that the population  
of the municipality as determined by the last Federal or State census  
is....., and that a penalty for the non-payment of  
taxes in anticipation of which the Certificates of Indebtedness or  
warrants above authorized are issued will attach on the.....  
day of.....191....**

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.....  
**City Treasurer, (or other proper officer.)**

(d)

**CERTIFICATE OF CITY ATTORNEY.**

I Hereby Certify That the Certificate of Indebtedness of the City of....., signed by its Mayor and Treasurer and Countersigned by its Secretary, for the sum of .....Dollars, bearing date of.....191..., payable....., 191..., and numbered No..... was issued pursuant to the ordinance of the City Council or Board of Commissioners of the said City dated.....191..., and duly approved by the Mayor, authorizing a temporary loan of .....Dollars, for the payment of current

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liabilities of said City, in anticipation of the City taxes for the year 191 . . . , the same being included in and made a part of the tax budget for 191 . . . , and that the said loan is authorized by law and that the City Officers who have executed the same on behalf of the City had the authority and the power so to do, and that said certificate is in proper form and properly executed and when issued will become and be a valid and legal general obligation on the part of the City.

.....

**City Attorney.**

(e)

**DATA TO BE FURNISHED RELATING TO MUNICIPAL WARRANTS OR OBLIGATIONS  
OFFERED TO FEDERAL RESERVE BANKS.**

1. Name of municipality or (political division) .....
2. Population (last Federal census) .....
3. Total valuation of taxable property (as of 1915) ..... \$.....
4. Total gross indebtedness ..... \$.....

(Note: This item should include all debts evidenced by bonds, notes, warrants, and certificates of indebtedness of every description as of the date of this statement.)

**Less deductions allowed:**

- (a) Obligations payable from current revenues ..... \$.....
- (b) Outstanding bonds issued for public utilities ..... \$.....

(Note: This deduction can only be made provided the income from the utilities is sufficient to pay for maintenance, interest and sinking fund.)

- (c) Outstanding improvement bonds to be paid by special assessment  
against abutters ..... \$.....
- (d) Sinking funds for issues not included in (b) ..... \$.....

**Total deductions** ..... \$.....

5. Net funded indebtedness (Item 4, less total of (a, b, c, d)) ..... \$.....

6. Percentage of net funded indebtedness to total valuation.....
7. Description of present issue of revenue warrants (or notes).....  
 .....  
 (a) Purpose.....  
 (b) Date.....(c) Maturity.....(d) Amount \$.....
8. Total amount of warrants or notes issued and outstanding, including this issue, payable from the same tax levy or revenues ..... \$.....
9. Description of the taxes or assured revenues in anticipation of which the warrants are issued  
 (a) Nature of tax.....(b) Date of levy.....(c) Rate  
 levy \$.....per thousand (d) Amount of levy \$.....
10. What is the last day on which such taxes can be paid without penalty? .....
11. Are the warrants the general obligations of the entire municipality? .....
12. Has the municipality been in existence for 10 years?.....
13. Has the municipality during the 10 years immediately preceding the date of the issue of the warrants defaulted for a period exceeding 15 days in the payment of any principal or interest its funded debt?.....
14. Are the warrants registered by a registrar?..... If so, where?.....
15. Has legal opinion of their validity been given?..... If so, by whom?.....  
 .....

I hereby certify that the statements made above are true, as of this.....  
 day of.....191.....  
 (SEAL) .....

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