MID-CONTINENT BANKER

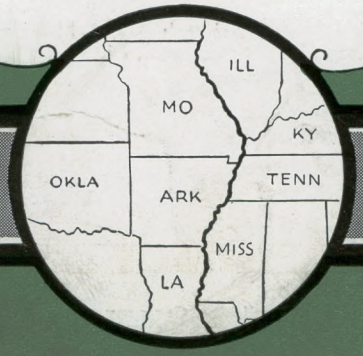
The Financial Magazine *of the* Mississippi Valley

ST. LOUIS

March, 1927

ANNUAL BOND AND INVESTMENT NUMBER

IN THIS ISSUE



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¶ *How many checks does your bank write monthly? . . . How many employees are assigned to this task? . . . How long does it take them to do the work?*

Get the answers to these questions, and with them in front of you, consider these facts about

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A REASONABLY experienced operator can write the amount line on checks at the rate of 1200 to 1500 an hour. Such speed often makes it possible to assign your check-writing problem to one employee instead of taking the time of several.

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At your convenience a Todd expert will show you the Super-Speed. Wire, write or mail the coupon. The Todd Company, Protectograph Division. (Est. 1899.) Rochester, N. Y. *Sole makers of the Protectograph, Todd Greenbac Checks and Super-Safety Checks.*

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9 Covered by the Todd guarantee.
10 Sturdy all-metal stand.

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3-27
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TODD SYSTEM OF CHECK PROTECTION

INDEX TO ADVERTISERS

The Industrial Progress of St. Louis

OFFICIAL figures of the U. S. Census of Manufactures recently completed show that in the last six years, including 1925, St. Louis has gained steadily as an industrial center, while other dominant industrial points, except Detroit, show losses in the number of wage-earners employed, amount of wages paid annually, or value of products manufactured.

These Government statistics show that St. Louis paid out $32,000,000 more wages in 1925 than in 1919, that 7,000 more wage-earners were employed, and increased $70,000,000 in value of products.

The following table gives the comparative Government figures of industrial activities in 1919 and 1925 in the great industrial centers:

	Year	Wage Earners	Wages Paid	Value of Products
St. Louis	**1925**	**114,002**	**$140,758,355**	**$941,851,062**
	1919	**107,919**	**108,557,326**	**871,700,438**
Baltimore	1925	89,061	95,334,359	669,096,505
	1919	97,814	103,129,096	677,878,492
Boston	1925	78,093	104,845,860	602,332,668
	1919	88,759	96,401,002	618,921,962
Cleveland	1925	136,577	207,820,914	1,124,278,727
	1919	157,730	211,206,276	1,091,577,490
Chicago	1925	375,196	571,137,698	3,487,372,952
	1919	403,942	507,753,924	3,657,424,471
Detroit	1925	180,099	292,071,581	1,689,092,743
	1919	167,016	245,433,882	1,234,519,842
Pittsburgh	1925	73,108	100,540,284	551,926,441
	1919	83,290	109,859,218	614,726,978
Philadelphia	1925	247,618	333,196,074	1,963,748,590
	1919	281,105	326,792,395	1,996,481,074

This remarkable industrial gain in six years demonstrates that St. Louis' development has been along sound lines, and its progress has been steady and substantial.

The Mercantile Trust Company has for 27 years been a leading factor in aiding this industrial growth, through the services of its various departments, including Banking, Real Estate Loan, Bond, Corporation Finance, etc. We invite bankers and banks, corporations and business men to utilize the valuable knowledge of St. Louis conditions which this experience has given us.

Mercantile Trust Company

Member Federal Reserve System

Capital and Surplus Ten Million Dollars

EIGHTH AND LOCUST —TO ST. CHARLES

SAINT LOUIS

Convention Calendar

State

Date	Association	Place
April 14-16	Florida	Sarasota
April 21-23	North Carolina	Pinehurst
April 27-28	Arkansas	Little Rock
May 10-11	Mississippi	———
May 10-12	Texas	El Paso
May 12-13	Tennessee	Chattanooga
May 16-18	Georgia	Atlanta
May 17-18	Missouri	Joplin
May 18-20	Kansas	Manhattan
May 18-21	California	Del Monte
May 19-21	Alabama	———
June	Idaho	Hayden Lake
June 3- 4	Oregon	Gearhart-by-the-Sea
June 8-10	Minnesota	St. Paul
June 9-11	Washington	Tacoma
June 15-16	North Dakota	Jamestown
June 15-17	Ohio	Cedar Point
June 21-23	Wisconsin	Madison
June 23-24	Illinois	Danville
June 23-25	Virginia	Virginia Beach
Sept.	Kentucky	Louisville

Other

Date	Associations	Place
March 28-29	Secretaries, Central States Conference	Omaha, Neb.
May 1-7	Spring Meeting Executive Council, A. B. A.	Hot Springs, Ark.
May 19-21	Reserve City Bankers	Pittsburgh, Pa.
July 11-15	American Institute of Banking	Detroit, Mich.
Oct. 24-29	American Bankers Association	Houston, Texas.

Savings Bank Division Regional Conference

March 17-18	California	Oakland
March 24-25	Ohio	Cleveland
March 29-30	Missouri	St. Louis
April 7-8	District of Columbia,	Washington

Abraham Lincoln Life Sets New February Record

Recent appointments to the agency staff of the Abraham Lincoln Life Insurance Company of Springfield, Illinois, include Elmer S. Crink of Illiopolis, Illinois; Frances Gregory, Chicago; H. H. Higginson, Evansville, Indiana; Hugh L. Martin, Decatur, Illinois; N. J. Payne of the Sullivan County Bank, Milan, Missouri, and L. A. Rockefeller of Wood River, Illinois.

February was designed as "President's Month" in honor of H. B. Hill, president of the company, and business received during the month made it the biggest February in the history of the company.

The Financial Magazine of the Mississippi Valley

MID-CONTINENT BANKER

CLIFFORD DE PUY, Publisher

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Editor and Manager

JAMES J. WENGERT
Associate Editor

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March, 1927

Is Your Bond Account Profitable?

Survey of Banks in Mid-Continent Territory Indicates That 88% of Banks Are Buying Bonds for Secondary Reserve or Resale to Customers

By Donald H. Clark
Editor Mid-Continent Banker

"WE FEEL that the bond business in the country towns is in its infancy, and that it can best be developed by the local banks and bond houses working together. We expect to buy more bonds in 1927 than in the past, both for our own account and for our customers."

This quotation from a Missouri banker expresses briefly an attitude which is growing among bankers in the mid-western and southwestern states. Many bankers have decided that their bond account can be a source of profit as well as a convenient and liquid secondary reserve; they have found further that more and more of their customers are coming to them for advice on securities and about investment houses. Banks in the larger cities are establishing bond departments to handle their customers' investment needs; many of the banks in the smaller towns have established connections with city bond dealers so that their friends can be served directly through the bank by a house which the bank knows to be reliable.

Throughout the entire United States the bond business has been making tremendous strides the past few years. During the past year the total amount of bonds sold in the United States was $7,491,000,000 which figure represents an increase of $500,000,000 over the bonds sold in 1925. Of the total bonds sold last year $6,441,000,000 were new capital issues, and $1,049,000,000 represented bonds sold for refunding purposes.

Banks in the United States at the present time have more than $5,000,000,000 invested in bonds aside from Government securities.

There were enough bonds sold in the United States last year so that every man, woman and child theoretically purchased a $65.00 bond. If we figure four to the average family this means that there were $260.00 in bonds sold per family in the United States last year. This is really a remarkable figure when we consider that the average annual income among wage earners and salaried people in the United States, per white family, is $1,513.00.

In order to secure accurate figures on the bonds carried by banks in this territory, and the attitude of these bankers toward investment securities, the Mid-Continent Banker sent questionnaires to 3,000 representative banks, including about half the banks in Illinois and Missouri, and a selected list in Indiana and Arkansas. A few banks in Kentucky, Tennessee and other adjoining states were also questioned and the answers were in most cases similar to the replies from the four states which have been tabulated for this article. Replies were received from 2,180 banks and the average of their answers to questions are shown in the charts on this and following pages.

These reports show principally three things:

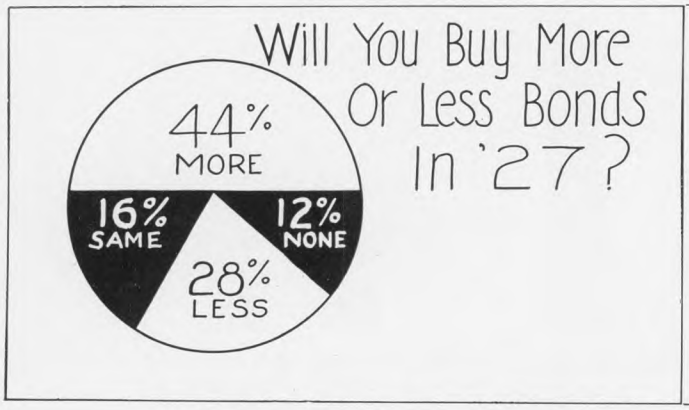
1. The extent to which banks are buying bonds for their own use.

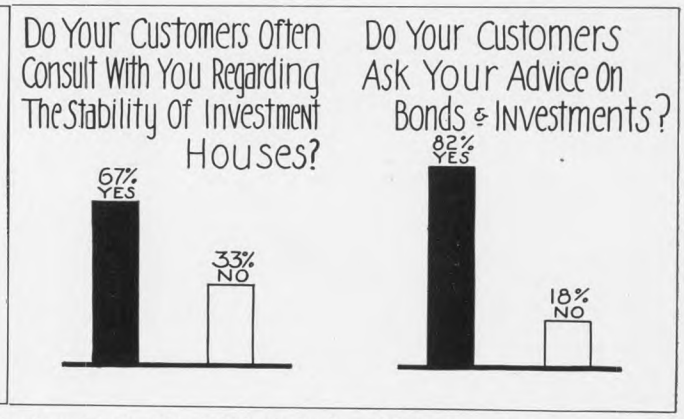
2. The extent to which they are buying bonds for re-sale to customers.

3. The extent to which banks are asked for their advice on bonds and investments and on the stability of investment houses.

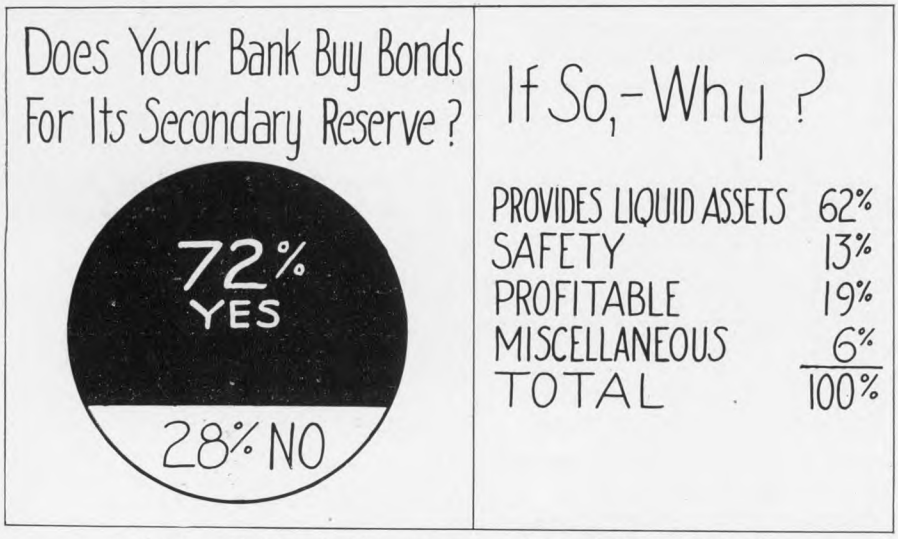
The first question the Mid-Continent Banker asked these three thousand banks was "do you buy bonds for your secondary reserve?" Seventy-two per cent said YES and 28 per cent NO. Analyzing the reasons given by the 72 per cent for buying bonds, 62 per cent said PROVIDES LIQUID ASSETS was the chief factor. Other reasons were SAFETY, 13 per cent; PROFITABLE 19 per cent, and miscellaneous 6 per cent. Many of the banks, of course, replied that all of these reasons influenced their purchase of bonds for reserve funds. This question is important as it shows the tendency of banks to maintain strong secondary reserves in the form of readily marketable securities, thus providing liquid assets for any emergency.

Next the banks were asked, "Of the total amount of bonds bought for your secondary reserve what was the percentage of the following classes?" and the answers were Government, 29 per cent; Industrial, 24 per cent; Municipal, 22 per cent; Public Utility, 16 per





The above charts are based on answers received by the Mid-Continent Banker from 2200 banks in the middle western states



Bonds are ideal for a bank's reserve fund, as they are both safe and liquid

cent; Railroad, 4 per cent; Foreign, 3 per cent; and Land Bank bonds, 2 per cent. Real estate bonds were not considered in this question because of the restrictions placed upon national banks in this connection; several hundred state banks reported considerable amounts of these bonds in their reserve account.

"Does your bank sell bonds?" brought 48 per cent of the replies as YES and 52 per cent NO. Analyzing the YES replies, 87 per cent said they regarded this business as profitable. Some 27 per cent of the banks replying declared they had regularly organized bond departments, the others considered it a desirable service to their customers, even though not a money-making one. While this figure seems high, it really shows that 27 per cent of the banks sell sufficient bonds to consider themselves as having a regular bond department, whether or not they could so classify from a technical standpoint. Furthermore, 52 per cent of the banks declared they were interested in the further sale of bonds to their customers, and were anxious for more information from the Mid-Continent Banker and other sources.

Of the banks replying 45 per cent said that the future was bright for the bond and investment business in their community. Only 4 per cent thought "the bond business overdone," and 11 per cent believed their towns too small for profitable bond business.

Analyzing the bonds sold to customers during the past year, Governments ranked first with 54 per cent; Municipal, 18 per cent; Real Estate, 11 per cent; Industrial, 5 per cent; Public Utility, 5 per cent; Land Bank bonds, 4 per cent; Railroad, 2 per cent; Foreign, 1 per cent. Generally speaking, the highest percentages on Governments came from the small towns where the banks sold few bonds and had no bond departments. The larger banks usually sold a higher percentage of real estate, industrials, foreigns and the like.

Extremely significant as reflecting the "banker influence" in the purchase of securities in the smaller cities, was the next question: "Do your customers often consult with you regarding the stability of investment houses?" Sixty-seven per cent said YES; 33 per cent, NO. To the question, "Do your customers ask your advice on bonds and investments, 82 per cent said YES and 18 per cent NO. Certainly there is nothing more important to bankers than to purchase bonds from investment houses of integrity and stability and the banker should only recommend those houses which are known to him to be well established and thoroughly reliable.

The last question asked the bankers was: "Will you buy more or less bonds in 1927?" Forty-four per cent said MORE; 16 per cent same; 28 per cent less, and 12 per cent none. In other words, 88 per cent of the bankers replied that they would buy some bonds in 1927, either for reserve funds or resale, or both.

Fully as interesting as the figures received were the many letters from bankers which indicate a keen interest in the bond business and which also emphasize that caution is needed both by the bond houses in the kinds of bonds which they sell bankers and the bankers in the kind of bonds that they buy both for their own use and for their customers.

Excerpts from a number of these letters follow. As all replies to the questionnaires were confidential, no names are published:

Fertile Field in Rural Sections of Missouri.

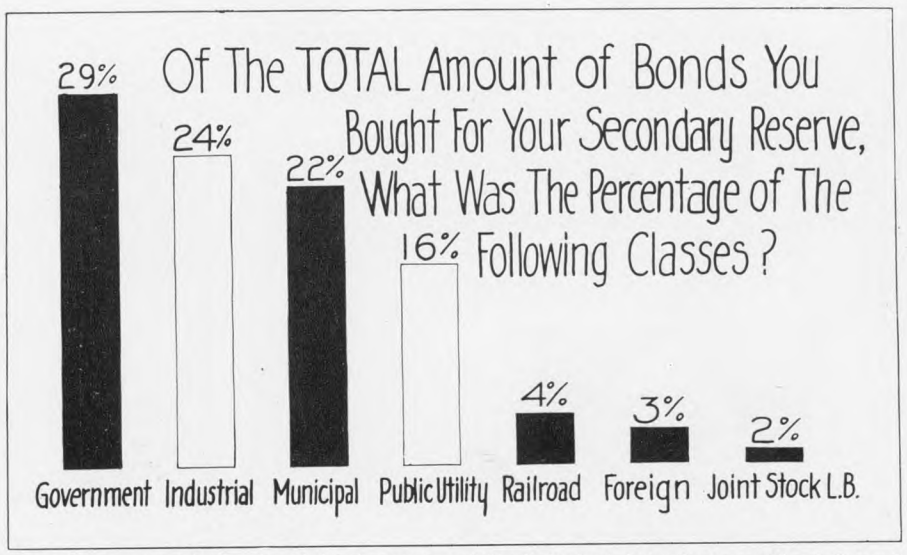
"We feel and always have felt that there is quite a fertile field for bond business in the rural sections of Missouri. The only securities heretofore thought of by the average country investor has been first mortgages on farms or other real estate. Due somewhat to their recent experience in this direction, and the lowering of interest rates, they are no longer interested."

Bond Business In Its Infancy.

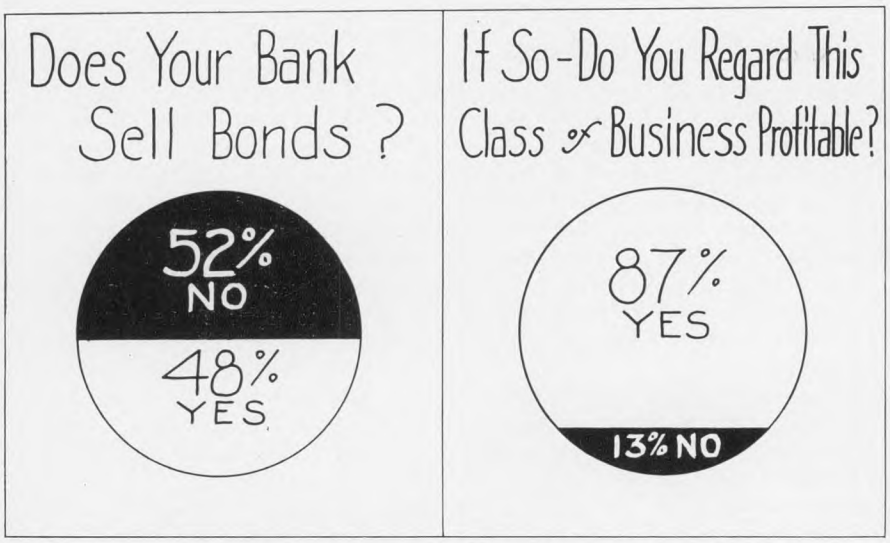
"I consider the bond business in its infancy, and that it is going to become as much a part of the commercial bank as the savings department or any other inseparable branch of the present banking system. The people are being educated that their local banker will and can give them better advice on securities which they wish to purchase than any bond salesman."

95 Per Cent Buying Bonds At Increased Ratio.

"The investors in our community are buying bonds at an increased ratio and



Diversification is needed in a bank's bond account, and the above chart shows the types of bonds favored



Many banks are finding the sale of bonds a source of profit as well as a service to customers

will continue to do so. We do not believe this will have a detrimental effect on savings accounts, but rather it will be an incentive to increase savings in order to buy more bonds. It takes considerable time to educate people along these lines, but we believe that interest in this subject is growing rapidly."

Banks Will Sell Bonds More and More to Its Customers.

"We believe if the proper care is exercised in choosing bonds, the bond business will grow and eventually the rural bank will sell bonds more and more to its customers."

Prefer Municipals And Listed Securities.

"We carry a large bond account, but for the most part buy only short-time municipal bonds or listed securities. We do not solicit our customers to buy —but gladly take care of their wants after they have mentioned the matter. We sell bonds at a small profit and buy back at a small discount. This plan is made clear to the purchaser at the time. We prefer to buy from responsible bond houses and through our correspondent banks."

Bond Houses Should Watch Diversification.

"Bond houses best serve banks in selling only securities of a high type and high class and watching our account through their records to see that the proper diversification is maintained and that we do not purchase too many of one kind or in one geographical location."

Purchase of Bonds Is Still in Infancy.

"The purchase of bonds by individual investors is still in its infancy. This alludes to investors in rural communities. The city investor has long bought bonds and today many more, especially in St. Louis, wish they had. Good bonds placed in the investor's hands by his banker or a reliable broker offers him an investment free from the usual trouble of real estate loans."

"Our Customers Often Ask Our Advice."

"We are often asked for advice on investment by customers and as we believe that the tendency here is for a more general investment, we are trying to get a list of bonds, which we can recommend without hesitation. The most common practice of the bond houses with whom we deal is to send their traveling representative to our office. This is a practice which we do not care for, as four or five of these salesmen are young and inexperienced men who know very little about the actual worth of their offerings and who are frequently a nuisance to get rid of. We do most of our business with houses who regularly send us circulars of their offerings, and in whom we have confidence, either through personal acquaintance with some of the heads of the concern or by reason of recommendations from our principal correspondents. In general, we do not believe that a country bank, such as ours, is justified in investing very heavily in the general run of bond offerings without the approval of the bond department of its chief city correspondent."

Need Laws Against Issues That Fail.

"We hope some day to know of a law covering bond and stock issues making it a serious offense for a set of men to float an issue or sell an issue that fails, just as the bank laws cover bankers."

Banker Is Investor Of Customers' Money.

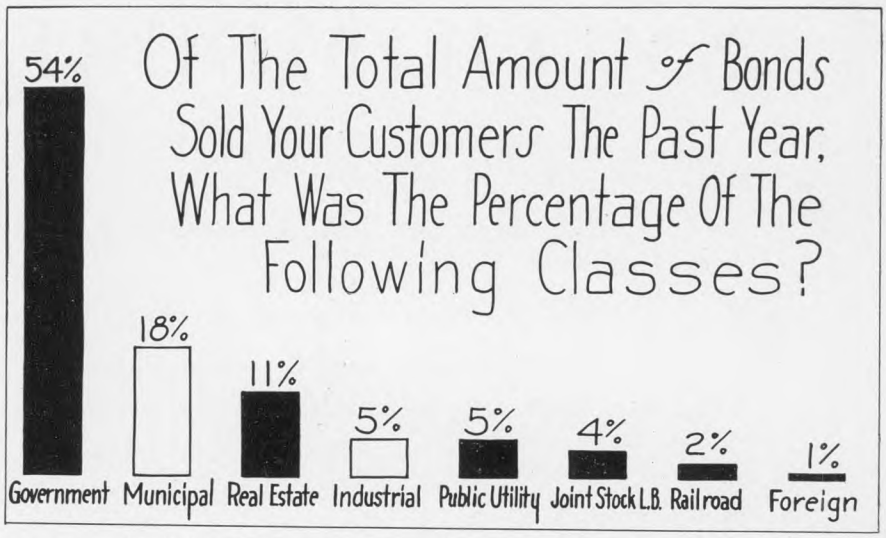
"We believe the banking business is changing considerably. The banker is no longer a keeper of other peoples' money, but an investor for them. The banker was formerly satisfied to accept funds for safekeeping and expected to derive his source of income from the reinvestment of these funds. Nowadays he is becoming more like the chain store in that he must figure his profits from the turning of his capital-making his small profit on each turn of the capital."

"Smaller Yield, but Safe and Liquid."

"Our idea of a bond investment is short maturities that are readily salable for reserve purposes, and interest yield the last consideration. Smaller yield but safe and liquid."

Public Likes to Buy Bonds From Their Own Bank.

"The public is buying more bonds and the tendency is to buy more and more. Especially is this true as re-



Government bonds have the best sale in the smaller towns; city bank customers prefer the higher yield obtained from other types of bonds

gards the purchase from bankers as an armour of safety first. People want to feel the security that comes from dealing with parties that have a reputation for stability, success and conservative judgment—someone they know all about, that will be there when the bond comes due and that they can consult at any and all times with utmost confidence in their integrity."

Plenty of Money For Bonds in Arkansas.

"In our opinion, there never was a period when there was more actual money in Arkansas banks than at the present time, and I believe we are just entering a new era of financing. We realize we must from necessity get away from the old time high yield real estate loans which have been so attractive in this territory for many years. Due to the fact that so much development and so many improvements are being made in Arkansas at the present time we feel that our Bond Department will do a very profitable business."

Should Help Customers To Invest in Bonds.

"In our opinion when agricultural conditions get better and get back to normal so that the farmer is able to begin to see his way out and funds become more plentiful, that it will be good business to assist our customers as a whole to invest some money in good bonds, as much for a reserve in hard times as for anything else. If the general run of country bank customers had had some investments in good bonds during the past few years instead of having spread out so, the country would be better off now."

Public Learning Differences Between Stocks and Bonds.

"Since the war people inquire about good bonds and we have become used to dealing in them. We have more bond buyers than ever before and the prospects are bright that this demand will continue as the public generally are learning the difference between bonds and stocks and investing their money accordingly."

Prize Essay Contest

Because the subject is of such vital interest to bankers in the Mississippi Valley states, the Mid-Continent Banker of St. Louis in co-operation with the Northwestern Banker of Des Moines, announces an essay contest on the subject:

"PROPER DIVERSIFICATION OF A BANK'S SECONDARY RESERVE."

Three cash prizes will be presented for the best essays of not more than 1,000 words each as follows:

First prize $50.
Second prize $30.
Third prize $20.

The judges of the contest include an official of the Investment Bankers Association and the presidents of two state bankers associations in this territory.

Prize winning essays, and others winning honorable mention, will be published in the Mid-Continent Banker.

All bond and investment dealers and bankers in the Mid-Continent Banker territory are eligible to compete.

Essays must be in the office of the Mid-Continent Banker, 408 Olive Street, St. Louis, on or before March 20, 1927.

Will Sell More Bonds in 1927.

"We believe that there will be more bonds sold to individuals in the coming year than in 1926. This is largely due to the fact that people are becoming more acquainted with the various investments that are being offered today. They also look for higher yields in interest rates."

Customers Not Yet Educated to Bond Buying.

"We sell mostly farm loans—a few bonds—but our customers have not been educated to price fluctuations in bond market and hesitate to buy above par, also dislike to sell their bonds below cost to them."

Bond Sales Are Necessary for Profits.

"I think that the bank that will not handle bonds in the next few years will not have very much profit at the end of the year. While we have not been buying very many on account of too much local demand for our money, we expect to gradualy build up."

Sale of Questionable Bonds Hurts Business.

"We feel that the many questionable bonds being sold will go a long way to hurt the bond business in the future. Many people think anything with the word bond attached to it is all that is necessary, and we know of many investments of that nature that we feel will not mature to the satisfaction of the buyers."

Take a straw and throw it up into the air, you may see by that which way the wind is.—Selden.

The philosophy of one century is the common sense of the next.—Beecher.

What the Bond Investor Wants to Know

By Leroy D. Peavey
President, The Babson Statistical Organization

WHEN buying a bond—or any other security—the average person should talk it over with his banker. Isn't it true that before making an important contract, people consult a lawyer or an engineer? In matters of health, they seek professional advice? Then why, when purchasing securities, do the most ignorant of people think they know it all? They blindly go ahead by themselves without benefit of counsel. As a result, the public loses millions upon millions of its hard-earned money in worthless "securities"—which are really insecurities. Worst of all, this terrible sacrifice falls chiefly upon those who can least afford it—small business men, professional people of limited means, the proverbial widow or orphan. Much of this economic waste and wreckage is avoidable.

Must Appreciate Outlook

From an experience of more than twenty years, in contact with thousands of investors, I will outline some of the things which the bond buyer needs to know, if he is to employ his funds with safety and success. It is necessary at the outset—and every banker will second me in this—to appraise the fundamental situation and outlook. In the last analysis, the bond market rests upon economic foundations. What, then, is the trend of fundamentals? The dominant feature at present is the course of commodity prices and interest rates. Following the World War, the broad movement or prices and interest rates has been downward. True, there have been minor ups and downs, but the basic slant has been one of decline. Thus history is repeating itself, for you find the same price tendency as in the aftermath of the Civil War, and indeed of all other great conflicts in modern history.

As the general level of commodity prices and interest rates decline, the investment market tends to advance. This must necessarily be so. Not only are bond prices governed by the prevailing money rates, but a decline in commodity prices and the cost of living also means that the fixed income from bonds will "go further," and this increased purchasing power of the bond's income results in a rise in bond prices. With the prospect of further gradual declines in commodity prices as well as in interest rates, we may look for a more or less continued strengthening tendency in the bond market.

In making the foregoing statement I emphasize once more that I am referring not to the periodic swings of expansion and depression occurring every few years, but rather to the long-range view of bond values that may span a dozen years or so. The sharp upward movement from 1920 to date—more particularly 1920-22—has been phenomenal. It was the natural rebound from the excessive depression in bonds of 1917-20. From now on a more orderly movement is to be expected. A study of the accompanying chart discloses, however, that bond yields are still far above the average for the greater part of the last forty years. In other words, bond prices are still low in comparison with the levels existing prior to entrance of the United States into the war.

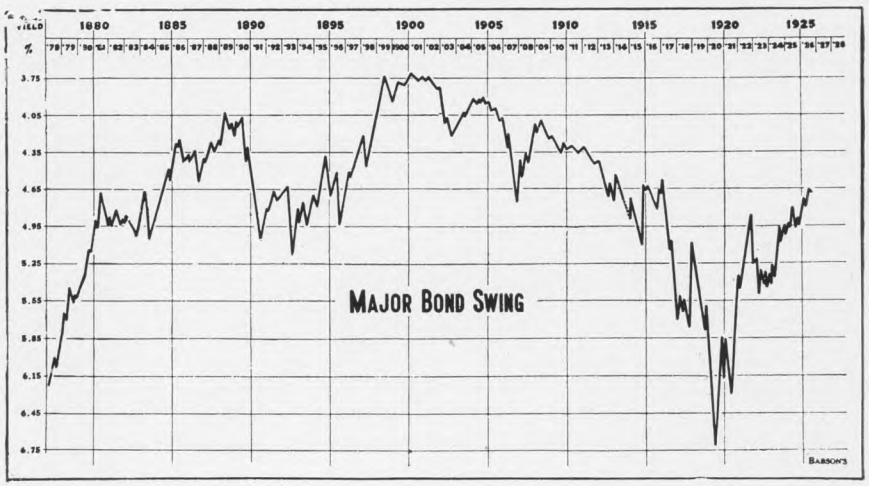
Leroy D. Peavey

What the Chart Shows

A comparison of the bond market following the World War and the Civil War is readily made from the accompanying chart. The extraordinary similarity of the two periods (1920-1927 and 1878-1885) cannot continue indefinitely. In a general way, however, the main trend in the next decade may reasonably be expected to follow that marked out forty-odd years ago. Current fluctuations in monetary conditions must be given due consideration from the standpoint of the immediate present.

If we are correct in our belief that the broad swing of commodity prices and interest rates is downward, then we may logically expect increased purchasing power of the dollar, increased value for each bond coupon, and higher price levels for bonds. In this connection we believe developments out of the study of a Royal Commission on the matter of exchange and currency in India is of interest. The commission is convinced of the "possibility, indeed the probability, that, unless great economy is exercised in the use of gold, we have to look forward to a prolonged period of steadily falling commodity prices throughout the world."

So much for the general fundamentals. In addition to this, the investor must know which securities best fit his own individual circumstances, conditions and requirements. "Fitting the investment to the investor"—here is where a banker can be of untold aid



to those who seek his counsel.

Because a certain investment security seems exactly fitted to the requirements of one buyer, does not mean that it is a desirable purchase for others.

On the one extreme, for example, is the multimillionaire. While safety of his investments is desirable, no question arises of poverty or want. He has a freedom of choice which other men cannot properly exercise. Nevertheless, his purchases are often restricted by the unfavorable tax situation which surrounds him. On the other extreme, is the situation perhaps best described as that of the "widow or orphan," where funds are just sufficient to provide income for necessities. Under no circumstances can such a person depart from conservatism.

Between these two groups can be placed a practically unlimited number of examples. They will agree in many respects, but certain differences as to age or state of health, dependents and general responsibilities, temperament and similar factors will inevitably call for modifications.

The funds of many investors are definitely divided into two parts: (1) a fund to be used for what is called permanent investment, and (2) a fund for the purchase of stocks and similar securities when opportune periods arrive. The buyer uses the first fund, not for appreciation in price, but for steady income with sufficient security.

An investor with wealth and an annual income of say $100,000, would now need a taxable bond, returning 5.26 per cent in order to get the same net return as he would receive from a tax-exempt at 4 per cent. A 5.59 per cent taxable return would compare with a 4.25 per cent tax-exempt, and a 5.92 per cent return with a 4.50 per cent tax-exempt. This, of course, refers simply to the interest received from any bonds bought after reaching the $100,000 income mark. Prior to that, comparison is more favorable to the corporation group.

Not the Best Combination

For such bonds as will be affected by maximum taxation, therefore, the very wealthy man will now get the best combination of security and return by buying tax-exempt. His position is such that, assuming fundamental soundness of the issues concerned, highest marketability is not essential. He can afford to take a certain proportion of relatively inactive issues for their greater return.

As to the well-to-do business man, I am assuming that he owns a good-paying business with a substantial cash surplus. His wealth, however, is almost entirely a matter of that business. He is primarily a business man, and secondarily, an investor. His investment problem, therefore, has principally to do with the placing of the surplus of his business. These funds may or may not be needed later in the business. It is essential that they should be treated in such fashion that, if needed, they will be available.

It is desirable, therefore, to emphasize short-term notes which can be liquidated without the possibility of suffering depreciation. Liberty Second 4¼'s are also particularly good since the present 13½ per cent corporation tax is avoided. Moreover, excellent marketability is assured and whether or not these are called, there seems little question as to depreciation.

How about the well-to-do salaried man? The investment program here is based on personal family conditions. This man's first job is to build up an investment backlog, the income from which will come reasonably near sustaining his family in their accustomed scale of living. Thereafter, emphasis can gradually be shifted toward more speculative things.

No arbitrary statement is possible as to the amount of such backlog, but the type of bonds to purchase, whether taxable or nontaxable, must depend on the salary. If highest surtaxes are met, tax-exempts should receive due consideration. If salary is not such as to push this man into the higher brackets of income taxation, he should start building up his fund with taxable bonds. Earliest purchases should be largely in reasonably conservative corporation issues. Gradually a few higher-yielding issues may be included.

The man of moderate earning capacity, after his life insurance is provided, can build up an investment list. The tax situation is not restrictive here and taxable bonds should be purchased. Emphasis should be placed from the start on conservative issues.

In this particular case very often responsibilities exist in the way of dependent relatives. On the other hand, the family income is often increased in moderate amount from outside sources, and fair-sized legacies are not uncommon. These are often sufficient to permit very definite changes in the investment program. Such conditions determine the extent to which the investor in this group seems warranted in drifting away from wholly conservative issues. Must he provide for outside dependents; will he be provided for in part by others; or is he in the purely neutral position that he will neither give nor receive aid of this kind? These are questions he must consider.

We now come to the proverbial "widow and orphan" investment. The probability here is that the investment fund is small. Moreover, it is not a fund which can be added to out of earnings, as would be the case if a business man's surplus were under consideration. In view of this situation, 80 per cent or upwards of the investment should be placed in long-term corporation bonds of conservative character. While it is desired to get the highest yield possible, the need for security far outweighs question of return. It is imperative that principal be kept intact. If good yield is not obtainable except by sacrifice of adequate security, there is no choice but to except lower return.

Naturally, in space of this article we cannot hope to cover even the most important phases of the subject of investing. The points, however, that we want to emphasize are (1) every investor should clearly understand in his own mind just what he is trying to obtain, and he should be sure that the program he is following is the one best suited to his purpose. (2) If possible, each investor should provide himself with the fullest statistical information regarding each security before he buys. If, however, he is unable to get such information for himself, he always will find that he can secure sound information and counsel from his bank.

New Eastern Representative for Mid-Continent Banker

Frank Syms has been appointed eastern representative of the Mid-Continent Banker with offices at Suite 1103, 25 West 45th Street, New York City. He will handle the editorial and advertising interests of the publication in the eastern territory. Mr. Syms will also represent other DePuy banking publications, the Northwestern Banker, Des Moines; Trans-Mississippi Banker, Kansas City, and the Southwestern Bankers Journal, Fort Worth. Mr. Syms is a graduate of Columbia University and has also been associated with Singer Sewing Machine Company and the National Park Bank of New York.

Frank P. Syms

During his university days he was active in athletics, being on the Junior Varsity football squad and runner-up in the boxing tournament in February, 1926. He also served as assistant instructor in gymnasium classes. He is a member of the Delta Upsilon Fraternity.

"Business Cycles"—Can Intelligent Investment Offset Them?

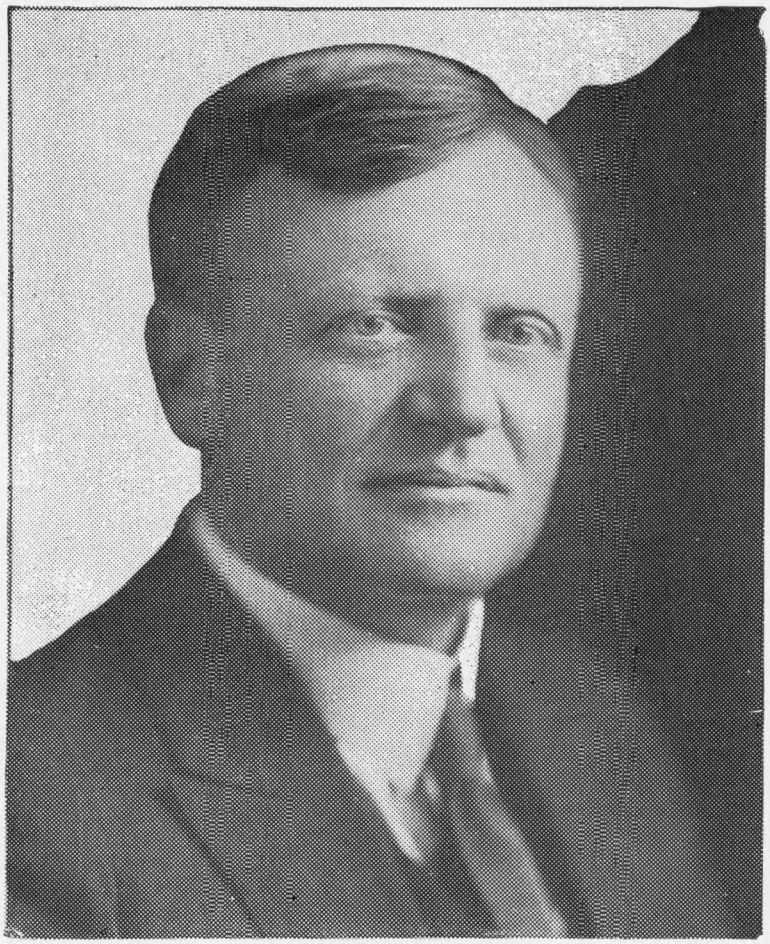
By Merle Thorpe
Editor, "Nation's Business"
Published by U. S. Chamber of Commerce

NATIONAL banks, under the provisions of the National Bank Act of 1863, were not given specific authority either to invest their funds in bonds or to buy and sell corporate securities. They were intended to be primarily commercial banks, employing their funds principally through loans and discounts for their customers. The majority of state banks other than trust companies and savings banks have taken on this commercial character also. Real estate and farm loans have from the first been carefully restricted.

It was natural, however, that commercial banks should invest their surplus funds in corporate bonds and like securities. It would be neither practical nor safe for banks to employ all of their funds in loans. It is imperative that they maintain a reserve. That reserve cannot be definitely fixed in amount, but must be capable of expansion on short notice. The surplus funds which banks in the early days found on hand could be put into high grade bonds at a higher rate of return than would be secured if they were merely placed on deposit in other banks in the financial centers, and indeed larger than was for the most part obtainable in loans upon the stock exchange of New York.

Good Secondary Reserve

Moreover, these securities formed the most satisfactory kind of a secondary reserve. When cash on hand became depleted it was possible to liquidate security holdings on short notice and thus increase the supply of cash. This advantage resulted from the fact that the machinery of security exchanges was early developed and there was a quick and constant market. In this way the bond reserve stood behind the legal reserve. It came to be considered conservative banking to maintain a good percentage of total assets in high grade bonds even though the rate of return was not so high as might have been obtained by the usual convenient loans.



Merle Thorpe

The very nature of their business brought it about that the investment in securities was a natural activity for bank officers. Their customers were continously asking their advice as to private investments. Moreover, in approving or rejecting applications for loans, it was customary for bankers to scrutinize the financial set-up of concerns who dealt with them, and it was necessary in many cases to recommend an increase to capital stock or a bond issue. The development of trust functions for banks involved dealings in securities. The pioneer investment houses had no country-wide network of distributing agencies, and it was logical for them to use distributing facilities of commercial banks. In such operations it was inevitable that the banks should become something more than distributing agencies. Bond investments seemed to be of importance because in them it was possible to conform to one of the fundamental precepts of business operation — diversification of investments.

Thus commercial banks came to deal in investment securities, not only for their own account and for the account of their customers, but also to underwrite issues. Out of this practice grew the affiliated investment houses specializing in that type of activity. While perhaps not strictly legal for national banks, it was not objected to, and in fact, was given a quasi-legal status by interpretation of the national banking act by the comptroller of the Currency. It is interesting to note that the McFadden-Pepper bill, which is at present before Congress, would legalize that practice on the part of the national banks.

With the establishment of the Federal Reserve System, it was thought by many that the importance of bonds in the portfolios of commercial banks would be lessened. Through the machinery of the Federal Reserve banks, the eligible rediscountable paper in the hands of member banks became in reality a secondary reserve. When additional funds were needed, eligible paper could be sent to the regional reserve bank, instead of placing reliance on the sale of bonds. It was hoped, too, that the bankers' acceptance would develop to such an extent that it would form a substantial part

(Continued on page 83)

What Effect Will the New Arkansas Law Have on District Bonds?

By John R. Thomas
Assistant Sales Manager,
William R. Compton Company

IN the early part of February, 1927, the General Assembly of the state of Arkansas passed an act which the governor of that state signed and it is probably one of the most important steps that any state has ever undertaken regarding the indebtedness of its political subdivisions. Briefly it declares that it is the policy of the state to take over, repair, construct and maintain all the roads in the state, comprising the state highways, and that it will pay the coupons and bonds of the districts which issued these securities in the past.

The history of Arkansas district bonds goes back to 1874 when the people of Arkansas enacted in their constitution an article forbidding the issuance of bonds by their political masters and allowing no bonds to be issued in the usually accepted form of direct obligations, payable out of ad valorem tax. They did, however, in another article, allow cities and counties to form districts in which the taxes were collected solely on land and which operated in practice like a "single tax law." This is the way the majority of improvements in the states have been financed, particularly roads, levees, drainages and other districts. At a later date an act known as the Alexander Act was approved March 30, 1915, although not a large percentage of road districts obtained money in this way, the majority of them being formed by special acts of the legislature. However, the districts themselves were locally managed and the taxpayers had the right to appeal to the courts for protection on the assessing of benefits and damages against their property.

In 1923 the General Assembly of Arkansas passed what is known as the Harrelson Act, which provided for a special tax on gasoline and oil sold within the state, and a higher automobile tax, which moneys were to be used, (a) for the creation of a highway department for the maintenance of roads, (b) a state program of roads, instead of the haphazard building of them by districts without regard for the rest of the state, (c) aiding financially in each county, an amount depending on its population.

This last clause put the road bonds in a preferred position as the state aid paid as high as 100 per cent of all the county road district taxes and also allowed them in most instances some money for road maintenance.

This assistance was timely and strengthened the obligations of the entire state, but was not comprehensive enough. Practically every state now realizes the importance of a complete intelligent road system, comprising main trunk lines of highways as well as inter-county connecting roads and inasmuch as the territory and benefit

J. R. Thomas

are so general, the obligation of assuming the debt and managing the enterprise is rightfully in the state's hands. It is obviously not equitable to tax heavily a county for a road that runs in and out of that county for the benefit of the general tourist and merchant. Consequently, the gasoline and heavier auto tax are fast becoming recognized as sound economic measures and state after state gets its road income from this source. Arkansas, one of the most progressive of the Southern states, realized this, but due to its constitution has been handicapped in being able in the past to formulate some system by which money for roads would be well spent.

It is obviously not sensible to allow every county to build its own road, regardless of the neighboring counties, or to go to greater extremes and let districts in different parts of the same county build roads without regard for the general county scheme. Everyone is cognizant of the large increase in municipal financing since the war, brought about by the increased cost of living, by general prosperity and chiefly by improvements in transportation. Different states have enacted programs of road building running well over $100,000,000, and it is almost possible now to ride from coast to coast on a wide white ribbon of concrete, which, no doubt, enhances the value of abutting property, but mainly serves as an artery for some great center and provides ways for the auto tourist and passenger and freight auto trucks.

So regular has this become that every city of any importance has bus lines to adjacent points and they drive at high speed through rural counties that a few years ago were inaccessible in bad weather except on horse-back. These main highways are valuable as military roads to the Government who has been giving Federal aid and to the state as adjuncts to the railroad and electric lines. These roads furnish country produce fresh at the cities' door, allows the cities to furnish supplies to the country in hours rather than days and give the residents of the state great pleasure by enlarging their touring possibilities, besides bringing in millions from tourist trade, which would not come in without a fine road system.

The present state aid program was really started following the act of 1923, known as the Harrelson Act, and the passage of a similar act was attempted in 1925 but failed for lack of a few votes. Last autumn, however, the present governor and most of the legislature were elected on a platform pledged to construct and maintain a comprehensive highway system and support it with its own income. This act passed the lower house January 27th, and the senate February 1st, and was signed by Governor John E. Martineau on Friday, February 4, 1927. Briefly, the new act authorized:

1. The formation of a highway department with provision for paying the personnel, and the fact that this commission be appointed by the governor.

2. The taking over of all road districts now existing that form part of the highway system.

3. The paying of the valid bonds and interest of these districts from revenues collected from automobile, gasoline

and oil taxes. For this purpose $6,500,000 is annually set aside and that amount is approximately $400,000 more than the necessary amount. There is also provision for the annual appropriation of $1,500,000 to be used for the maintenance and construction of roads not in the highway system.

4. That the circuit clerk of each county shall certify to the commission the amount necessary to pay the maturing indebtedness of each road district in the county and the commission shall in turn "each year, beginning with the year 1927, allot to each road district in the state now having outstanding bond issues an amount equal to its bonds maturing during the year, together with the interest payable by such districts during the year, plus a paying charge of one-eighth of one per cent of bonds to be paid and one-fourth of one per cent of interest to be paid, and shall certify to the state auditor the amount alloted to each road district."

5. "The auditor shall issue warrants for such amounts on the State Highway Fund, and procure St. Louis, Chicago or New York Exchange for said amount payable to the order of the bank or trust company named as payee in the pledge or mortgage of the road district, and if more than one bank or trust company be named as payee, then to one of the named payees. Such warrants shall state in the face of the warrant that it is for exchange payable to ———— Bank or Trust Company for the account of the particular road district. Said exchange shall be mailed in all cases to the payee at least ten days before maturity or payment date of bonds or interest."

6. The commission is authorized to hasten road construction, special attention being paid to those counties in which roads embraced in the highway system have not been constructed by districts.

7. The maintenance of all roads in the highway system.

8. The issuance of notes; not more than $13,000,000 a year for four years for the construction of roads in the system and necessary means for paying these notes.

9. That all suits for delinquent taxes shall be pushed in an effort to collect past due taxes and that such collections, together with road funds available prior to 1927 shall be turned over to the commission.

Certainly this is a big step forward for the district debt of Arkansas, for while it only relieves the people of road taxes, these taxes are about 50 per cent of the total tax in practically all the counties with a system of roads. In other words, while only paying the road debt it renders the levee, drainage and school debt, etc., less burdensome and strengthens the entire outstanding obligations of the state and this without the **assessing or payment of any new taxes.**

It also gives us a new class of bond to classify. It is not a state obligation and yet not a district or county obligation. Though it should be remembered that this aid in no way relieves the district from its valid obligations and in the event of this act being discontinued from any cause, the lands of the district are still liable for the full amount of its benefits, as in the past. This is of some importance and should be remembered since it will cause the value of these bonds in the future to be governed to some extent by the statement of the issuing district. While such a contingency is remote and not expected, yet the investor will do well to examine the record of the district in the past when they handled their own affairs and note the debt per acre and tax per acre as well as the fact that the bonds were properly approved by reputable attorneys and handled by an experienced investment banking house.

Just what effect this will have on the market price of the district bonds is hard to state. Certainly they cannot be considered state obligations and the multitude of issues makes it hard to determine what price or basis they will go to, or if the range will be as wide in the future as in the past. During the fall of 1926 and this winter, Arkansas road bonds sold from a 5 per cent to a 5.40 per cent basis, depending on the character of the district and the maturity, coupon and size of offering. Will they now all sell on the same basis despite the different characteristics of the district, and will they go to prices in line with their new standing? Possibly the best way is to consider them medium grade municipals which eventually will sell at considerably higher prices. It is not suggested that holders of these bonds, however, try to realize a profit until the market has adjusted itself and a proper basis is established by the demand. One thing is certain, the holders of these bonds, or for that matter, any valid Arkansas issues, are materially helped and should rank their Arkansas bonds considerably higher than they have in the past.

Start Work on New Home for J. C. Willson & Co.

CONSTRUCTION has been started on the new building at 130 South Fifth street, Louisville, which is to be occupied by James C. Willson & Co. investment security dealers, now located in temporary quarters in the Marion E. Taylor building. The new building, which will be one of the most beautiful in the entire city of Louisville, will be ready for occupancy about June 1st.

It will be designed along the lines of the Italian Renaissance period, with all ornaments true to this period and executed by capable craftsmen. The main entrance, situated in the center of the first floor, will be constructed of ornamental iron.

The building will be situated on a lot 25 feet wide by 96 feet deep, and will contain three floors, covering the entire lot area.

The main offices will be situated on the first floor, which in design and beauty will not be excelled in the entire city. The interior also will be executed in the Italian Renaissance period. There will be a heavy beamed ceiling, Travertine stone walls and tile floor. All fixtures will be constructed of solid American walnut.

The walls and ceilings will be beautifully frescoed in appropriate design and colors to harmonize with the architectural treatment.

Upper floors will be used for miscellaneous purposes, such as mailing room, wire room, etc. The architects had in mind the efficiency of operation, as well as the aesthetic treatment in the general arrangement of the building.

James C. Willson, who is head of the company, has been a member of the board of governors of the Investment Bankers Association of America and is now a member of the committee on Ethics and Business Practice of the Mississippi Valley Group of the Investment Bankers Association of America.

Appointed Fiscal Agents of the State of Oregon

The National Park Bank of New York has received a letter from the Governor of the State of Oregon, advising them of their appointment as fiscal agents for the State, effective March 1st, 1927.

All maturing bonds and coupons of the State of Oregon should be presented at this bank on or after March 1st, 1927.

A Seller's Market in Bonds

The Future of Bond Prices Is Nothing Less Than the Future of Interest Rates

By Walter P. Barclay
of the Wall Street Journal

THE perennial query of the business man is as to the outlook for business. If it is satisfactory, will it continue so? If disappointing, is is about to improve? To the dealer in bonds it is a two-edged problem. To him good business means an active demand for bonds involving not only the profitable origination and distribution of new issues, but the accumulation and resale of existing securities. It also involves for him a consideration of the trend of money rates. He must consider whether active business will mean such a call on the supplies of funds for the carrying on of commerce and industry as to raise the cost of money, as expressed in interest rates, to a level where bond prices must decline to maintain an income yield greater than the rent receivable for loans.

The trend of bond prices will be in inverse ratio to the trend of money rates. That is, the future of bond prices is nothing less than the future of interest rates—whether they will be high or low. If interest rates are going to continue low bond prices are certain to work higher; if interest rates are going to work higher, bond prices are bound to recede.

Future Bond Prices

Currently there is less argument as to the trend of the bond market than as to the length of the period during which price advances may be maintained. There are few dissentient voices to the opinion that bonds are on the road to higher prices. How long may we safely project that viewpoint into the future? Perhaps this circumstance may be enlightening: One of the great banking institutions of the country has decided that too large a proportion of its investments, about 25 per cent, mature about 1936 and it is embarking upon the task of switching the millions so invested into bonds of more distant maturity. That is one of the most impressive answers to the query as to how long we may look forward to low interest rates or, in other words, to high bond prices.

So great is the flow of new securities into the hands of investors that one constantly meets puzzled interrogations as to the identity of the buyers. Directly or indirectly, you are buying the bonds—you and your neighbor, your employer, your employe, your butcher and baker and candlestick maker; but that is another story. We are here concerned mainly with the tendencies of the bond market and why it seems scheduled to maintain its upward drive even though the momentum of the rise may not be so spectacular in the next few years as in the last two or three.

Prosperous conditions for several years have created a seemingly unlimited volume of funds over and above the regular needs of business. The postwar appreciation of securities as investment media is variously ascribed to the Liberty Loan campaigns of the war period, to the efforts of security distributing concerns through wisely directed advertising and capably directed sales forces to place before the people of the country the opportunities to achieve financial independence through sound investment and to the educational work of such a publication as The Wall Street Journal in the dissemination of information about securities and the course of business and financial progress. Be that as it may, there is an almost insatiable appetite for bonds and other investment securities. Unless new securities can be manufactured at a rate to keep pace with the flow of funds available for investment, competitive bidding for bonds must carry them upward and onward.

> "It is axiomatic that for sound investment the investor should put his money into the securities of companies producing an article occupying an established position in the requirements of the people. In other words, he should eschew the products which are subject to the whims of fashion, of popular favor, or of the exclusive set. Profits in the latter field may be huge—while they last—but tastes are fickle."

Influence of Easy Money

We have for this movement the great foundation stone of comparatively easy money based on our huge reservoir of gold. Far from shrinking, this reservoir seems inclined to expand with its buying power reinforced by a downward tendency in commodity prices.

In the early postwar years we were able to make substantial loans to the noncombatant nations of Europe. As these adjusted their economic houses they ceased to be insistent borrowers. But with the formulation and acceptance of the Dawes Plan we loaned heavily to the victors and vanquished in the war; to Germany particularly we advanced funds for government, provincial, municipal and corporation purposes. But Germany is following in the wake of the neutral countries and is able to handle more and more of her financing internally, thus removing one of the popular outlets for the funds of American investors. It is true that Italy has become an important borrower and French corporate demands are expected to be fairly heavy once settlement of the intergovernmental debt question is achieved. But it is to be doubted whether these borrowings with those of the sounder South American lands will be sufficient to make important inroads upon our surplus funds.

United States Government bonds are in diminishing supply. And as confidence grows in other high grade investments there will be "switching" from Liberty Bonds into the highest grade of state and municipal securities. This will have the effect of forcing prices of the latter higher. The banks will continue to take Liberty Bonds liquidated by the individual because they need them for reserve purposes.

Surprising as it may seem the supply of tax-exempt bonds is not increasing to any extent. By tax-exempt bonds is meant the issues of states and political subdivisions thereof. A decade or more ago it was calculated that the average life of the municipal bond was in the neighborhood of thirteen years. Since then the serial bond of shorter maturity has come into vogue so that such issues are being paid off more rapidly than is generally appreciated.

Influence of Stock Issues

Increasing financing strength and brighter prospects of the railroad companies, public utilities and sound industrials hold promise that a growing amount of financing will be done through stock issues, to the advantage of the corporations concerned. In

some instances in the last year issues of bonds have been replaced by stock issues. To keep pace with the growth of the country plant expansion will be necessary in various industries and to the extent that these are financed from earnings or stock issues the buyer of bonds will be deprived of such additional opportunities to invest his funds.

There is an increasing tendency to transfer the ownership of privately owned business to public hands. A recent instance of this movement was the sale of the Victor Talking Machine Co. Proceeds of such transactions are frequently placed by the former owners in tax-exempt securities to a great extent though a portion finds its way into other forms of corporate investment.

Only a few days ago New York newspapers featured a campaign on behalf of a prominent hospital for an endowment fund of $5,000,000. This means, to the extent that the aims of the sponsors of the movement are attained, investment of those funds in bonds. Creation of endowment funds for hospitals, colleges, aged and superannuated clergymen, institutions for indigent members of fraternal associations, their widows and orphans, and similar worthy purposes tending to remove their maintenance from the uncertain stage of voluntary contributions and annual drives for funds, adds to the volume of money which will seek a resting place in long-term interest-bearing securities.

More and more those having profits from business enterprises and some having speculative gains tend to place them in whole or in part in the security of the government, municipal and corporation bond.

A factor of importance, more so perhaps than many persons realize, is the steady destruction of the machinery and scattering of the personnel for the manufacture of worthless "securities," although symptoms of it still remain in the somewhat lurid literature many of us receive from the oil fields of Texas. Much of the money formerly so wasted finds its way, directly or indirectly, into sound securities.

The editor of The Mid-Continent Banker asks what type of securities a bank should sell its clients. That looks like a formidable proposition. Perhaps it would seem simpler to phrase it another way—what kind of securities should an investor buy?

Buy Long-Term Securities

If our judgment is correct that the trend of interest rates is in the direction of money ease for an extended period, is it not obvious that the investor should buy long-term bonds? If the prominent institution referred to above has concluded to switch millions of its investments from securities maturing in about ten years is not that an intimation to the individual investor to put his money into securities running twenty or thirty or more years?

It is axiomatic that for sound investment the investor should put his money into the securities of companies producing an article occupying an established position in the requirements of the people. In other words he should eschew the products which are subject to the whims of fashion, of popular favor or of the exclusive set. Profits in the latter field may be huge—while they last—but tastes are fickle.

And when the prospective investor is examining the security of a bond he should by all means count earning power as one of the most important factors in that security. What makes a thing valuable is its present or prospective earning power.

The selection of a security is a matter of the utmost importance. The investor cannot afford to do it with his eyes shut. And not only must the investor choose well, but he must watch and study the influences of the varying factors which tend to alter the value of his investment from week to week and even from day to day.

Does the Sale of Bonds Take Wealth Out of Your Community?

By Laurence H. Sloan
Managing Editor, Standard Statistics Company, Inc., New York

IN YOUR recent letter of January 11th, you ask us a very interesting question, viz:

"Will a bank located in an agricultural community impair in any way the prosperity and well being of that community by selling to its customers the bonds of industrial concerns located in a large city?"

Before coming to grips with the main question itself, it is necessary to raise, and to answer, several preliminary questions relative to the terms which you use in your letter.

(a) What is a bond?

What Is a Bond?

It is a promise, usually made by a corporation, to pay a definite sum of money upon a fixed date, and to pay definite sums of interest, also at fixed dates, for the use of the money which the bondholder advances. In effect, a bond is nothing more nor less than a document certifying that an individual has loaned a certain sum of money to a corporation, and promising to repay that sum with interest. For all practical purposes, therefore, the purchase of a bond is an operation identical with that of making a promissory note. All corporations are not able to keep their promises to repay the sums that they have borrowed from bondholders. Sometimes they default. Therewith, the bondholder loses, just as he would lose if instead he had lent his money to a friend or to a local business man, who were likewise unable to repay.

Still further, the promises of different corporations are regarded with different degrees of assurance by investors. Therefore, their bonds sell at different prices, and to return different yields.

The point is this: There is nothing intrinsically safe about a certificate of indebtedness merely because it is a labeled bond. Some bonds are safe; others are unsafe, just as some personal debts are good and some personal debts are bad. Further reference to this fact will be made later on.

(b) What is wealth?

Physical property, mainly. To name only a few types: land, along with the minerals that lie beneath the surface, and the plants and animals which live and grow upon the surface; buildings; furniture; equipment of all sorts, such as tools and machinery; improvements, such as bridges, roads, etc.; clothing, etc. The list is interminable. The total value of our physical possessions constitutes what is known as our "wealth."

(c) What is money?

A medium of exchange. The total wealth of the United States, i. e., the total value of its physical possessions —is estimated at well over 300 billions of dollars. The total of our money, including gold, silver, government notes, Federal Reserve notes and National Bank notes amounts to only about five billions. Money is the means by which we exchange wealth. It is, therefore, essential not to confuse money with wealth in the consideration of a question such as is herein involved.

Editor's Note:—The article on this page is a very full and complete report made by the Standard Statistics Company of New York City, to one of its client banks, which had submitted this question: "Will a bank located in an agricultural community impair in any way the prosperity and well being of that community by selling its customers the bonds of an industrial concern located in a large city?" Laurence H. Sloan, managing editor of the Standard Statistics Co., Inc., is the author of the treatise. Since this question is in the mind of every country banker, the MID-CONTINENT BANKER recommends this article for careful study by its banker readers.

(d) Upon what does the "prosperity and well being" of any given community depend?

The Answer

Not upon the actual quantity of money that is circulating in that community, but upon its wealth and upon the volume of new goods which it is able to produce from year to year. Wealth is only useful when it is at work. The only way it can work is by producing goods. The greater the product of a given community, the greater will be the volume of goods that it will have for its own consumption, and that it will have to exchange for the goods of other communities; the greater will be the volume of physical wealth, therefore, that it will have for its own enjoyment. The fact that the exchange of these goods is effected through the medium of money need not complicate the matter in the slightest. It is the goods that give the enjoyment to those who produce them, not the money. Money itself gives no enjoyment; it is what the money will buy that is of importance.

In view of the foregoing, we may now ask:

Does the purchase of a bond by the resident of any community actually result in the transference of real wealth from that community?

Only if the purchaser, to get command of the purchasing power which he needs, sells and ships from the community equipment used in the proceeds of production. He cannot transport the land, of course. But, for example, a farmer near Waterloo, Iowa, could denude his farm of implements, sell them to a second hand dealer in Des Moines and place the proceeds in the bonds of the United States Steel Corporation. If so, he would have really subtracted from the community's productive power, and therefore, from its wealth.

But aside from the utter absurdity of such a program, it need be given no consideration here for the reasons that the funds which usually gravitate into bonds are not of this type. They are surplus funds, seeking employment. So we are quite safe in assuming that the purchase of a bond, regardless of the location of the corporation which issues that bond, virtually never results in the transfer of any actual wealth from a given community.

Does it then, result in the transfer of any money?

If the purchaser draws against his checking account in the purchase of the bond, the "money in the bank" is, in theory, decreased by just that much. But the purchaser is buying income, which will be coming back to him regularly. He has a promise of the ultimate return of his principal. If he holds a good bond, the principal will be repaid when the bond matures. If he wants his money back before the maturity date, he can sell his bond in the open market. Moreover, he can offer his bond as collateral at any time that he desires and borrow against it.

And if, in the original instance, he does not buy his bond for cash, but

borrows money from his bank to do so, that bank's deposits and loans will actually increase by a corresponding amount.

No Permanent Loss

So there is considerable question as to whether the purchase of a good bond results in even a temporary loss of money to a community. It is certain that no permanent loss is suffered, because the bond (if it is a safe one) is ultimately redeemed by the corporation, and because the bondholder received income from his capital during the time that it is tied up in the bond.

There is still another angle of approach. Suppose that, instead of purchasing a bond of some outside corporation, the local capitalist with surplus funds should establish a factory, or some other productive mechanism of that sort at home. Would this procedure not be better for the community than the purchase of the bond of an outside corporation?

Yes—providing the enterprise turned out to be a successful one. The new factory would increase the community's output of goods, would probably bring in new workers, would lift real estate values, etc. But if it was successful, the community might in the long run find itself worse off than before. It would have actually wasted a portion of its surplus savings. The United States is strewn with the wrecks of such loyal "home enterprises"—productive mechanisms which should never have been built, and which after they were built found that they could not compete with the large scale organizations operating in the same field. They account for considerable waste of savings.

The question then becomes one of the degree of risk which an individual capitalist is willing to assume. If he is willing to take long risks he might greatly benefit his community by adding to its productive facilities. On the other hand, he might waste his surplus. If he wishes the minimum of risk, he will be well advised to buy bonds of the highest grade thereby conserving his capital, adding to his current income and insuring that he will be repaid ultimately the sums which he invests.

By no method of reasoning is it possible to assume that when the resident of a community purchases the bond of an outside corporation the community is worse off than it was before. It loses no wealth if the bond is a safe one; in fact, it gains wealth through the income from the bond. And probably except for temporary readjustments, the community does not even lose any money in such a transaction. We do not see how any bank can harm either its own interests or those of its community by encouraging the citizens of the community to place some of their surplus capital in good bonds. In fact, we cannot see but that every one would be benefited. The only danger lies in the character of the bonds which the local bank recommends and retails. It should take every possible step to see that the interests of its clients are safeguarded in this respect.

Federal Surety Now Entered in Twenty-Three States

Admitted assets of $2,342,866.69 are shown in the condensed financial statement as reported to the United States Treasury Department by the Federal Surety Company of Davenport, as of December 31, 1926. The paid-up capital of the company was $725,000, with $400,000 surplus over liabilites. First mortgage loans on real estate were $1,020,715.25.

The Federal Surety has had a very successful year, and now doing business in twenty-three states through 1,500 agents and several branch offices. Operating expenses last year reduced, including average premium commission, which show an average of less than 22 per cent.

Vice-President and General Manager W. L. Taylor is optimistic over the 1927 outlook for his company, predicting that this year's figures will show the company producing a premium value of about $2,500,000.

Our Good Friend, the Bond Man—Give Him a Hand!

By Roscoe Macy

"NO. DON'T want any bonds today," Henry Billings, president of the Peoples' State Bank of Warfield, frowned menacingly at the salesman on the other side of his desk. "No," he continued, "Won't even have time to look 'em over this afternoon," and he turned to rustle about busily among the papers on his desk.

The next day, a neat folder in the stack of morning mail caught his eye, and he opened the latest published statement of the Warfield Savings Bank, his competitor down the street.

"H-m," he muttered, as he glanced over the figures. "What's this? 'Other Bonds, $42,363.80.' Huh! More of that new cashier's nonsense, I reckon," with a dubious shake of his head. "Pretty good statement, though, outside o' that," he conceded, grudgingly.

A few minutes later he picked up the folder again. Once more, "Other Bonds, $42,363.80" loomed out from the column of figures on the "Assets" side.

Henry's Note Case.

Somewhat impatiently, Henry called for his note-case. Yes, there was that mortgage on the Miller "eighty," that the Gruhn boys wanted to buy the other day—and these others which the Murphy Mortgage Company had been after for a month. Maybe it would be better to sell them while they would still command a little premium. With another look at that boldfaced "Other Bonds, $42,363.80," he gave vent to a snort of a derision, and began to burrow about among the litter of papers on his desk. At last, he succeeded in unearthing the object of his search—a business card, neatly engraved, "Bernard J. Woodson. Representing Black, White and Gragreen. High-Grade Bonds." Then he reached for the telephone and placed a long distance call.

In due time, the bell rang, and the following conversation ensued:

"Hello. This Mr. Woodson? Well, this is the People's State, at Warfield; thousand dollars worth of bonds."

"Fine, Mr. Billings. And what kind?"

"I said I wanted to buy fifty thousand dollars worth of bonds."

"Yes, Mr. Billings, I can hear you perfectly. What kind of bonds did you have in mind?"

"What kind? You got more than one kind? Oh, I guess I see what you mean. What we want is home negotiable bonds. Prime, they call 'em, don't they? We want 'em for our statement, you know."

There was a momentary hesitation at the other end of the wire. Then Mr. Woodson cleared his throat. "Ah—I see. Well, fortunately, we do not handle anything but prime paper. About what issues do you want?"

Henry Becomes Angry

"Shoes?" shouted Mr. Billings. "Who said anything about shoes? I want to buy BONDS—B-O-N-D-S—fifty thousand dollars worth! See here"—as a momentary doubt assailed him, "Is this Woodson, the man that sells bonds?"

Mr. Woodson apparently had a rather bad cold. He was taken with a paroxysm of coughing, but at last regained control of his voice. "You misunderstand me, Mr. Billings. Seems to be something wrong with this connection. What I meant to get at was the particular issue or issues of bonds you had in mind."

"Oh. I see. Well, I hadn't thought about that."

"Well, let's see what we can work out. Now, about what income do you expect?"

Mr. Billings flared up again. "Looky here, young man," he shouted, "it don't make a bit of difference about my income. You bring your old bonds down here and I'll pay for 'em. I got the money—don't have to pay for 'em out of my income."

"No, no. I meant what yield—what interest rate would you expect to realize on your investment?"

"Why, ain't they all four and a quarter?"

"Listen, Mr. Billings. Suppose I drive down there again and go over this with you personally. I can come around that way in the morning."

"No, no. That won't be necessary." And Mr. Billings muttered to himself, "they don't play that on me. Charge me for an extra trip—I guess not."

"Well, suppose we leave it this way, then. I'll have our secretary make up a trial order of fifty thousand, assorted to fit in with your particular needs, and we'll ship them subject to your approval on examination. All right, Mr. Billings, I'll be around to see you as usual next trip. Goodbye."

Fortunately, Black, White and Gragreen are a reputable firm, with a long

list of satisfied customers and a reputation for fair-dealing which they can't afford to lose. And fortunately for the rest of us, Henry Billingses in small banks all over the country, most of the established, well-known bond houses fall into the same classification. The chances are five to one that the shipment of bonds received in due time by the Peoples State Bank of Warfield comprised the best assortment obtainable for their purposes. Unwittingly, President Billings has chosen what is probably the safest and best method of buying bonds, in the case of one who is untutored in the intricacies of the bond game. His purchase was made up by an established expert, in the employ of a concern which cannot afford to make a mistake.

The good salesman comes into your bank and mine, and he makes us think we know all there is to know about the various issues he has on his list. But if he works for a reputable, well-advertised house, he will steer us carefully away from any issue that is unsuitable for our needs at the time—and will make us think it was on our expert judgment that led us to reject that particular paper.

You don't know the young man who visits you for the first time with his bond lists and prospectuses, but the chances are you will recognize the name of his firm. It may be an old established concern that has been in the business for generations—or it may be a new company whose advertisements you have read in your bank journals. In either case, you are probably in safe hands. The bond selling institution that stages an intensive advertising campaign is making an investment in good will which they cannot afford to throw away through unwise sales, any more than the firm with a fifty year reputation for conservatism and reliability can risk that reputation for the sake of a temporary increase in business.

Leave it to Good Bond Men

The expert judge of bonds is a genius in his line, and few of us country bankers, with the limited experience available to us, can hope to match his skill. If he is backed up by a firm name whose reputation has been built up by large expenditures of time or money, or both, we can better trust his judgment than our own, after making sure that he understands our particular investment needs.

The purchaser of a bond is, in effect, lending upon a mortgage. When the directorate of a large insurance company approves a real estate loan, does each director inspect the real estate, check the abstract with the local records and strike up an acquaintance with the mortgagor? Not at all. The valuation is based upon the estimates of independent appraisers, the abstract work entrusted to a reputable abstracter, and the investigation into the character and earning power of the mortgagor is left to the local banker or loan agent. Each step is entrusted to an expert who has a reputation to uphold. Why, then, should we country bankers who buy bonds ever think of matching our judgment against that of an expert bond appraiser and against the reputation of his firm?

The audited balance sheet of the Midland Bank Limited, made up on December 31, 1926, shows total assets of 430,557,103 pounds sterling as compared with 411,485,767 pounds sterling for the corresponding date in 1925.

William H. Arnold has resigned as president of the American Trust Company, Kokomo, Ind., and has been succeeded by Cly R. Humston.

John H. Smith has succeeded the late W. H. Barnhart as vice-president of the Exchange Bank of Churubusco, Ind.

Country Banks and the Bond Business

General Business and Economic Conditions Point to a Further Appreciation in Sound Investment Issues

By Kelton E. White,
G. H. Walker & Company

"WHERE can I obtain literature that will tell me how to organize and operate a bond department?" That is the substance of a letter now on my desk from an ambitious banker. My reply is that the most illuminating literature on this subject at this time is the books of the bond houses that do an exclusive or almost exclusive retail, or distributing business. For the last year many bond houses, sound, established, very able concerns, have not made money. One widely known authority on the business says that that assertion is true of 90 per cent of the houses that depend chiefly on the retailing of syndicate participations from originating houses. They've made a living, and that is about all. After expenses had been paid, profits were nil or exceedingly thin. And that, too, has been the condition in the bond business in the face of the fact that practically all these houses did a larger volume of business in 1926 than in almost any previous year.

I have set down the foregoing as a sort of side-door entrance to this discussion. If readers of this magazine will accompany me we'll go into the quiet board room and see if we cannot find out what there is in bonds and the bond business for the average bank, and why it is or isn't there. Obviously there is one essential question, first, or there is utterly no use in going on with our conference. That question is, "What can a bank make out of bonds, either by handling them as a dealer or by using them as secondary reserves?" The answer to both divisions of that question is laid down by world-wide as well as by domestic business and economic conditions.

The Opportunity for Banks

As to the question, "What opportunity has a bank for a speculative profit in bonds?" I should say that that kind of hazardous profit is without the realm of banking. True, banks often may buy bonds with a sound anticipation of profit above the interest yield, but that gain is not a speculative increase. It is an economic, not a speculative profit. It is frequently called appreciation and it is the result of economic forces that the well-managed investment account takes into consideration and endeavors to foresee. These economic forces may be general, as in the present period with easy money, a persistent tendency toward lower interest rates and repeatedly the calling of high-rate bonds and the refunding of those same issues by means of bonds of substantially lower coupon rate. Or, these economic forces may be peculiar to a given class of bonds, or to certain individual bonds. For more than a year we've seen a rather steady appreciation in bonds. Although I do not wish to commit myself to gratuitous prophecy, I can see no reason why this condition should not be progressive. Generally, business and economic conditions point to further appreciation in sound investment issues.

Kelton E. White

I do not mean to seem to place profit in bonds as the first consideration. There is a vast difference between the sound banking wisdom of economic profit in bonds and the foolish gambling for a fanciful, dangerous, speculative profit. I have perhaps emphasized the foregoing because it is a natural tendency for all of us to look for larger profits. Usually the speculative profit is a dangerous will o-the-wisp, especially for banks. American banking is in an entirely new situation today. Banks that never before or only meagerly went into the bond market for secondary reserve earning assets are today buying bonds. The necessity for keeping large deposits busy, the necessity for greater safety in more thorough diversification, especially in agricultural and one-industry communities, is the undeniable economic force that directs this course. And that, too, is another condition that is virtually certain to be progressive. In other words, bonds have become general, a necessity for increasing safety and profits in modern banking. Without the large capital issues of the last few years, to employ huge reserves and other accumulations profitably, the banks of this country would be money poor, their profits undoubtedly considerably less.

Do Not Speculate

Hence, I do not think it out of place to warn against the dangerous, unsound, all-too-alluring speculative profit, and to emphasize the legitimate, desirable economic profit that is to be had in the well-managed bank's investment account. The order of the qualities of such an account should be safety, liquidity, yield and appreciation, or economic profit.

But, getting back to the opportunities for a bank's making a profit as a dealer in bonds, there is a great deal of very plain recent bond house history, not apparent to those not in the business, that should be useful to bankers, investors and all others using or interested in bonds. The oft-repeated facts of the increase in this country's gold supply and the awakened public appetite for investment securities, because of the Liberty Bond issues, needs no further repetition here. Rather we may begin with 1921 and 1922, two remarkable years in the American bond business. That was the thawing-out period following the post-war depression. Prosperity was ahead, capital was coming out of hiding. There was an enormous demand for investments and for new capital. Interest rates were very attractive. To handle this business, which has generally continued through the subsequent years, the bond houses had to provide greatly increased machinery. It had to be built and put into operation all over the country, a very expensive procedure.

The 1922 Market

The bond business as a whole was moderately profitable in 1921 and 1922, to the bond houses. It was remarkably

profitable for the discerning investors who bought sound, high-yield issues with almost positive certainty that those issues would increase greatly in value. But most of all was it profitable to a number of young men who had but entered the business as salesmen. These new men, with a more or less finished training as bond salesmen, experienced a happy beginning. About all they had to do was to take orders. Real salesmanship was not necessary, so much money was eagerly seeking investment. If the bond houses could only have kept the many sound issues they sold in 1921 and 1922 and thereby have saved the salaries and commissions paid to salesmen and order takers, and have cashed in on the appreciation they were sure would accrue to investors, they would in many instances have made considerably more money than by selling securities.

The foregoing is just a plain way of reciting actual business history, to show that the bond business is not a bed of roses even in more prosperous years. In 1923, the edge began to go off the bond market. During the previous two years the bond business had expanded enormously, especially in personnel. Much of this personnel had never been tested by a highly competitive market, and when it ceased to be practical to take orders without the salesman giving real investment counsel and service, a big part of this new personnel, trained at considerable expense, quit the bond business to look for something easier. Thus the bond business, voluntarily and involuntarily junked a considerable part of its new equipment at a very heavy cost. Since then it has been slowly replacing this junked personnel at additional expense.

The 1924 Market

In April, 1924, the bull market, forecast to run two years, started its dazzling career. A number of stocks were far too low. Naturally, many investors were attracted to stocks. Unfortunately for some of them they were still under the spell of the bull movement when a number of stocks, having been much too low, became too high. I mention this because it was the kind of competition that the investment business could expect and should be able to meet. During those years of this bull market the volume of new capital issues was large. The major part of it, which consisted of investment issues, had to be placed in competition with a speculative market that was very alluring. It was not an easy thing to do. Given a good excuse, a considerably part of our substantial citizenry would much prefer to speculate, even gamble, than to invest safely. None, however, will admit this truism.

The jolly bull market could not last forever, although some seemed convinced that it was immortal, ever-ascending. Came the bear market of March, 1926, short, but sharp. Fortunately, the market recovered. Values and earning power behind many securities were too large to permit a general slump or depression. It, however, had a wholesome effect. Possibly the increasing demand for high grade bonds is some evidence of this effect. Whatever the various causes, the volume of new investment issues was the greatest of any peacetime year of this country. Our war financing, of course, can not be included in a comparison of this sort. Unfortunately for quick placing of investment securities, interest rates had proceeded to decline. This should have stimulated investors to act against probable future lower interest rates. Many investors, however, while eager to invest, still had the yields of 1922 and similar years in mind. They could not quite appreciate that 1926 had rolled around with entirely new conditions. They demanded sound securities, but they wanted yields of 1922 or thereabouts. This was especially true of a large part of the new crop of investors created by the war and the Liberty issues, and it included individuals, corporations and some banks. In their investment minds they were still living in 1921 and 1922—some people are still living in those years in their conception of what sound investments can and should yield. This in face of the fact that one notable investment commentator has clearly shown that for the last 500 years the civilized world has universally experienced a steady decline in interest rates after every great war.

Money is Plentiful

Naturally, the bond business had to put a great deal of time and money into selling lower-yielding bonds in the face of the situation described in the preceding paragraph. Added to this the bond houses were in sharp competition for new issues. Money was and is plentiful. There is a profit for the houses that can get the business, if they can get it at the right figure. And since there are many able, dependable bond houses with greatly enlarged facilities, built up since the war, they've got to have business to take care of the greatly increased overhead. Consequently profits grow narrower and narrower as competition grows keener.

There is nothing fearsome in this situation for the capable, substantial house, large or small. They will have simply to live on less and to develop

efficiency in economies in doing business. But undoubtedly some smaller firms, that are scarcely more than small selling partnerships, face a severer situation. This is unfortunate, for many of these smaller concerns are composed of fine, capable, ambitious, dependable investment bankers, performing a useful and honorable work. It's simply that they are the victims of changed economic conditions. The bond house or bond department of a bank that hasn't the ability and backing to work out of these changed conditions cannot expect to make a profit, or to grow, although they could probably have made a fair profit under conditions of a few years ago. As a nationally-known authority recently said, five years ago was the time to think of starting a bond house or a bond department, not today.

The Present Opportunity

Rather clumsily no doubt, I have recited the essence of recent investment banking history, in this reply to the young man who wished literature on how to start a bond business. He will find this history confirmed throughout the whole country, if he will but look in the books to which I referred him, namely, the books of the bond houses. However, the other side of the picture, that side having to do with those who would buy investments, not sell them, is much brighter. In fact, I do not see how it is possible generally for banks to obtain safety and profits in a fuller measure without a greater appreciation and use of their second reserves in relation to sound, liquid, diversified investment securities.

The reasons for this situation are simple, although world-wide economics has produced them. This country still holds approximately half the world's monetary supply of gold. It has productive powers greater than ever before, and on a sounder basis than in any era of widespread prosperity the United States, at least, has ever known. In a practical way we might say that the ability of American industry to produce new wealth is almost unlimited. A huge pile of accumulated capital is heaped all about us. It is being added to day by day. It must be kept busy, soundly and constructively busy. Consequently bank competition is at a razor edge, especially for that great essential short term credit business. That condition cuts into profits deeply. On the other hand business has developed widespread new economies that have lessened and shifted the demand for credit.

A striking example of this is the credit economy effected by the widely practiced custom of hand-to-mouth buying, and the maintenance of low inventories by commercial establishments. True, this is to a large extent a shifting of the credit load. Where the merchant depends on smaller and more frequent commitments the manufacturer may have to carry larger inventories and thus be a larger user of short term credit. This means quite a considerable shifting of mercantile credit from smaller towns and cities to the large industrial centers, and to keep their funds profitably employed the banks in these towns are thus faced by the situation that has confronted the large city banks for years, that of going outside their home communities to obtain yield, greater safety and wider diversification.

Diversification Essential

In going out of the home community for business, there is, of course, the time honored custom of buying commercial paper. It is a splendid earning asset. Where bought of reliable houses there is none better for its purpose. Its record for safety is excellent. It has that great essential of liquidity. But its yield is low. In consequence there is practically no other alternative in maintaining the yield, safety and liquidity of second reserves than that of the well selected investment account, properly diversified as to maturities, as to geography and as to enterprises so that it shares in no harmful degree in the risks of any single line of business, any period or any community.

There is an especial advantage in the diversification of the secondary reserve where the community depends largely on one industry or on very limited industrial activity. That is true no matter what the industry may be, whether farming or automobile manufacturing. However, I am afraid this discussion grows too long. I may err in length because, to me, there are few more important business problems than that we in America learn the value of sound investing, both as bankers and as individuals. For those who have not made a comprehensive study of the subject I would suggest a little booklet, "The Investment Account of the Smaller Community's Bank," prepared by the educational department of the Investment Bankers' Association of America. It is entertainingly written, but very sound and with a conscientious desire to be practical and helpful. I have a copy on my desk. It cost me five cents, but I have a feeling that if any banker wrote to the Investment Bankers' Association and told them he saw this booklet recommended in this publication he would get one for nothing more expensive than the asking.

Ray Vance

What Does the Money Do?

Showing How American Capital Is Building America and Reconstructing the Remainder of the World

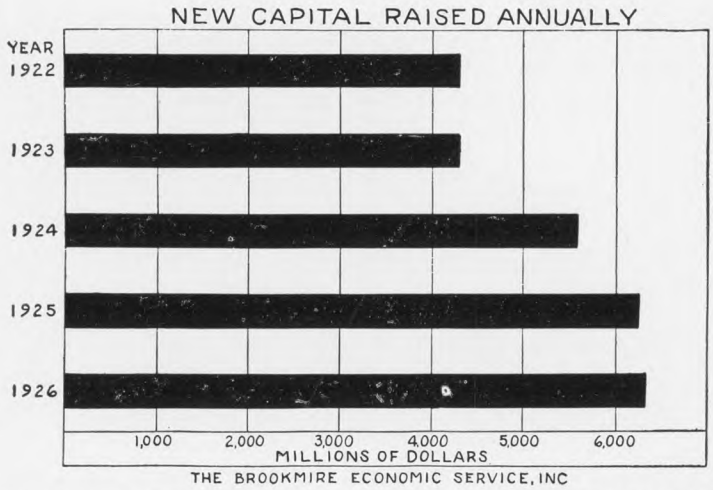
By Ray Vance
Economic Counsellor to the Brookmire Economic Service, Inc.

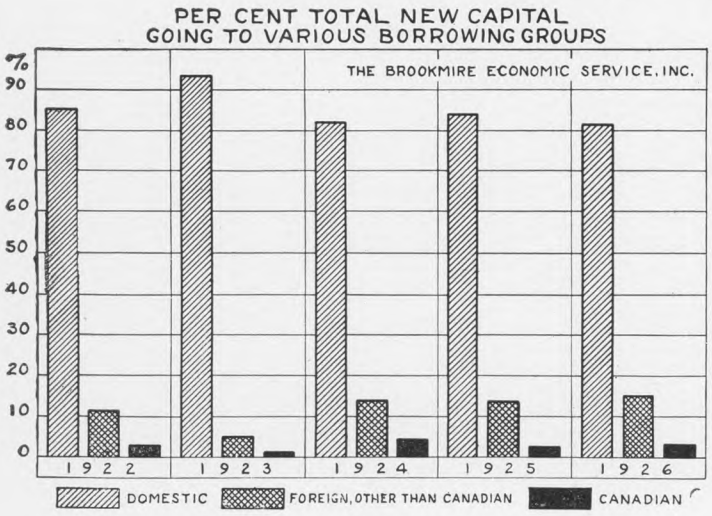
AN INVESTMENT banking house is an institution which sells securities to me. That is a common idea. And it is not strange that this idea should be prevalent, since it is as selling agencies that such firms advertise and as selling agencies that they come into business contacts with large numbers of people. Of course, the use to be made of the money is mentioned both by advertisers and by direct salesmen. In a few outstanding instances it is stressed. But, inevitably, the major emphasis is placed upon the financial soundness of the issuing corporation or municipality which will insure the safety of the investor's money.

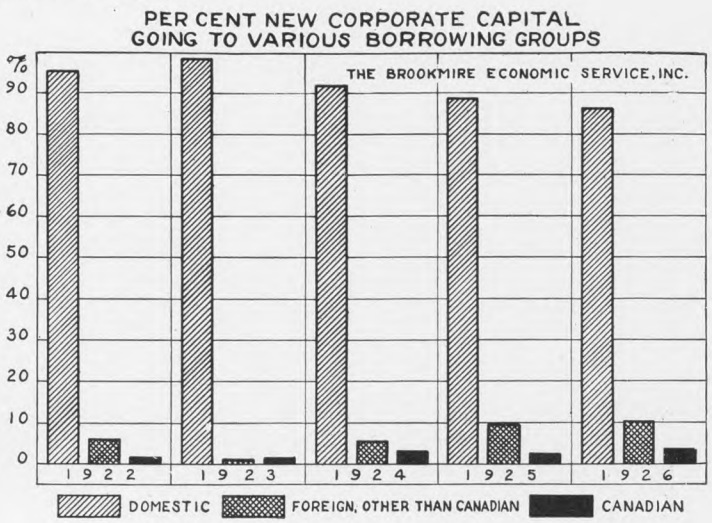
I have no desire to quarrel with this established policy, for it is fundamentally sound, and, for appeal to great institutions, it is sufficient. It does, however, have the negative fault of failing to play up to one of the strongest of all human traits. That is the ingrained human instinct to push back our personal horizons, to relate ourselves to activities of other men and to feel that we are playing a part in the general progress of the universe, rather than just living in our own little corner.

This is really a quite serious fault for those investment houses which appeal to small institutions and to individuals. In other words, we like to know that our thousand dollars is safe and that we shall receive each year an income of forty or fifty or sixty dollars, but, if one man offers us that alone while another offers us the same plus the mental satisfaction of knowing that we are sharing in some great achievement, I am quite sure that most of us will buy from the second man.

I will even go one step further and say the second man may get us so interested that we will save more money to buy his securities. Then I will go still another step and say that since the payment of our annual income and the ultimate payment of







our principal depends on future rather than on past financial soundness, the second man is really giving us an additional part of the picture to which we are entitled.

A Big Job Since 1921

If it were not for the ever present farm problem, it would be a little difficult to realize that the country we live in today is only five years away from the despondent one that saw the opening of 1922. Our broken down railroads are now a matter for boast; we have a "hard road" mileage of which we did not dream in 1921. Electric power is being made and used at new record levels everywhere. Instead of a national "housing problem" we have our homes, our offices, our stores, our schools, all of our institutions, better housed than ever before. And with it all we buy and consume current goods at a per capita rate greater than at any time before the war.

Almost every line of activity is claiming the credit. Bankers say it was the Federal Reserve System. Engineers credit quantity production. Others say it came from installment selling. Each one has some truth in his claim. But surely much of the advance would have been impossible had we not added rapidly to the material equipment of civilization. And just as surely that addition would have been impossible had not an army of investors saved exceptional amounts of new capital and, through investment houses, poured that new money into payments for this increased equipment.

The accompanying chart No. 1 shows how the volume of new money (excluding refunding operations) raised by public offering of securities has increased in recent years. The box on this page shows how that money has been divided.

NEW CAPITAL RAISED ANNUALLY
(Millions of Dollars)

TYPE OF ENTERPRISE	1926	1925	1924	1923	1922
Railroads	$ 364	$ 380	$ 780	$ 465	$ 523
Industrials	1,198	1,098	690	896	676
Public Utilities	1,604	1,495	1,326	889	726
General Real Estate	709	715	333	251	162
Federal Farm Loan	91	169	179	337	344
Miscellaneous Corporate	500	411	193	202	249
Sub-Total	$4,448	$4,268	$3,501	$3,040	$2,680
* Municipal (United States)	1,321	1,364	1,388	1,051	1,114
* Canadian Municipal	61	49	132	26	94
Other Foreign Government	481	541	571	187	416
Grand Total	$6,311	$6,223	$5,593	$4,304	$4,304

* Municipal includes state, county or provincial.

Visualizing the Results

The figures in the preceding table may look dull enough, but they are really the blood pressure record of the transformation which we have seen going on about us. Some of the six billions of new money borrowed by political units in the United States during the past five years have taken a physical form as roads and city pavements to carry the great increase of motor cars and trucks. Others of them have built new government buildings, adding to the beauty of our cities and adding tremendously to the direct market for building materials, as well as the indirect market for all types of things because of the wages which have been paid to laborers. Still more appealing in the human sense, others of them have taken form as hospitals where those already sick can be treated or as parks, swimming pools, golf courses and other municipal playgrounds where wholesome recreation can act as a preventive of sickness. Most appealing of all, one of the largest divisions of this group of dollars has been turned into school houses which have relieved the unsanitary and inefficient conditions of crowding and part time, which prevailed in the schools of most cities, after the shutdown of building which accompanied the war. Incidentally, the cure of this condition is still far from complete and a mobilizing of investors' dollars for that purpose will be a feature of the next few years.

Very closely connected with the municipal loans is the still more striking increase in the raising of new capital for public utilities. I have already spoken of the tremendous increase in the use of electric power. Electric washers and vacuum cleaners have increased tremendously in number. Electric refrigerators have changed from a curiosity in a few homes to a relatively common thing. Radios have made their initial appearance and have come into almost universal use, and each of these things has tended to demand more electric current for home consumption. Then there has been almost a revolution in the application of electric power to manufacturing in plants which have not moved, and a tremendous migration of manufacturing industry from points where coal produced power is expensive, to parts of the country where either hydraulic or steam produced electricity power may be had at much lower rates. In view of these things, we might be tempted to believe that the expansion of public utilities is nearing its end. While the use of electric current may not grow so much in the next few years, it is still far from the saturation point. More important from the standpoint of demand for increasing public utility development are the problems of gas and of transportation.

It is imposible to divide the money that has been spent for public utility construction into these different fields, but we know that whereas electric current has been reduced to its pre-war price in most places, and even below in some cities, the price of gas remains near its war peak and the producing companies have made only a beginning in seeking new uses. The use of gas in refrigeration and its use in the heating of homes are both infant industries at the present time. Their expansion probably will not be so great as that of the use of electric current, but it will offer a very fruitful field for the investment of dollars during the next decade.

The more pressing need is that for forms of urban and interurban transportation. With the general popularity of the motor car, interurban railroads ceased to be attractive properties, and with the popularization of the motor bus, even the lines within city limits have found their business tremendously reduced. In the meantime, the bus developments have by no means replaced the properties which have been allowed to deteriorate. Here is an industry even further behind the needs than the railroads and general public utilities were behind the needs of the country in 1921. The new developments may take the form of bus lines or of subways, but they offer a tremendous and immediate need for new capital.

A Striking Change

The most striking of all the changes shown in this table is to be found in the increase of general real estate bonds. Of course, this increase is very largely due to a change in the method of marketing by which much of the money that used to be placed through building and loan associations or by the private placing of mortgages, has come to be placed through public marketing of mortgage bonds. However, we must not forget that much of the money listed as having been raised by municipal bonds, by public utility issues, and by industrial issues has really been raised for building purposes. Furthermore, the real estate bond houses which market publicly have not placed a great many issues on small private homes. Therefore, the increase in this

figure from a little over $160,000,000 a year to well over $700,000,000 a year is very nearly a measure of the increased building of hotels, large apartment houses and large office and store buildings. It may be that this type of construction is overdone today. In fact most of the leading authorities who issue that type of bonds are inclined to believe that it is overdone for the present. Even though that be true, the record of such bond issues in recent years is really the record of the rebuilding of the central sections of our great cities and there is no doubt that a let-down in this type of financing would be a temporary one only.

The increase in industrial financing has been the response of industry to a quickened demand because of the higher prosperity dependent upon the material purchases and wage payments in other forms of expansion. The increase in "miscellaneous" financing is largely the raising of capital to finance installment payments, and the decrease in Federal farm loans represents a growing ability of the farmers to finance themselves through private sources, as well as continuing to bear witness to the fact that agriculture is still the "poor relation" in all the prosperity that the country has had.

One other industry also shows a slightly different picture from the average. That is the railroad industry. In 1922, railroads borrowed heavily and began the reconstruction of their physical property. This carried to a peak in 1924 with the resultant work spreading over into the first half of 1925. Since then, the railroads, while refunding many of their high coupon rate bonds, have raised relatively little new money. The efficiency of the past two years should not blind us to the fact that rolling stock and rights of way are probably wearing out faster than they are being replaced, and almost certainly the total facilities are failing to keep pace with the general growth in business. Another expansion in railway reconstruction is almost a certain development during the next five years.

Foreign Financing

With all of this growth in domestic use of capital, the investing public of the United States have saved money faster than it has been needed and the yield which an investor can demand on his money today is lower than at any previous time since the early part of 1913. Part of the surplus has been annually taken up by loans outside of the country, though the percentage of total new capital going to foreign borrowers has not varied greatly from 1922 to 1926. (See Chart No. 2.)

This chart does not, however, tell all the story of the developments which have been going on in the American market for foreign securities. In 1922, American investors were buying considerable amounts of foreign government bonds, but only 4½ per cent of all the money raised for corporations that year went outside of our own boundaries. Of even that small amount exactly one-third went to Canadian concerns which appeal to the security buyer in the United States more as domestic than as foreign securities. Through 1923 and 1924, the change was not marked, but in 1925, some real pioneering work in the way of marketing foreign corporate securities in the United States began. This movement gained additional strength in 1926. (See Chart No. 3.)

Here is probably the greatest of all fields for expansion in the use of American investment capital. America has secured physical possession of a wholly abnormal percentage of the world's monetary gold. Her people have surplus incomes which allow them to save capital for investment at a rate which is now running very considerably beyond our own capital needs, and in the meantime the rest of the world has not gotten much further along with postwar reconstruction than America had gotten by 1924; possibly not much further than America had gotten in 1922. Politically, probably, the vast majority of our people are isolationists, and there is undoubtedly a strong element which would prefer economic and financial isolation, but no amount of legislation or propaganda has ever been able to prevent the operation of natural economic laws for any very great length of time, and already there is strong evidence that the American investor is going to finance the reconstruction of the rest of the world much as he has financed the reconstruction of his own country since 1921.

Subscriptions have been received in excess of the amount of this issue

New Issue

$900,000

The Southwest Public Service Company

First Mortgage 6½% Gold Bonds

Series A

To be dated March 1, 1927 — To be due March 1, 1937

Interest payable September 1 and March 1, in Chicago and New York. Coupon bonds registerable as to principal. Redeemable on 30 days' published notice, on any interest date before March 1, 1932, at 102½; thereafter at a gradually reducing premium.

Mr. F. W. Woodcock, who is to be President of the Company, summarizes his letter to us as follows:

Business: The Southwest Public Service Company will be organized as a Maryland corporation, to render retail and wholesale ice and cold storage service in the southeastern section of Kansas and the northeastern section of Oklahoma, including 43 cities and towns with a population of 79,600.

Competition: The plants operate without active competition in the towns served. The properties in Oklahoma operate under licenses from the Corporation Commission of that state and have the same degree of protection from competition as the transportation, transmission and other public utility companies.

Security: These bonds are to be secured, in the opinion of counsel, by a direct first mortgage on all of the fixed assets of the company. Appraisal by independent engineers shows a value of the properties to be acquired, including fixed assets, considered collectively, as of September 30, 1926, of $1,500,000.

Earnings: Consolidated income of the properties, as prepared by Messrs. Haskins and Sells, Certified Public Accountants, was as follows;

	Year Ended Dec. 31, 1925	*Year Ended Dec. 31, 1924*	*Year Ended Dec. 31, 1923*
Gross Income	**$473,782**	**$376,049**	**$413,216**
Operating Expenses	**239,333**	**215,352**	**235,781**
Net income available for interest, depreciation and Federal Taxes	**$234,449**	**$160,697**	**$177,435**
Annual Interest requirements on $900,000 Series A Bonds (this issue)	**$ 58,500**		

Such net income for the nine months ended September 30, 1926, was $196,405. Profits totaling $584,100 were distributed in cash during the period of three years and nine months ended September 30, 1926.

Ownership and Management: The Company is to be controlled by Consolidated Public Service Company and the active management and operation of the properties are to be under the supervision of Messrs. Day and Zimmermann, Engineers, together with local interests with more than 20 years' successful experience in the management of ice properties.

We offer these Bonds for delivery if, when and as issued and received by us, subject to the approval of legal proceedings by our counsel, Messrs. Cotton & Franklin, New York, except as to titles to property, which are to be passed upon by Messrs. O'Meara & Silverman of Tulsa, Oklahoma. It is expected that delivery will be made on or about February 17, 1927, in the form of temporary bonds or interim receipts.

Price 99½ and Interest to Yield Over 6½%

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Established 1909—Incorporated

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The Growth of Customer Ownership

Over 1,383,000 Customers Have Invested in Securities of Electric Power and Light Utilities in the Past 12 Years

By Phil W. Creden,
H. M. Byllesby & Company

A RECENT investigation by several leading investment securities houses on the distribution of securities showed a rather surprising result, the facts found completely disposing of the old idea that investment offerings were being taken by wealthy individuals and large institutions, for it showed that these houses were dealing with a multitude of small investors rather than a few large ones. It disclosed that the real capitalists of this country—the people that provided the money for financial enterprises—are the great middle classes. They are the real buyers of investment securities, just as they are the controlling factor in the consumption of all kinds of merchandise from chewing gum to stillson wrenches up to radio sets and automobiles.

Cause of Development

Now, what brought about this development—the uncovering of this great securities market? Surely, there must have been some basis for the old idea that the rich were the only buyers of stocks, bonds and the other securities that make up what we term investments. There was a time not long ago when such was the case—before the development of the plan of equity financing known as customer-ownership of the public utility companies.

On the face of it, the above seems to be rather a boastful statement, yet it has come to be an accepted fact that customer-ownership has done more to bring about the wide distribution of investment securities than any other single factor. By putting high grade securities of their companies into the hands of their customers, the public utility companies have built up a strong confidence on the part of the public for public utility investments—a confidence that has led some 1,383,000 customers to invest over one billion and a quarter dollars in the electric power and light utilities in the past twelve years.

The customer-ownership movement was started in 1914 and was pioneered and proven to be sound under the most adverse conditions arising from the economic crisis of the World War. Following the war period it gathered momentum rapidly and from year to year showed a steady increase in the amount of capital raised through this plan up to the year 1925, when over $297,000,000 of power and light utility stocks were placed in the hands of public utility customers throughout the country. From preliminary estimates the results for the last year will be within $50,000,000 of this figure.

Customer ownership of the Byllesby properties—among the earliest pioneers of the customer-ownership plan—during the past year showed a large increase over the previous year, 36,801 sales being made which amounted to $25,061,600 par value. This was an increase of more than fifteen per cent over any previous year. New shareholders were added to the number of 17,000 to raise the total of customer shareholders of the companies controlled by Standard Gas and Electric Company to 100,000. This figure does not include the Pittsburgh or San Francisco properties of the organization, where customer-ownership has not yet been started.

A Better Showing

This showing was considerably better than that of the nation's electric power and light companies as a whole. Nationally the par value of sales in 1926 was sixteen per cent less than in 1925 and even slightly less than 1924. More than ten per cent of the national total was distributed by Byllesby companies. In explaining the decline in the national customer-ownership figures, W. H. Hodge, advertising manager of H. M. Byllesby and Company and the man who gave the customer-ownership movement its name back in 1915, recently said, "the national slowing down shown in the preliminary estimates of the distribution of public utility securities during the past year through customer-ownership was not due to any lack of confidence in this plan of equity financing itself, but to two causes: First, the relative economy of financing by the sale of bonds, and, second, the desirability of bond financing to equalize capital structures, the distortions, as a rule, being the result of previous equity, or junior financing. Such a tendency may be expected to continue in 1927 and to effect the Byllesby companies as well as the majority of others. Financing of any kind except refunding operations obviously is limited by capital requirements of any property, and major construction activities do not necessarily occur every year. In any event, financing should always seek capital in a manner that will make the average cost of capital for the total investment as low as possible."

Customer ownership was born of the utilities' need of money and in recognition of the right of "public ownership of utilities" in its true sense, which is ownership by individuals who desire to become partners by investing their savings in the stock of the utility companies. During the post war period when big money went hunting for tax-exempt investments or opportunity with greater hazard and possibly large returns, customer-ownership was a financial salvation for many utility companies. It provided a means for obtaining capital for necessary expansion when money was hard to obtain. Where a utility company had behind it a record of always giving satisfactory and reliable service, customer-ownership has been the backbone of highly satisfactory public relations.

A Friendly Contact

Between the utility and the stockholder there is presumably a friendly

Year Ending Dec. 31	No. of shares outstanding	No. of holders preferred stock	Average holding
1915	83,867	1,947	43.07
1916	121,520	4,126	29.45
1917	139,349	5,983	23.29
1918	157,478	7,992	19.70
1919	177,390	9,857	17.99
1920	203,408	13,429	15.14
1921	247,419	18,399	13.44
1922	274,918	21,800	12.61
1923	340,404	26,950	12.63
1924	401,675	34,750	11.55
1925	491,804	42.627	11.53
1926	558,845	50,500	11.06

contact. However, that does not mean that public relations are solved by the utility by simply making their customers shareholders of the company. The customers must be satisfied customers who fully believe that their company is giving the best service that can be economically provided, then customer-ownership is a real strengthener of public relations. Theirs must be pride in the utility company and its accomplishments, otherwise the fact that a customer is a shareholder may act as a boomerang to the utility in a number of ways.

It can be readily seen that customer-ownership is bringing about a real popular ownership of the public utility companies. By making the customer a holder of public utility company's stock, it gives him a measure of proprietorship in the organization and at the same time preserves the fruits of private enterprise by eliminating the deadening effect of political control through municipal or government ownership.

This popularization has rendered many activities less costly and difficult; moreover, it has had a pronounced effect upon the growth of the public utility business and has served to attract to the industry employes of higher caliber and ability.

From the first the public utility companies pioneering customer-ownership set out to get as wide a distribution of their securities among their customers as was possible. Rather than attempt to sell the so-called capitalist, they sold the wage earner. Such a buyer was the investor most prized by the utility companies; he and the small business man, the clerk, the professional class; the people who most need safety, quick marketability in a pinch; those who value dependable instruction on investments and the cultivation of thrift.

It is this quantitative character of customer-ownership that has done so much to bring about an entirely different feeling on that part of the public living out of the financial centers towards investments and especially public utility investments. Its effect on public utility financing has been materially assisted in bond and debenture financing at lower rates of interest.

Strengthening Public Relations

Because customer-ownership aimed at many citizen shareholders—citizens right on the ground who learn to know the corporation for exactly what it is, who have a proprietory interest therein, and who vote at the polls on election day, the movement has strengthened public relations for the utilities. In certain cities of good size there are companies who have at least one shareholder for seven or eight customers. There are cities in the 12,000 to 15,000 class where every fourth user of the service draws cash dividends from the company. If these customer shareholders are satisfied with the company's service and believe it is all it should be, such a company need not fear the attacks of misguided demagogues seeking to destroy it for their own gain.

Perhaps the greatest service performed by the Byllesby organization in the cause of customer-ownership was the development of its democratic character and appeal, keeping it going successfully during the war and giving wide publicity both to the subject and the results of the experiments at the Byllesby properties.

The first Byllesby property to test the customer-ownership plan, and the second big utility company to give the movement its first trial on a large scale in this country was the Northern States Power Company. In 1915, this company, which now supplies electricity to a population of 1,390,000, in 505 cities and towns in six North Central states—Minnesota, Wisconsin, North Dakota, South Dakota, Iowa and Illinois, undertook a systematic effort to

sell stock directly to its customers. By the first of 1917, 2,774 home shareholders were added to the company's list of security holders. At the present time the Northern States Power Company has over 50,000 customer shareholders and each year the number increases.

The tabulation on this page shows how the total number of preferred shareholders increased from year to year and how the average holding has declined with the rise in the number of shareholders—a result that the company has aimed at from the first.

As before stated, the customer-ownership plan of equity financing added 17,000 new shareholders to the operated utilities of Standard Gas and Electric Company during the year 1926, raising the total of customer shareholders to approximately 100,000 at the close of the year. These figures include the following companies: The California-Oregon Power Company, Coast Valleys Gas and Electric Company, Louisville Gas and Electric Company, Mountain States Power Company, Northern States Power Company, Oklahoma Gas and Electric Company, San Diego Consolidated Gas and Electric Company, Southern Colorado Power Company, Western States Gas and Electric Company, and Wisconsin Public Service Corporation.

In addition to the 100,000 customer shareholders of the operated companies, Standard Gas and Electric Company has approximately 40,000 owners of its 7 per cent prior preference, 8 per cent cumulative preferred and common stocks, and Standard Power and Light Corporation has approximately 5,000 preferred shareholders. It is estimated that not less than 70 per cent of the employes and executives of these companies have funds invested in the organizations with which they are affiliated.

Following is the result of customer-ownership sales by years since 1915, when the policy was pioneered and named by the Byllesby organization:

	Sales	Shares*
1915	326	2,063
1916	2,039	11,468
1917	3,305	17,001
1918	4,923	24,194
1919	5,723	34,219
1920	11,579	62,314
1921	15,907	80,010
1922	18,992	107,685
1923	25,711	130,995
1924	35,884	192,842
1925	35,677	217,696
1926	36,801	250,616
Totals	196,867	1,131,103

* $100 par value.

How to Analyze an Electric Power and Light Bond from Its Circular

By Addison W. Warner
Stevenson, Perry, Stacy & Co.

A "MEASURING STICK" to determine whether or not an electric light and power bond is sound, and which can be easily and quickly applied to a circular describing such a bond, would be mighty convenient for any investor and especially to a banker. The purpose of this article is to advance such a "measuring stick."

A sure way to start a warm argument in the bond business is to suggest a "measuring stick" for determining the soundness of a bond. On one hand it is asserted that there are rule-of-thumb methods which are intensely practical, if not absolutely infallible, in measuring the worth of a bond. Others declare that it is ridiculous even to attempt to evolve a "measuring stick" on the worth of a bond. Without taking sides as to whether or not there are quick, practical, value-determining rules, there is a middle course which may be followed, and this article proposes to follow it. There are certain factors and certain relations in every bond circular which indicate the soundness of that issue. They are not infallible indices and they do not automatically grade bonds within narrow limits, but they do grade bonds within wide limits. If the "measuring stick" grades the bond favorably, it can be assumed that an explanation is due from the bond house, and, in most cases, a reasonable explanation can be given.

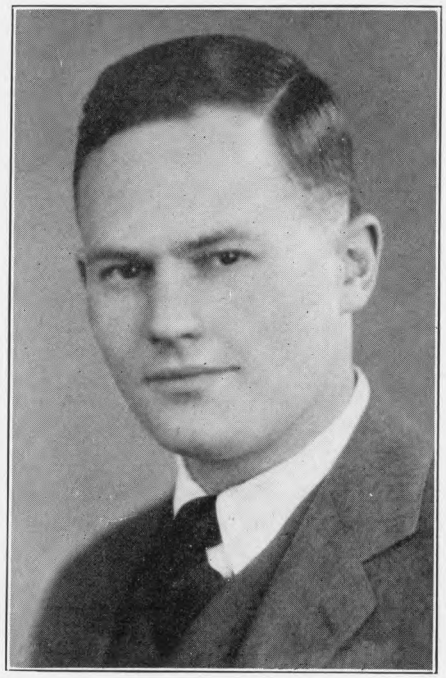
What the Circulars Say

A few years ago bond circulars in general were very complete. Now information given on electric light and power bond circulars may not be so complete. For instance, circulars may not give—

1. The valuation of the property;
2. Any basis for determining the stability of earnings of that company;
3. A record indicating the extent to which the service is used or could be expanded profitably;
4. Facts by which the management of the company can be judged;
5. Facts upon which a future earning trend can be estimated.

In addition to all those factors, the mortgage restrictions, the territory served and the financial setup must be considered in judging the soundness of a bond. That makes at least eight points which should be considered. The average circular does not give the information necessary to judge those points. The circular does give or should give a consolidated income account and the capitalization, so any "measuring stick," to be applied to the circular must be made up from those two factors. Such a "measuring stick" is not going to give a complete analysis of the security. As an indication, however, as I said before, it is very useful and convenient.

In the public utility industry, the fixed investment, as compared with gross earnings, is so heavy, being approximately five to one, that the industry's operating expenses are more or less fixed. In other words, there are certain expenses incidental to the generation of power which are going to continue even though that power is not used and those expenses are heavy. For that reason, if gross earnings should decrease 10 per cent, the chances are that operating expenses might not be cut at all; consequently, the full decrease would be reflected in the net earnings.



Addison W. Warner

In leading up to this "measuring stick," another factor must be considered; the difference between a holding company and an operating company. A holding company has one decided advantage, its diversification. Some temporary readjustment in one part of the country would not materially affect the earnings of a large holding company, because its properties are scattered so widely from a geographical standpoint.

On the other hand, a local disturbance within the territory of a small operating company might temporarily cripple that company. Consequently, we need two "measuring sticks"—one for a large holding company and the other for an operating company.

Safety a Broad Term

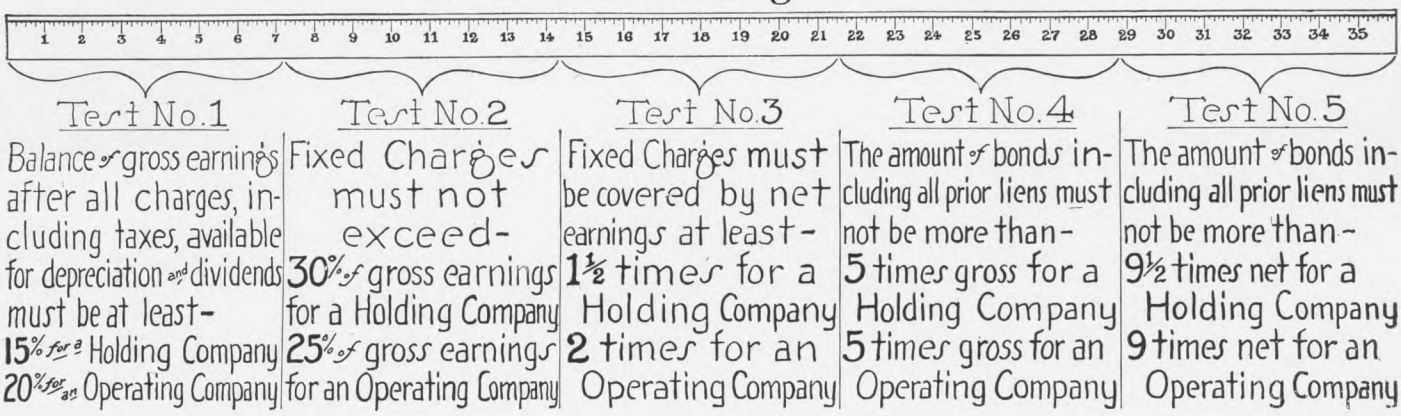
This "measuring stick" to be applied to a circular, is supposed to determine whether or not a bond is sound. A sound bond might be termed a safe bond. Safety is a broad term. Safety for a widow would be much different than safety for a business man. In this case, then, safety is really what might be termed relative safety. A bond barely passing this test would be relatively safe. A bond for a widow would have to pass the test with a wide margin to spare on each of the points. The "measuring stick," consisting of five checks, is shown at the top of page 46.

It is necessary now to explain the five tests:

1. Balance of gross earnings after all charges, including taxes, available for depreciation and dividends must be at least 15 per cent for a holding company and 20 per cent for an operating company.

The balance of gross earnings after operating expenses, fixed charges and taxes of an operating company should be at least 20 per cent. That 20 per cent of gross is available for depreciation and preferred and common dividends. The term "depreciation" needs to be explained in this connection. In this case it means depreciation alone and does not contain maintenance. From an accounting standpoint, depreciation and maintenance are the same thing. The only difference is in time. Maintenance is an expenditure on property which is made definitely each year. Depreciation is an estimated amount set aside yearly to be spent on the property at some future undetermined date. The purpose of both maintenance and depreciation expenditures are to maintain the properties in an efficient and up-to-date condition. As far as test No. 1 is concerned, maintenance is presumed to be part of operating ex-

A "Measuring" Stick



pense and it ought to run in the neighborhood of 10 per cent of gross earnings. It would be less than that for a hydro-electric company. Depreciation, too should be treated as operating expense and depreciation many times is not given on the circular. This "measuring stick" is to be applied to a circular, so we cannot treat depreciation as an operating expense. For the holding company, 15 per cent is arbitrarily chosen as the boundary line. All fixed charges of the subsidiaries, including preferred dividends, if there are any, must be included. In short, everything which is prior to, or equal to the charge being considered, must have been paid and still leave a margin of 15 per cent.

Margin of Safety

That figure is the margin of safety. It insures a well balanced financial structure. It gives an automatic check on operating ratio when considered with test No. 2 because the sum of the two checks is the operating ratio. That check is also a rough measurement of a possible decline in business which the bonds can successfully withstand.

2. Fixed charges must not exceed 30 per cent gross earnings for a holding company, or 25 per cent of gross earnings for an operating company.

Check No. 2 is necessary only in some cases. Specifically it is necessary to check hydro-electric issues. A hydro-electric company might conceivably have an operating ratio as low as 40 per cent. In that case, 60 per cent of gross earnings would be available as net and even though fixed charges were covered twice over, the bond would not be particularly sound, because any relatively small decrease in gross earnings would be adversely magnified in the margin of net over interest charges. Consequently, fixed charges must not absorb too large a proportion of gross earnings, and in those cases interest charges would have to be covered more than twice over.

Applying only to hydro-electric bonds, the case is rare and it is not fair to raise check No. 3 and require fixed charges to be covered from 2½ to 3 times over. That would be unfair to the general run of electric light and power companies because it would set the standard too high. Check No. 2 automatically requires that in those rare cases, interest charges will have to be earned more than twice over.

3. Fixed charges must be covered by net earnings at least 1½ times for holding company and 2 times for an operating company.

The check of fixed charges against net earnings is probably the most common single check in judging bonds.

Since we are to apply this measuring stick to a circular, it is necessary to explain exactly what is meant by fixed charges. Many circulars describing bond issues of holding companies have mentioned only the interest charges of the holding company, neglecting to give the fixed charges of the subsidiary or operating companies. The result is misleading and actually meaningless from an analytical standpoint. It looks as if fixed charges were covered by a wide margin, when in reality they may be covered by only a small margin. In most cases fixed charges of the operating companies and the holding company, too, are all paid from the same gross earnings. Consequently, we are interested in the relation between the gross earnings and all of the fixed charges, not just part of them. We also want to see the relation between all the fixed charges and net income, not merely the part that may be pinned on to the holding company.

By disregarding fixed charges of the operating companies, it is possible for a holding company to show its fixed charges covered ten times over. That bond would look attractive, yet that same bond, figuring total fixed charges of the holding company and the operating company, too, may be barely covering its fixed charges. As a result that bond is really unsound in spite of its fancy dressing.

The Important Point

At any rate, the important point to remember is, be sure to consider the total fixed charges of the holding company and the operating companies, too. Fixed charges in this class include everything prior to and including the interest on the bonds under consideration; for instance, in the case of a holding company it would include preferred dividends of subsidiary companies.

4. The amount of bonds, including all prior liens must not be more than 5 times gross for a holding company and 5 times gross for an operating company.

Our fourth check compares the amount of bonds, including all prior liens, with net earnings. It is really similar to our check No. 3, but it is a little finer distinction. For example, a large amount of bonds outstanding with a low coupon rate might show up strong under the third test and yet not so strong under this one. The practical working of this test No. 4 will usually result in keeping the amount of bonds outstanding between 50 per cent and 80 per cent of property value. In other words, it is working backward to make sure that the amount of bonds is not excessive as compared with the value of the property.

Since it is generally considered that a public utility company should earn 8 per cent on its property and since 2 per cent would be a fair measure of depreciation, we can assume that the property should earn 10 per cent before depreciation. Consequently, the full value of the property must be in the neighborhood of ten times net earnings before depreciation. However, most properties are not operating at the maximum of efficiency, so if the amount of bonds for an operating company does not total more than nine times net earnings, we will have the issue outstanding to the extent of from 50 to 80

per cent of the property valuation, depending upon how near to maximum efficiency the company is operating.

I have already explained that maintenance has been included in operating expenses. From an accounting standpoint, then, maintenance and depreciation together would come to about 4 per cent. It could be a little higher for a steam property and lower for a hydro-electric company.

5. The amount of bonds, including all prior liens, must not be more than 9½ times net for a holding company and 9 times net for an operating company.

The Final Check

Finally, for our last check, we compare the amount of bonds, including all prior liens, with gross earnings. Temporarily, operating expenses might be unusually high, thus making check No. 4 against net earnings appear unfavorable. If this fifth check against gross earnings shows up favorably, the bond may be in a strong position after all. Of course, it is assumed in that case that the conditions causing the high operating expenses are temporary. If we place the amount of bonds outstanding, including all prior liens, at a maximum of five times gross earnings, we have a point to work down from in order to determine the conservativeness of the bond issue. The larger the amount of bonds outstanding, as compared to gross earnings, the lower the operating ratio must be. In other words, hydro-electric companies with their low operating ratios are going to have the largest amount of bonds outstanding, as compared to gross earnings. Those properties can stand a relatively larger amount of bonds because it is relatively inexpensive to operate the properties.

That ends the five checks with which to measure the soundness of an electric light and power bond, from the data given on the average circular. The "measuring stick" must be used with caution because no "measuring stick" can be infallible. The stick can be applied blindly and work an injustice. Consequently, the important thing to remember is that if a bond does appear unfavorable after applying this "measuring stick," do not immediately assume that is is unsound, but ask the bond house for an explanation, because many times that explanation, and a perfectly reasonable one, is available.

Finally, this "measuring stick," applies to owned operating and holding companies. In rare cases one company might lease another, showing only net earnings of the leased company on its own income account. In that case the "measuring stick" would not be applicable.

What to Look for in Buying Real Estate Mortgage Bonds

By S. J. T. Straus,
Senior Vice-President,
S. W. Straus & Co.

THE art of successful investment is by no means a simple one. Unfortunately no magic formula is available by which automatically the sound investment may be distinguished from the unsound, the conservative and safe from the speculative and hazardous. On the surface they have the same characteristics; to the uninitiated, the facts presented or the claims made in selling circulars seem to be very much alike and are not subject to easy analysis. "It sounded just as good and it yielded a little more," is the universal plaint of the investor who has been "stung."

As with most commodities, particularly those of high cost and where intangible elements of value play an important part, perhaps the only simple guide to the buyer of securities is the character and reputation of the dealer offering them for sale. Most of us when we go to buy a diamond or a fur coat or a painting, seek out a merchant with a reputation and an established clientele. We feel confident that we can rely upon the quality of his merchandise and upon the truth of the representations which he makes. We do not ourselves feel competent to make a sound discrimination between the good and the bad and we would not think of throwing ourselves upon the mercies of a "fly-by-night-dealer." So it is with securities whose value often rests largely upon intangible elements.

Choose Experienced House.

In selecting first mortgage real estate bonds, it is important to select a house of experience. For the ultimate investor, the best and easiest guide to the soundness of the underlying project lies in the character of the investment house underwriting these bonds. If that house is an established firm, with a reputation for competence and for financial and moral responsibility, you can reasonably assured that the project is soundly conceived and will probably be satisfactorily executed. This, of course, does not necessarily mean that you can afford to accept any amount or any kind of junior securities with complete freedom from worry over possible losses. The first mortgage underwriter is interested primarily in the safety of the first mortgage bonds; and you can be assured that a reputable house will use its utmost of experience and of skill to assure that end. As a necessary incident of its efforts to safeguard the first mortgage bondholders, it will, of course, assure itself that the necessary junior money will be forthcoming in order to complete the enterprise and also that the earning power of the project is or will be such as to provide an ample "factor of safety"—or in other words, leave a considerable surplus for the equity holders. But it should be clearly understood that the first mortgage underwriter as such is under no obligation to protect the holders of the junior securities against loss.

S. J. T. Straus

One of the first considerations is the borrower—the principal behind the deal. What is his financial responsibility? Will he be able to carry through the project to completion and support the enterprise during the initial operating period or other temporary periods when under unfavorable conditions operating losses may be incurred? What has been his past business history? Has he had successful experience with the erection and operation of similar enterprises in the past? Has he a reputation for carrying out his obligations, Is he resourceful enough to meet and overcome unexpected difficulties? What of his moral responsibility? Answers to these questions involve a thorough credit investigation by a competent credit department of the underwriting house.

Not only must satisfactory answers be obtained to such questions but the principal borrower must himself have a substantial stake in the enterprise.

A second important consideration is the question of location. Is the particular site ideal or at least highly suited to the type of development proposed? What is the trend of development in the given section? Is the new structure in the path of development or is it in an old deteriorating section? Is the district likely to undergo important changes during the life of the loan, due to the shifting of business districts, changing transit conditions, development of nuisances, etc., or is it well protected against blight or decay by stragetic location or substantial investment or zoning restrictions?

Location Important.

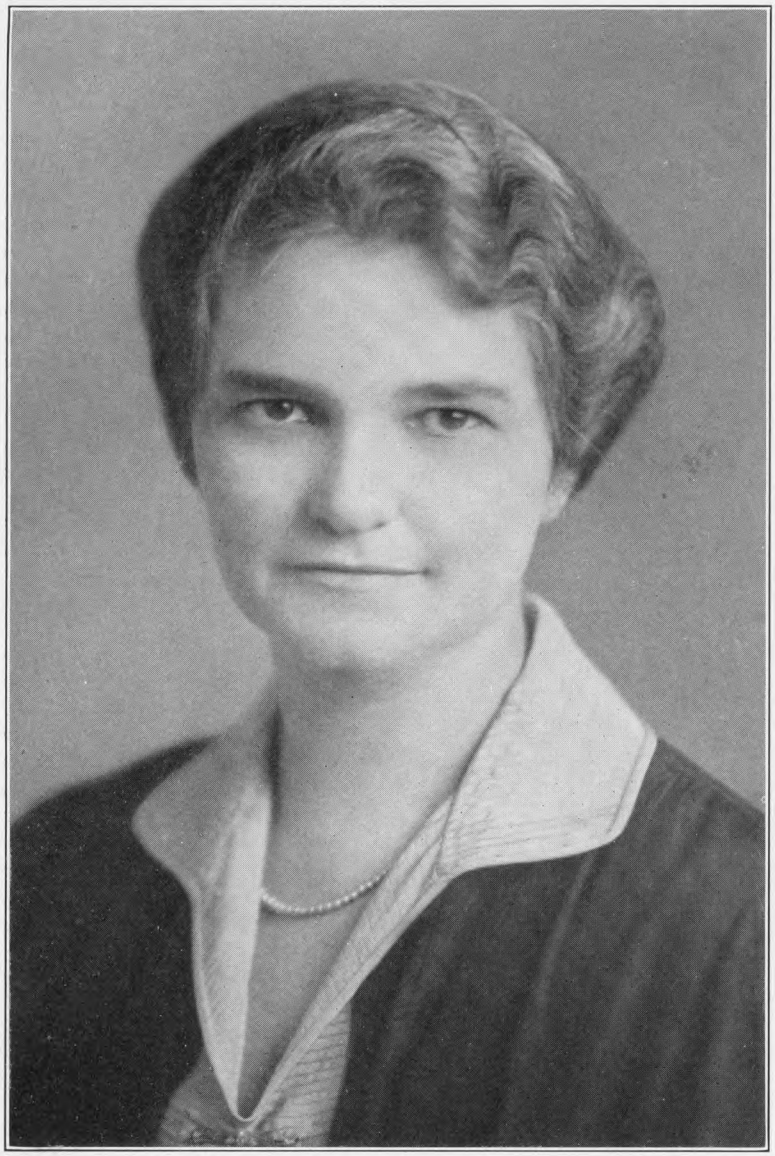
This factor of location is of enormous importance in view of the dynamic character of our modern cities, the tendency of business and residential districts shift and the importance of convenence or accessibility in these days of congested transportation. It involves real estate judgment, a comprehensive knowledge of values and trends in the specific city and in other cities, and a certain "intuition" to sense coming developments, which is developed by experience. The ability to select locations shrewdly is what distinguishes the successful real estate operator from the unsuccessful one, the successful real estate bond underwriter from the mediocre one.

If it is decided that a proposed building is the right type of development for a given location, the next question is whether a demand for the facilities to be provided exists in degree and at prices sufficient to give an adequate return upon the necessary investment. If such a demand exists at the moment, is it likely to persist throughout the life of the loan?

If the underwriter is to be able to make sound decisions bearing upon the supply of and demand for various types of building facilities, it must at all times have its fingers upon the pulse of the real estate market through contracts with real estate agents and property managers, frequent reports from buildings already financed record-

(Continued on next page)

"Select a Good Investment House—Then Follow Their Advice," says Mrs. Ferguson



Ora M. Ferguson

MRS. ORA M. FERGUSON, who has charge of the Louisville office of the Fletcher American Company, has a territory supposedly confined to Kentucky and Southern Indiana, but she has a large number of women customers scattered all the way from Tennessee to New England—some in Massachusetts, some in New York, some in Michigan and some in Illinois—all women who have decided that the best way to handle their investment program is to turn their funds over to Mrs. Ferguson and let her do the investing for them.

Right along this line Mrs. Ferguson has some advice for bankers; she maintains that the banker will get better service and more profit out of his bond account if he will select one house and for the most part confine his dealings to that house.

"If the banker does this," says Mrs. Ferguson, "the house so selected will have a finer appreciation of his needs and will be in a position to give him advice that will enable him to make the most profit out of his bond account."

Mrs. Ferguson, who is one of the outstanding examples of women successful in business, just happened to get into the bond game. She became interested in it through various war activities, including the Liberty Loan drives, and liked the work so well that she decided to follow it.

In the short space of a few years time she has built a splendid business for her company in her territory and she has made a great number of friends throughout the country through her attendance at bankers' conventions and through personal calls on her banker customers.

She says that the biggest factor in selling bonds is winning the confidence of the customer, and that this is accomplished very easily when you are sincere in your desire to be of service.

She says that she is in the bond business because she likes it and not because she expects to make a million dollars out of it—and that she is going to stay in the bond business not because it affords countless numbers of new hats, but because she can't possibly imagine doing anything else.

BUYING BUILDING CONSTRUCTION BONDS.

(Continued from preceding page)

ing the results of their operating experience, and periodical rental surveys reporting the vacancies in individual buildings in the various areas in which the firm is loaning money, the amount and character of new facilities coming upon the market, the rentals being secured for various classes of accommodation, and any changes in rental rates, in the tone of the rental market or in the character of accommodations demanded. Such rental surveys must be made by the underwriter's own organization. They should be supplemented, of course, as much as possible by check-up with outside experts, but the underwriter operating on a large scale can rarely afford to depend solely upon the judgment of any outsider. Its trained experts' opinions should control the actions of the house.

This accurate, exhaustive knowledge of the rental market and of the operating experience of existing buildings is particularly necessary, if reliable estimates of the probable gross revenue, operating expenses and net income of the proposed structure are to be made. The accurate forecasting of net income is, of course, the crux of the problem of successful lending upon real estate. From net income must come the funds out of which interest is to be paid and the principal of the loan gradually amortized. The amount of net income is the only true basis upon which to determine the amount of money which can be safely loaned upon the enterprise. It is, of course, not the only consideration, but no loan, however low a percentage of the cost or value of the structure, is sound unless a conservative estimate of net income will indicate a satisfactory "margin of safety" over the amount of the fixed charges.

The Advantage of Real Estate Bonds

A Banker Seldom Gains the Confidence of His Customer by Giving Him Advice That Will Curtail His Earnings

By J. U. Menteer,

President, Fidelity Bond and Mortgage Company

THE recent survey conducted by the MID-CONTINENT BANKER shows that bonds are becoming increasingly popular as investment for surplus funds of banks. One reason for this is probably on account of the unfortunate position of farm securities the last few years; another being the greater understanding among bankers of the advantages of bonds.

To my mind, the bond is the most practical investment for the banker. It enables him to diversify the bank's investment among the various classes of securities and spread his investments over practically the entire country and even into foreign fields if desired. This diversification guarantees against losses of any magnitude caused by failure in any one community or of any one class of security. I know it is argued that the local bank must support its own community, which is true, but after all cannot the bank better support its community by assuring its own solvency first and at the same time foster the interchange of its resources with banks in other communities?

It is gratifying to see this large increase in bond investments and, being engaged exclusively in the real estate bond business, the question naturally presents itself as to what percentage of the bank's surplus should be invested in real estate bonds. While those of us in the real estate bond field, from a business standpoint, would like to sell all banks' surplus in our bonds, still I do not believe any of us are so selffish or blind to the interests of bank and public to believe that it should be done. But we do believe, and I think rightfully, that a fair percentage should be in our class of bonds. The amount must necessarily depend to a large extent upon the character of the bank's business. If the bank is mostly commercial and its loans are seasonal, which calls for a large amount of funds, say twice yearly, to take care of its regular business, then I would say its largest investment should be in government and listed bonds and securities, but on the other hand if the bank is largely savings, then by all means a very large percentage should be in real estate bonds.

In the one case, the bank is liable to be called upon every few months to convert its surplus into cash and therefore should favor the low yield, quick convertible security; while in the other case, there is small chance of needing cash quickly; hence, better yield is highly desirable. The first class can afford to sacrifice yield for convertibility, but the latter has no need of quick convertibility. Between these two is a large class of banks with a steady business, and they should distribute their holdings as seems best to meet their needs, diversifying between all classes.

While all real estate bond houses maintain a market for their securities, the real estate bond is essentially an investment to maturity. That is the main reason for its greater yield. But its market is sufficient for all practical purposes and will meet any ordinary emergency. I have in mind a bank that closed its doors. It happened to have quite a few of our bonds. They sent them in to us and received immediate cash for them. They cashed up other

securities and have notified all depositors to come in and get their money. This was an emergency they did not forsee when buying, but they found our bonds in this emergency quite as liquid as any other securities.

Our experience has been that too many bankers follow the line of least resistance in their own investments, as well as in their recommendations to patrons, and do not of themselves investigate the different offerings and the houses of issue. The banker has a moral duty to perform in connection with his advice to the public. He is looked up to in his community as being the embodiment of all wisdom in connection with investments and his advice is followed implicitly.

If he could see himself as some of us see him, probably he would not be so proud of himself. The average banker has heard some place, probably from a salesman of a brokerage house, that real estate bonds are not good, and he does not take the trouble to use his available means of investigation to verify the truth of same. Very often when one of our men approaches a banker, the following dialogue takes place:

"Not interested."

"Do you know our company?"

"No, not interested; don't like real estate bonds."

"Have you ever bought real estate bonds?"

"No, don't consider them safe and have no market."

"Do you know that real estate bonds have a better record for safety than any other class of security except perhaps government bonds, and they do have a market for practical purposes?"

"Well, no, can't say I ever investigated, but I buy all my bonds from so-and-so and they are good people."

"Yes, they are good people, but have you ever thought you might increase your yield, preserve your safety and diversify your holdings?"

And so on.

The point I desire to bring out is that the banker is too often content to follow old habits and not keep himself abreast of the times. Investments and investment methods change with the times like other business and the banker owes it to himself, his bank and his customers to keep informed so as to be able to give worthwhile advice to his customers. It does not take a smart banker to tell a customer he had "better keep his money in the bank" or "if you want to take your money out buy Liberty Bonds and you won't lose your money." This may be good advice to lots of people, but telling this to the customer fails to satisfy him.

(Continued on page 85)

Olive Street Notes

The many friends of Henry M. Tenney, who has been advertising manager of the First National Company, the investment division of the First National Bank in St. Louis, for several years, are congratulating him on his appointment as assistant loan officer of the First National Company. Mr. Tenney is well known to many bankers and investment men throughout the country due to his active work in the Financial Advertisers' Association.

George D. Breen, formerly of Streator, Illinois, has been appointed St. Louis representative of A. G. Becker & Co., with offices in the Boatmen's Bank building.

The F. H. Smith Company, dealers in first mortgage real estate mortgage bonds of their own origination, have opened a St. Louis office, in charge of Arthur Fuller in the Boatmen's Bank building. The home office of the F. H. Smith Company is in Washington, D. C., and branch offices are maintained in New York, Chicago, Philadelphia, Boston, Pittsburgh, Buffalo, Minneapolis and Albany. Mr. Fuller, the new St. Louis manager, was formerly connected with the St. Louis office of the Adair Realty and Trust Co. He came to St. Louis from New York in 1923.

Isaac H. Orr, president of the St. Louis Union Trust Company, affiliated with the First National Bank and the First National Company, has been elected a director of the Securities Investment Company.

Arnold G. Stifel, together with his charming wife, has hied himself off to the Argentine country for an extended sojourn. His trip, we are advised, is largely one of pleasure, but those of us who have watched his success in Latin-American Republic financing in recent years, look for more than a postal card greeting ere his return. Stifel, Nicolaus & Co. started in business in 1890, and in addition to the executive offices in St. Louis have offices in New York and Dallas.

Knight, Dysart & Gamble, Lage & Co., and Hemphill, Noyes & Co., recently offered 60,000 shares of convertible preference stock of the Thatcher Manufacturing Company, the largest milk bottle company in the United States. The stock was of no par value and was priced at $45 per share to yield 8 per cent.

James F. Quigg, formerly manager of the municipal bond division of the Mississippi Valley Trust Company, has been named assistant bond officer. Mr. Quigg has been with the Mississippi Valley Trust Company since 1921. His first work was as representative of the company's bond department in Chicago. Later he was transferred to Kansas City and finally brought to St. Louis to handle municipal issues.

The many friends of J. S. McCourtney, St. Louis manager for Bonbright & Company, Inc., are glad to learn that he is fast recovering from a recent operation performed at St. John's Hospital. Mr. McCourtney has been confined to the hospital for several weeks, but is now well on the road to recovery.

Improvements on the new Stock Exchange building at Fourth and Locust streets are going forward rapidly, and it is expected that it will be ready for occupancy by the middle of the month. The entire building is being made ready for a gala opening. Clarence Gamble, Harry Stix, Raymond Denyven and others now have under advisement a program that will tell St. Louisans that the stock exchange is keeping pace with the development of the city. President W. H. Bixby has announced that a handsome sign will adorn the Fourth street front of the building.

T. C. Tupper has succeeded A. E. Brooker as president of the Securities Investment Company. Other officers were re-elected. The company is capitalized for $500,000 eight per cent cumulative preferred stock and 40,000 shares of no par value common.

Charles S. Blood, who last June was appointed St. Louis manager of George M. Forman & Company, has been elected assistant vice-president of the company, and will continue in charge of the St. Louis offices. Mr. Blood is a grandson of Captain Sullivan Blood, who came to St. Louis in 1817, and was the second president of the Boatmen's Bank.

Herman C. Stifel, of Stifel, Nicolaus & Co., and Walter W. Smith, vice-president of the First National Bank in St. Louis, have been added to the board of directors of the United Railways Company. Both men are prominent in St. Louis banking and business affairs.

A New Basis for Money Values

By T. S. Clayton, Vice-President of the Fidelity Trust Company, Detroit, Michigan

ANYONE who has had occasion to follow the bond market closely for the past several years cannot be other than impressed by the rather steadily declining rates for money. The past year has been particularly eventful in this respect. Prices in the investment market, not only of securities of standard grade but also of issues which are commonly classed as second-grade have shown a consistent advance until they stand today at their highest level since the war. There are many explanations for this rise. First and fundamentally, there is the enormous increase in the wealth and income of this country. According to the national bureau of economic research, the total "current income" of the people of the United States rose from about $62,700,000,000 in 1921, to nearly $89,700,000,000 in 1926. This enormous increase in national income has naturally resulted in an even greater corresponding increase in the surplus available for investments, accounting in a large measure for the exceptional buoyancy which security prices have continually shown.

Then, too, there is the fact that the fund for investment has been increased by the release of a large amount of capital which before the war was in fixed and, in many cases, in non-productive assets. Add to these reasons the debt reduction policy of our Government, the general prosperity of business, the increasing stability of Europe, the strengthening of working capital positions, the shortage of new issues in comparison with the demand, and what is of no small import, the growing acquaintance of the American people with investment securities, and this tendency toward higher levels in security prices, or smaller yields on investments, whichever one may care to term it, is very satisfactorily and easily explained.

Low Interest Rates

There is no need to point out or to explain this depression of bond yields to bankers or to those who are in daily contact with investment securities and their markets. But there is such a necessity in the case of thousands of American investors, who were brought up on the high yields of the war and post-war days. Many of these investors had their first acquaintance with corporation bonds in the high-interest period. They easily found dependable issues bearing as high as 7 per cent, some as much as 8 per cent, issues that were bound very closely to valuable properties. They saw an apparently insatiable demand on the part of borrowers for money and a willingness to pay high for it. And, in view of their inexperience in the money markets, it is but natural that they should find it difficult to understand today, under changed conditions, why their return should be cut down as much as 2 and 2½ per cent, and that they should remain blind to the fact that the day of high money rates is past, for a number of years at least.

Conditions have changed very drastically since 1917. When the United States entered the war, a great part of the world was employed in destroying capital. There was demand without equal for money and the things money would buy. Naturally, the price of money soared. How great was the demand for capital then can be judged from the fact that United States Government bonds, the safest security in the world, which had sold but a few short years before at a price to yield less than 2 per cent, were issued at 4½ per cent, to drop later to as low as 82. With peace and the readjustment the demand for money became even more insistent and acute. In the depression period of 1920 and 1921 it was not difficult to find a working place for savings at 7 and even 8 per cent. Borrowers had to have money to weather the storm period and they were quite willing to pay high for it. But that borrowers realized the high rates of the reconstruction period were only temporary is evidenced by the fact that into many issues of that time call provisions were inserted, giving the borrower the right to pay off his debts within a specified period by paying a premium on all bonds called.

The Demand for Securities

Within the last five years we have seen a speedy return to what is called normal. Our corporations have thrown off the burdens of war and depression; many of the high interest bearing issues have been called and replaced with others bearing a lower interest rate; production and consumption have continued at high levels; prosperity has been widespread, and each year we have marked up an increasing surplus of capital. What is more important, our proportion of saved earnings has increased annually and these savings, partly because of the financial educa-

T. S. Clayton

T. S. Clayton, the author of the article on this page, says that our return to low yields following the rates that prevailed immediately after the war is explained by the fact that our return to a high, peace-time production rate is without precedent. He says, "Today's money-worth is dictated by present economic conditions, and even a cursory study of these conditions will make evident the fact that money today is receiving very fair wages."

tion spread by the Liberty Bond drives and partly because of the attraction of the former high interest rates, have come into the money markets in greater amounts yearly. Today we are experiencing a new set of investment conditions in this country, and not the least among them is the growing investment demand over investment supply. In 1926 the new bond and note issues offered to the American public amounted to more than $7,000,000,000. Financing in the first two months of this year has climbed to new high records for any like period. Yet in the face of this constant stream of new issues high prices for both listed and unlisted bonds continue to hold. There is but one answer to this situation. Our great surplus of capital available for investment, the improved conditions of business and industry and the growing contact of the American people with the forms of intangible wealth have effected a fall in the return on capital.

The Trend of Money Rates

Today, for these very obvious reasons, money is not worth what it was in 1920 and 1921. Money generally today, employed safely and productively in the highest grade securities, is worth less than 6 per cent. As a reflection of the continued ease in money rates, the yield on 15 high grade public utility bonds at the end of 1926 was less than 5 per cent. In 1921 these bonds sold to yield 7 per cent. Fifteen railroad bonds which showed an average yield of close to 6 per cent in 1921 were selling to yield less than 4.5 per cent at the close of last year. This drift to lower yields has been evident throughout practically the whole investment list. Today a six per cent return on a quickly marketable, high grade security is the exception rather than the rule. Further, if prophecies are to be considered seriously, there will be nothing to disturb the investment market for some time to come; rather, future conditions will tend to intensify the tendency toward lower yields. While the investment market has advanced materially in the last six years, prices are still below what they were in the early part of the century.

There is nothing strange or unusual in all this picture. The history of money-worth, or interest rates, for the last 500 years has shown a decline in rates after every great war. If our return to low yields has been more rapid than history records, it is because our return to a high peace-time production rate is without precedent. And so it is that investors must make up their minds to accept a lower return from their working dollars from now on. The price the world puts on money in safe employment today is somewhere between 4½ per cent and 6 per cent. These are not the rates of 1900 when a return of 3 per cent or less from safe investments was not uncommon. Nor are they the rates of the days immediately after the war, when it was quite easy to get a return of 7 per cent or higher on well-regarded investments. Today's money worth is dictated by present economic conditions and even a cursory study of these conditions will make evident quickly the fact that money today is receiving very fair wages.

F. H. Smith Company Opens Offices in St. Louis

The F. H. Smith Company, an investment house dealing exclusively in real estate first mortgage bonds, has opened a St. Louis office in the Boatmen's Bank Building. B. Bryan Pitts, chairman of the board of The F. H. Smith Company, is a member of the committee recently appointed by Franklin D. Roosevelt, which is now making a nation-wide survey of the real estate bond business. The other members of the committee, of which Mr. Roosevelt is chairman, are: S. W. Straus, Edgar M. Greenebaum, Edward Sonnenshein and W. J. Moore of Chicago; J. Ulmer of Cleveland, and Judge A. L. Murphy of Detroit. The F. H. Smith Company was founded in 1873 and has its main office in Washington, D. C. The company also has offices in New York, Philadelphia, Boston, Pittsburgh, Buffalo, Albany, Chicago, Minneapolis and St. Louis. Arthur Fuller is the manager of the new St. Louis office.

Why Railroad Securities Have Again "Come Into Their Own"

By F. Richards,
Bowman & Co., St. Louis

FROM comparative poverty, receivership and the verge of bankruptcy to prosperity, financial independence and affluence—such is the "about-face" of many of the great railroad properties of the United States in the past ten years. A brief decade spans the receivership of three of the four leading railroad properties converging at St. Louis—the Missouri Pacific, Missouri, Kansas & Texas, and Wabash roads. This does not by any means include other roads at one time or another under the jurisdiction of the court, including the Chicago & Alton, Chicago & Eastern Illinois, Illinois, Toledo, St. Louis & Western, and others.

As one wag expressed it: "The railroads were not in the hands of their bankers—they were in their arms!"

Whereas for years railroad securities (even the choicest mortgage obligations) were at times referred to as a "drug on the investment market" and only quality liens of the highest type commanded instantaneous attention, today the spectacle is afforded of an investment public clamoring for junior securities of trunk-line properties. Even common stocks are being accorded the fullest recognition and apparently their worth has an irresistible appeal—for several important and momentous financial operations have but recently been successfully concluded, involving an actual oversubscription for railroad common shares.

What a far cry it is from the days of Daniel Drew and Jay Gould! And how those erstwhile Titans would rub their eyes could they behold today's happenings!

A logic of events of course brought this about. Here are the "high spots" in the sensational "come-back," or return to favor, of railroad securities:

First: Rehabilitation of properties after the abnormal conditions experienced during the World War period.

Second: Restoration of operating efficiency to pre-war standards and installation of improved methods of train loading and other important advances in transportation skill.

Third: Readjustment of the labor factor.

Fourth: Reduction in inventories, top-heavy in some instances.

Fifth: Building up a strong cash and credit position, which experience through enforced economies showed to be the part of wisdom.

Sixth: Sharing a measure of the larger earnings resulting from foregoing constructive measures with the stockholders.

Seventh: Favorable realignment, from standpoint of future earning power, of numerous situations through proposed consolidation plans under Transportation Act of 1920.

Eighth: Possibilities of further favorable developments in final adjudication of valuations of railroad properties in the United States and the realization that, from standpoint of intrinsic value and future worth, many railroad properties are quoted at below such final certificated valuations.

These, briefly, are the contributory causes to the bringing about of perhaps the greatest market for both railroad bonds and stocks—principally the latter—in the history of American finance.

It may be worth while to contrast, for a moment, the prevailing market with previous great periods of activity in the "rails." In 1906—which marked

the culmination of the greatest railroad "bull" market up to that time—prices of railroad shares rose until they sold at 15.2 times the roads' incomes. Whereas recently, in spite of a steady appreciation as concerns shares, they have sold at better than 10 times the roads' incomes.

On account of wider diffusion of ownership of securities than in any previous era, the steady and sustained increase in prices of both senior and junior securities of American railroad securities has had marked national influence. Some of the recent evidences of this interest are typified by the offering by a single banking house of $95,000,000 railroad bonds and oversubscription the same day, the repeated unfilled demand for railroad shares, spectacular advances in securities of various transportation units included in new "deals" and the abundance of credit for any common carriers requiring capital either for improvement, extension or refunding purposes.

An idea of the contrast this picture presents to those roads engaged in adding thousands of miles to existing trackage is to be gained from the recollection that at one time during the period of 1912 to 1916 railroad mileage in the entire United States increased at the rate of less than 500 miles per year!

To this generally higher standing of the American railroads should be added, finally, a tribute to those keen-minded and far-sighted executives who have earnestly labored to bring about a better understanding between capital, labor and the consuming (or traveling) public. Among such leaders are to be mentioned C. H. Markham of the Illinois Central, L. W. Baldwin of the Missouri Pacific, and J. M. Kurn of the Frisco Lines. And there are a number of others.

For the patient and confident owner of railroad securities 1927 thus far has indeed been a year of grace. For the American people seem at last to have awakened to a realization that they really have the greatest transportation system in the world, run by the best operating "talent" to be found anywhere.

Hilyard Resigns as Officer of Philadelphia Girard

Harry L. Hilyard, an assistant vice-president of the Philadelphia Girard National Bank, has resigned. Mr. Hilyard had expected to study engineering before he entered the banking field, and he is retiring from the service of the Philadelphia Girard to return to that profession. He will complete his engineering course at Cornell.

Who Is Your Investment Banker?

By Wm. F. Dowdall,
Geo. H. Burr & Co., St. Louis

IF YOU were asked this question it would probably not be difficult to answer and in a great number of cases the answer would probably refer to several houses through whom the majority of your purchases are made.

In your community, there are a number of prominent citizens—the number depending on the size of the community—with whom you are familiar and should the writer of this article walk into your bank and ask you who one of these men were your answer would immediately bring to your mind your impression of this man. He is honest, capable and successful, as the case may be. These attributes are synonymous with your mentioning his name. Consequently when you answer the question which forms the subject of this article there should come to your mind a corresponding number of characteristics as regarding your investment banker.

Since the war and since the time when the Liberty Loan campaign made the buying of bonds more of an everyday occurrence, there have been a great many investment houses formed. The figures, which would indicate the number that are in business today as against ten years ago, would probably be more convincing. They are, however, not at hand and it will suffice to say that there has been a tremendous increase.

Who are these dealers—and, not only what is their financial responsibility, but to what extent does their integrity enter in to the investment advice which they are broadcasting daily?

You, as a banker, are alone responsible for the result of your purchase of bonds and not alone this, you are undoubtedly asked quite often to advise a client of your bank regarding some contemplated investment. Such being the case—don't you think that you owe it to yourself and to your clients to inform yourself in a material way as to the qualifications of the investment house or houses with whom you are dealing? If the writer's anticipation of the trend of your thoughts at this time is correct, you probably are thinking of the firm through whom you have purchased the majority of your bonds or investments. You feel they are prominent and reliable. Possibly because you read their name often in newspapers and periodicals and possibly because you have informed yourself to an extent that you are willing to accept their advice regarding such matters. If the latter is not the case you should immediately inform yourself correctly as to whom your investment banker is.

Please don't misinterpret the idea that the writer is attempting to convey. In most all cases your dealings are undoubtedly with reliable and responsible houses and the thought that should come from your assimilation of the foregoing remarks is only to inform yourself correctly regarding your investment banker. When considering the offering of a bond consider also the dealer who has put this offering before you. As he is responsible for the necessary safeguards surrounding the security offered and is in reality acting as your investment counselor—buying bonds for you rather than, a salesman, selling bonds to you.

It is evident from available information at this time that the banker in rural communities is playing a more important part each year in the distribution of investment securities throughout the United States and as this seems to be the trend it is therefore vital that you inform yourself not only regarding investment dealers but investments in general.

Even the most conscientious investment dealer is human and, while his vision at the time the original offering of the security is such that he feels the future is sound for that particular industry, it sometimes happens that unforeseen occurrences take place and by reason thereof alter the desirability of the investment in question as regarding its future value.

In closing it would be well for you to consider the advisability of obtaining current information as it is available on bonds which you have purchased. For example, you buy a bond today on the basis of the present condition of a company and its past performance. It is, therefore, logical to assume that you will be more interested in the condition or progress of this company six months or a year hence than you are at the time of your original investment. Such information should come to you automatically from the dealer through whom your purchase is made. However, if such is not the case, it should be part of your investment program to get such information and analyize it as to its effect, one way or another, on your investments.

Some Facts About the Ice Industry--- A Public Necessity

By H. R. Walton
Sales Manager, Hoagland, Allum & Co., Chicago and New York

IN the opinion of those who have made exhaustive investigations, the manufactured ice industry is on the threshold of a period analogous to the past 15 or 20 years in the electric power and light industry, and the purpose of this article is to cite a few outstanding facts concerning the ice business which seem to guarantee its continued growth and greater prosperity.

First let us compare the two industries just referred to. If an investigation is made of the factors responsible for the high esteem in which the electric power and light business is held, it will be found that stable earning power is the factor of paramount importance. What is responsible for this stable earning power?

1. A steadily increasing demand for its product.
2. Declining operating costs.
3. Absence of inventory and credit extensions. (This is the rock upon which nearly all industrial enterprises experience grief.)
4. Absence of competition.

Any industry in which it can be proved that the above conditions prevail, can safely be said to have stable earning power.

A study of the manufactured ice business will show that the above factors are present. Let us take them in order, first considering the subject of increasing demand:

In 1904 the per capita consumption of ice in the United States was 240 pounds—at present it is estimated to be in excess of 715 pounds.

The gross tonnage manufactured in 1904 was less than 10,000,000 tons—in 1926 the production was over 40,000,000 tons. It is estimated by accredited authorities that this figure will reach 60,000,000 tons by 1960.

When we consider the fact that only 35 per cent of the homes in this country have provision for refrigeration of any kind, and only 17 per cent of these homes take ice during the entire year, it is safe to assume that the future market for manufactured ice is assured.

Declining Operating Costs.

Next we have for consideration declining operating costs:

In the manufactured ice industry the cost of production is comparatively small. Water, chemicals for freezing, power and labor are the only items entering into these costs. As everyone knows, water is the cheapest commodity used in any manufacturing process, and the chemicals are also purchased in large quantities at low cost.

Practically all modern ice plants are electrically operated and as their power is required almost exclusively during the day, power and light companies are eager to furnish them power at special rates as it gives them an outlet for current during a period when there is little demand from other sources.

The labor cost is not excessive as comparatively few employes are necessary in a plant and skilled labor is not essential except for operating plant machinery. In the busy season additional labor can be secured at nominal wages.

Delivery is one of the principal costs in the ice industry. Through the process of consolidation this cost is materially reduced by the elimination of duplicate delivery routes.

Next let us consider the factor—absense of inventories and credit extensions:

Manufactured ice companies supply a product which is delivered to the customer shortly after it has been manufactured. As the temperature rises, production of ice is increased. This increased production can be almost instantly reduced if weather conditions warrant. In consequence, it is unnecessary for ice companies to carry large inventories. In the spring of the year inventories are considerably larger than normal, but production may be curtailed if expected hot weather does not materialize. The ice business, to a large extent, is on a strictly cash basis. In many of the larger companies the practice exists of selling coupons which, in effect, is payment in advance. In this respect, the ice industry more nearly resembles the electric light and power industry than any other business.

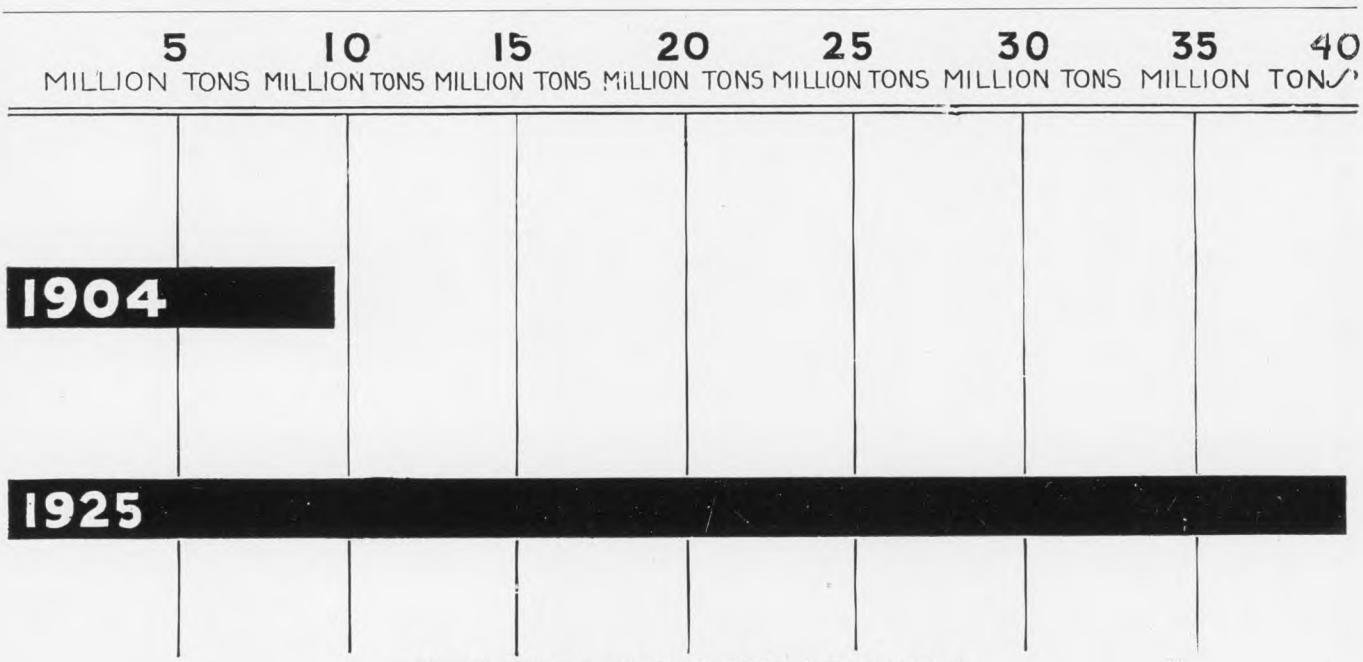


Chart showing the growth of the Ice Making industry since 1904

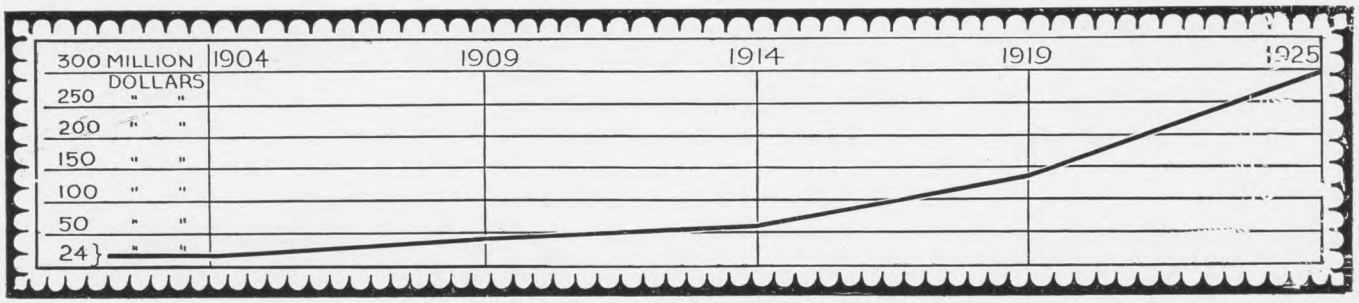


Chart showing that the sale of ice is steadily increasing

The Last Factor.

The fourth and last factor for our consideration is competition:

Competition in the ice industry is comparatively limited and as consolidations take effect in the industry, this factor will decrease in importance. At present we select our own ice man from the two or possibly three dealers that are serving our community. In many localities we have no choice as there is only one ice manufacturer in the field. The ice industry has already been recognized as a public utility in the state of Oklahoma, in that the ice companies operating in Oklahoma do business under licenses from the corporation commission of the state and have the same degree of protection from competition as the transportation, transmission and other public utility companies. Last year a bill was introduced in the New York State Legislature designed to class ice companies with utilities, and other State Legislatures are giving consideration to such regulation.

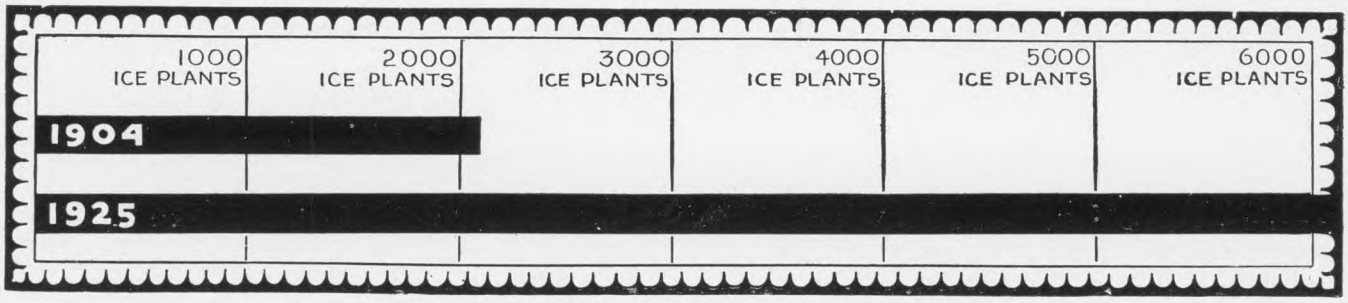


Chart showing the increase in the number of ice plants since 1904

Very well, you say, but how about the mechanical household refrigerating unit that is now being extensively advertised from coast to coast? What is going to be the effect on the ice industry in years to come? Such questions are very logical and just as easily answered when the situation is thoroughly studied.

There seems to be no doubt but what the mechanical refrigerator will be a success, but there is absolutely no danger of its putting the manufactured industry out of business. As a matter of fact, it won't even hurt the ice industry and here are a few reasons why it will not:

The potential market for the mechanical unit is undoubtedly limited to persons with an annual income of at least $4,000. In 1923 there were 1,586,565 individuals in the United States or a trifle over 1 per cent of the population with incomes of $4,000 or more, according to government income tax returns. (These are the latest figures available.) The number reporting incomes of $3,000 and over for 1923 was 2,343,000, or approximately 2 per cent of the population. If everyone of these 2,343,000 ceased to use ice, what would be the loss to the industry? The average family consumption of ice is about two tons per year. Of course, the average for the family owning a mechanical refrigerator would be greater, so we might figure that 2,343,000 persons using 7,500,000 tons of ice would be lost to the industry. According to the best available figures it will take at least ten years to sell and install these machines, during which time the natural growth of the country will add approximately 600,000 families a year, of which at least 50 per cent will require refrigeration, or in ten years 3,000,000 new customers will have been created.

We must bear in mind, too, the fact that of the families now using ice, only 17 per cent of them use it the year around, which further illustrates the limited potential market for the mechanical unit, as well as the tremendous undeveloped market for the ice manufacturer. There is no doubt that the mechanical refrigerator is or will be used by the family that can enjoy the luxuries of life, but the great masses of the people will continue to use manufactured ice during the next several generations. The advent of the electric light did not do away with gas. On the contrary, gas consumption today is ten times what it was in 1890. Nor did the automobile sound the doom of horses, as there are now more horses in the United States than ever before.

We all have a tender spot in our heart for luxuries, and those of us who can afford to have these various luxuries will undoubtedly have as many of them as our pocketbooks will allow. But won't we, for instance, buy an electric washing machine, which certainly is one of the most useful household appliances ever invented, before we start our payments on a mechanical refrigerator—which merely replaces something we already have in a more economical form? Yet the figures show that the estimated number of electric washing machines in use in this country January 1, 1925, was only 2,642,600.

Big and Secure

Returning to the ice industry, we find that it is both big and secure. Any industry with an invested capital of $750,000,000, and yearly sales of over $300,000,000 can be fairly classed as large, and of considerable importance. Leading trade authorities agree that the annual sales of manufactured ice will exceed $450,000,000 by 1940. From figures of the twenty leading ice companies, we find that gross earnings for 1922 were 6.3 per cent more than in 1921; for 1923, 12.5 per cent more than in 1922; for 1924, 10.4 per cent more than in 1923, and for 1925 12.6 per cent more than in 1924. In the last twenty years the number of plants has increased from 2,218 to 6,262.

The manufactured ice industry until recently has had very little attention. It has been confined to small plants owned and operated locally without much thought of modern manufacturing methods. It is interesting to find at the present time, however, not only a tendency toward consolidations, but a decided move on the part of several of the large public utility operators toward acquisition of ice plants. An analysis of net income as reported by numerous large public utility companies already shows a substantial amount earned from manufactured ice with this branch of the business growing and new plants rapidly being absorbed.

The industry is still in its infancy. To more clearly bring out this point I must again refer to the outstanding success of the public utility properties. Before the consummation of the large consolidations, the small local electric light company was either satisfied to go along in its own way, or did not have the knowledge or money to do otherwise. One need only look at the published figures to see the enormous growth in the gross business when and after the small properties were brought under the efficient leaders. These results could not have been attained if the bankers of the country had not supplied the required capital for expansion.

You are going to hear a lot about this "lusty giant," and you will probably receive numerous invitations to invest in the securities of ice companies. Before accepting any of these invitations, it is suggested that you give careful consideration to the following factors: Management, territory served, competition and past record of earnings.

This Folder, issued monthly, will be sent free on request. File for future reference.

MONTHLY QUOTATION SHEET

(See Inside Pages for Quotations)

The purpose of this sheet is to furnish investors periodically with markets on securities of widespread interest. Those mentioned herein include listed and unlisted, active and inactive bonds and stocks and, while the number quoted is necessarily limited, we will always be glad to furnish, on request, and without obligation, quotations or information on any security in which the investor may be interested.

MARK C. STEINBERG & COMPANY

Members New York Stock Exchange, Chicago Stock Exchange, St. Louis Stock Exchange, Chicago Board of Trade

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BRANCH OFFICE—JEFFERSON HOTEL

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LISTED AND UNLISTED STOCKS AND BONDS—ACTIVE AND INACTIVE SECURITIES—IN ALL MARKETS

MARCH, 1927

Important Bond Offerings of Past Month

We describe briefly, or list below, the principal industrial, public utility, railroad, municipal and foreign bonds offered during the month of February. Descriptive circulars, on these or any others in which you may be interested, sent upon request.

$95,000,000 MISSOURI PACIFIC RAILROAD COMPANY
First & Refunding Mortgage 5% Bonds

Dated March 1, 1927. *Due March 1, 1977.*

Secured by a first lien on 3,383 miles of railroad, together with terminal property, depots, etc., issued to refund over $57,000,000 of 6% obligations and to pay $12,000,000 of notes maturing July 1, 1927, also for improvements and betterments to the company's property. The railroad's earnings have shown a steady increase in recent years, amounting to $24,930,072 for the year ended December 31, 1926, as against total interest charges on entire funded debt of $15,181,261. *Application will be made to list on New York Stock Exchange.*

Original Offering Price 100 and Interest, to Yield 5.00%

$3,750,000 LEXINGTON UTILITIES COMPANY
First & Refunding Mortgage 5% Bonds

Dated February 1, 1927. *Due February 1, 1952.*

Secured by a direct first mortgage on a substantial portion of the company's property and by a direct mortgage, subject to a divisional lien on the balance of the company's property. Issued to refund $3,037,950 of 6% bonds. Both gross and net earnings have shown a steady increase for a number of years with 1926 net income 3.2 times interest requirements.

Original Offering Price 96½ and Interest, to Yield 5.25%

$24,000,000 STANDARD POWER & LIGHT CORPORATION
6% Debentures

Dated February 1, 1927. *Due February 1, 1957*

The company controls the strong Philadelphia Company, through ownership of 94% of the common stock, Duquesne Light Company, the Market Street Railway Company of San Francisco, and other successful public utilities. Net earnings of the Standard Power & Light system for the 12 months ended November 30, 1926, were $28,659,565, or in excess of this entire issue. Followed by preferred and common stocks having a present market value of over $72,000,000.

Original Offering Price 99½ and Interest, to Yield 6.03%

$2,500,000 CITY STATE BANK BUILDING (Chicago)
First Mortgage 6% Sinking Fund Bonds

Dated February 1, 1927 *Due February 1, 194*

Secured by a closed first mortgage on land and the present 17-story building and the proposed 23-story addition thereto, located in the Loop District of Chicago on Randolph and Wells Streets. Appraised value of the property, $4,319,000, making this a 58% mortgage. The ground floor, second floor and large amount of upper space will be occupied by the City State Bank.

Original Offering Price 100 and Interest, to Yield 6.00%

OTHER IMPORTANT BOND OFFERINGS OF THE PAST MONTH

		Original Offering Prices						
$60,000,000	Aluminum Company of America, Debentures	5 %	Due	1952	@	100	to yield	5.00%
40,000,000	Associated Gas & Electric Company, Convertible Debentures	5½%	Due	1977	@	95¾	to yield	5.75%
27,500,000	Republic of Chile, External Sinking Fund	6 %	Due	1961	@	93¼	to yield	6.50%
25,000,000	State of New South Wales (Australia), External Sinking Fund	5 %	Due	1957	@	96¼	to yield	5.25%
20,572,000	Chicago & North Western Railway Company, First & Refunding Mortgage	4½%	Due	2037	@	95	to yield	4.74%
20,000,000	Interstate Power Company, First Mortgage	5 %	Due	1957	@	97½	to yield	5.16%
15,000,000	Cities Service Company, Refunding Debentures	5 %	Due	1966	@	91¾	to yield	5.50%
14,000,000	Republic of Bolivia, External Secured	7 %	Due	1958	@	98½	to yield	7.12%
11,500,000	Milwaukee Gas Light Company, First Mortgage	4½%	Due	1967	@	93¾	to yield	4.75%
11,000,000	Community Power & Light Company, First Mortgage Collateral	5 %	Due	1957	@	95½	to yield	5.30%
10,000,000	The J. L. Hudson Company, Serial Notes	5 %	Due	1930-1936	@	Prices	to yield	4.85-5.02%
10,000,000	Los Angeles Gas & Electric Corporation, First & General Mortgage	5 %	Due	1961	@	98½	to yield	5.15%

An additional list of investment suggestions will be found on the outside back page of this sheet.

Important Redemptions of Bonds and Preferred Stocks

This is a partial list. A record of other called issues and drawings is always available at our office to anyone interested.

	Amount Called	Call Date	Call Price
Lexington Utilities Co., First Lien & Refunding 6s, due 1929, 1936 and 1946	Entire Issues	4/ 1/27	101-102½
Julius Kayser & Company, First Mortgage 7s, due February 15, 1942	Entire Issue	8/15/27	107½
Community Power & Light Co., First Coll. Tr. "A" 7½s, due April 1, 1942	Entire Issue	4/ 1/27	110
Community Power & Light Co., First Coll. Tr. "C" 6½s, due October 1, 1933	Entire Issue	4/ 1/27	105
Associated Gas & Electric Company, Secured 6s, due January 1, 1955	Entire Issue	4/ 1/27	105
Aluminum Company of America, Debenture 7s, due October 1, 1933	Entire Issue	4/ 1/27	105
Chile Copper Company, Convertible Coll. Tr. Series "A" 6s due April 1, 1932	Entire Series	4/ 1/27	110
Illinois Power & Light Company, Debenture 7s due April 1, 1953	Entire Issue	4/ 1/27	105
California Petroleum Corporation, 10-year 6½% Notes, due October 1, 1933	Entire Issue	4/ 1/27	103½
Government of the French Republic, 25-Year External 8s, due September 15, 1945	$2,000,000	3/15/27	110
Saar Basin Consolidated Counties, External 7s, due March 31, 1935	$158,500	4/ 1/27	102
German Central Bank of Agriculture, First Lien 7s, due September 15, 1950	$205,000	3/15/27	100
United Steel Works of Burbach-Eich-Dudelange (Arbed) 7s, due April 1, 1951	$81,500	4/ 1/27	100
Southwestern Gas & Electric Company, General 6s, due November 1, 1957	Entire Issue	5/ 1/27	105
*Community Power & Light, First Coll. Tr. 5½s, 6s, 6½s, due 1955, 1950 and 1938	Entire Issues	30 Days' Notice	105
Julius Kayser & Company, $8 No-Par Preferred Stock	Entire Issue	4/11/27	120
Collins & Aikman Company 7% Convertible Preferred Stock	Entire Issue	5/ 1/27	110
May Department Stores Company, 7% Preferred Stock	Entire Issue	4/ 1/27	125
Standard Oil Company of New Jersey, 7% Preferred Stock	Entire Issue	3/15/27	115
Owens Bottle Company, 7% Preferred Stock	$3,950,000	4/ 1/27	115

** Proposed redemption, not yet official, but bonds accepted by us now at the call price in exchange for other securities.*

Investors should pay particular attention to this column, as called securities CEASE TO PAY INTEREST OR DIVIDENDS AFTER THE REDEMPTION DATE. If a list of your holdings is given to us, it will be checked constantly, without obligation, against advance redemptions.

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QUOTATIONS MARCH, 1927

BANK AND TRUST COMPANY STOCKS

BANK STOCKS	Bid	Asked	Div. Rate	When Payable	Book Value
American Exchange Natl	130	140	.....	Began business 3-22-24	130
Baden Bank	185	.....	8‡	Feb. quarterly	189
Bank of University City	120	.....	6	Dec. 15 annually	144
Belleville Savings Bank	275	.....	12‡	Jan. quarterly	211
Boatmen's National Bank	152	155	8	Mar. quarterly	152
Bremen Bank	420	.....	12‡	Jan. and July	552
Cass Avenue Bank	270	.....	10‡	Jan. and July	283
Cherokee National Bank	135	145	.....	Began business 2-27-25	120
Citizens Bank of Florissant	190	.....	10	July 12 annually	196
Citizens Bank of Maplewood	120	130	6	Dec. annually	127
Clayton National Bank	.....	175	10	Jan. and July	123
First National Bank	265	.....	12‡	1% monthly	171
First National, Clayton, Mo	200	.....	af	June 30 and Dec. 31	125
First National, East St. Louis	190	200	12‡	Mar. quarterly	177
First National, Wellston, Mo	350	.....	12‡	June 30 and Dec. 31	291
Franklin Bank	168	.....	8	Mar. quarterly	151
Grand National Bank	190	205	12	1% monthly	163
Grant State Bank	145	155	6	Jan. and July 1st	151
Hamilton State Bank	130	135	6	Jan. quarterly	117
Hodiamont Bank	130	.....	a	Dec. 24, annually	114
Insurance Bank	140	150	6	Jan. quarterly	135
International Bank	125	135	8	Jan. quarterly	132
Jefferson Bank	285	310	12	Mar. quarterly	248
Jefferson-Gravois Bank	200	.....	8	Mar. quarterly	198
Lafayette-South Side	294	310	10ae	Mar. quarterly	168
Lemay Ferry Bank	200	210	8	Mar. quarterly	184
Lowell Bank	165	170	8‡	Jan. and July	202
Manchester Bank	200	.....	8‡	Jan. quarterly	145
Merchants Laclede Natl	280	285	12	Mar. quarterly	217
Natl. Bank of Commerce	155	156	8‡‡‡	Jan. quarterly	157
National City Bank	124	130	6	½% monthly	148
Natural Bridge Bank	130	140	6	June and Dec.	138
Page Bank	.....	130	.....	Began business 6-20-25	112
St. Louis County Bank	300	.....	12	May 31 and Nov. 30	471
St. Louis National Bank	120	140	4	Jan. quarterly	122
Security Nat'l. Sav. & Tr	160	.....	aa	Dec. annually	170
Shaw State Bank	125	135	ad	Not fixed yet	118
Southern Commercial & Sav	190	.....	8	Jan. quarterly	178
Southern Illinois National	320	.....	20	Jan. and July	284
Southwest Bank	120	125	6	Jan. quarterly	127
State Bank of Wellston	600	.....	20‡	Jan. and July	617
State National Bank	160	.....	8‡	June and Dec.	152
Tower Grove Bank	225	.....	8‡	Mar. quarterly	175
Twelfth Street National	125	135	.....	Began business 2-2-24	117
United States Bank	.....	125	6	Jan. quarterly	157
Water Tower Bank	140	150	6‡	June and Dec.	158
TRUST COMPANY STOCKS					
American Trust Co	162¾	168	9‡	Mar. quarterly	161
Chippewa Trust Company	125	135	6	Mar. quarterly	143
Chouteau Trust Company	.....	145	9	Mar. 15, quarterly	140
City Trust Company	100	105	6	Jan. quarterly	127
Easton-Taylor Trust Co	150	.....	6	Mar. quarterly	146
Farmers & Merchants Trust	200	.....	8	Mar. quarterly	187
Granite City Trust & Sav	200	.....	12	Jan. quarterly	132
Industrial Savings Trust	180	210	10	May and Nov	183
Kirkwood Trust Company	145	155	12	1% monthly	164
Laclede Trust Company	140	155	6	Jan. and July	147
Liberty Central Trust Co	124	128	.....	Last 1½% Jan. 1, 1925.	131
Lindell Trust Company	125	130	6	Feb. quarterly	126
Mercantile Trust Company	425	430	24‡	2% monthly	376
Mississippi Valley Trust Co	.....	290	16	Jan. quarterly	269
Mound City Trust Company	120	130	.....	Last 1% Jan. 1926	137
North St. Louis Trust Co	145	.....	9	Apr., Oct. & Dec. 3% ea.	148
Northwestern Trust Co	210	.....	6‡	Jan. and July	303
Park Savings Trust	130	.....	.....	Began business 10-6-23	120
St. Louis Union Trust Co	350	.....	16‡	Jan. quarterly	221
Savings Trust Co	200	215	12‡	1% monthly	134
South Side Trust Co	170	.....	8	Feb. quarterly	160
Title Guaranty Trust Co	38	40	.....	Last 1% April, 1924	142
Union-Easton Trust Co	.....	105	.....	Began business 7-6-25	120
Union Trust, E. St. Louis	175	.....	8‡	Jan. and July	155
Vandeventer Trust (50% paid)	130	.....	$6‡	April and Oct.	127
Webster Groves Trust Co	175	180	6‡	Jan. and July	219
Wellston Trust Company	115	125	8	Jan. and July	173
West St. Louis Trust Co	.....	165	6‡	Mar. quarterly	180

JOINT STOCK LAND BANK STOCKS

Bankers of Milwaukee	14	20	.....	Last paid 1% 10-1-25	105

MISCELLANEOUS STOCKS—Continued

	Bid	Asked	Div. Rate	When Payable
Chicago Ry. Equip., pfd. ($25 par)	24	25	7	Jan. quarterly
do common ($25 par)	29½	30	$3	Jan. quarterly
Cities Service Co., pfd	91¼	92¼	6	50c monthly
do common ($20 par)	58	59	6ww	Monthly
Citizens Finance, pfd. ($25 par)	18	22	8	Jan. quarterly
Commonwealth Steel	200	225	.....	Not published
Community Pr. & Lt., 1st pfd	98	101	7	Feb. 1 quarterly
Consolidated Lead & Zinc "A"	14	14½	E	None being paid
Cons. Retail Stores, pfd., w. w	95	98	8	Jan. quarterly
Dalton Adding Machine, common	79	81	$5	Jan. quarterly
Di Georgio Fruit, units	35	37	.....	None being paid
Eagle-Picher Lead. ($20 par)	26	27	$1.60	Mar. quarterly
E. St. L. & Inter. Water 1st pfd.	97	.....	7	Mar. quarterly
Electric Bond & Share, pfd	107	108	6	Feb. quarterly
Ely-Walker D. G., 1st pfd	112	114	7	Jan. and July 15
do 2nd pfd	88	90	6	Jan. and July 15
do common	31½	32¼	$1ee	Mar. quarterly
Emerson Electric Mfg., pfd	105	107	7	Jan. quarterly
Fidelity Bond & Mtge ($50 par).	45	55	8	Jan. quarterly
Frost Lumber Industries, Inc	285	310	12	No fixed dates
Fulton Iron Works, pfd	58	62	8	Passed 9-1-26
do common	10½	11	.....	11-1-23 last paid
Geller-Ward & Hasner, pfd	.....	100	7	Jan. quarterly
Globe-Democrat Pub., pfd	114	116	7	Mar. quarterly
Godchaux Sugars, Inc., 1st pfd	18	21	7	Last paid Oct. 1, 1923
Hamilton-Brown Shoe ($25 par)	36½	37	$3LL	25c monthly
Hercules Powder Co., pfd	116	118	7	Feb. 15 quarterly
Hussmann, Harry L., Rfrg. & Sup.	31	33	$2.50pp	Apr. quarterly
Huttig Sash and Door, pfd	100	100½	7	Jan. 1, quarterly
do common (no par)	27½	29	$1.50r	Jan. quarterly
Hydraulic Press Brick, pfd	73	75	6**	Jan. quarterly
do common	4½	4¾	.....	None being paid
Illinois Power & Light, 1st pfd	99	103	7	Jan. quarterly
International Shoe, pfd	108½	109	6	½% monthly
do common	165	166	$7	Jan. quarterly
Jaeger Machine (no par)	27½	28½	$2.50	Mar. quarterly
Jersey Central Pr. & Lt., pfd	97	99	7	Jan. quarterly
Johansen Bros. Shoe Co., (no par)	28	30	$1.50	Mar. quarterly
Johnson, Stephens & Shinkle	53	55	$2	Mar. quarterly
Kroger Grocery & Baking, pfd	112	114	7	Jan. quarterly
do common	124	127	$2qq	Mar. quarterly
Laclede Gas & Elec., pr. lien pfd.	98	100	7	Mar. quarterly
Laclede Gas Light, pfd	110	115	5	June and Dec.
do common	187	188	12kk	Mar. 15 quarterly
Laclede Steel Company	165	175	8m	Jan. quarterly
LaDel Oil Properties, Inc	18	.....	.....	None being paid
Land Co. of Florida	24½	26½	.....	None being paid
Le Gear Medicine ($50 par)	20	25	L	No set time
Libbey-Owens Sheet Gl's ($25 par)	133	137	$2nn	Mar. quarterly
McQuay-Norris Mfg., (no par)	17½	19½	.....	None being paid
Medart (Fred) Mfg. Co., pfd	100	102	8	Jan. quarterly
do common (no par)	.....	29	$2	Feb. quarterly
Meletio Sea Food, pfd	75	.....	7	Feb. quarterly
do do common (no par)	.....	35	$2	July annually
Middle West Utilities, Prior Lien	117	118	8	Mar. 15 quarterly
Missouri-Illinois Stores, pfd	108	110	8	Feb. quarterly
do common	14½	15	80c	Jan. quarterly
Mo.-Portland Cement ($25 par).	49¾	50	$2p	Feb. quarterly
Monroe-Louisiana Carbon	1¾	2½	.....	None being paid
National Candy, 1st pfd	108	.....	7	Mar. and Sept. 12
do 2nd pfd	101	.....	7	Mar. and Sept. 12
do common	85	86	7	Mar. and Sept. 12
Natl. Enameling & Stampg., pfd.	81	83	7	Mar. quarterly
National Public Serv. "A" Com.	21¼	21¾	$1.60	Mar. 15 quarterly
Niese Grocery, pfd	75	.....	7	Jan. quarterly
N. O. Nelson Mfg., common	70	80	6	Jan. and July
Ohio Bell Telephone Co., pfd	111	113	7	Jan. quarterly
Pacific Gas & Elec., pfd. ($25. par)	24	26	6	Feb. 15 quarterly
Parke, Davis & Co., ($25 par)	137	139	$2*	Jan. quarterly
Patchogue-Plymouth Mills	52	59	$4	Mar. quarterly
Pedigo-Weber Shoe, com. (n. p.).	29½	30	$2.50	Apr. quarterly
Pet Milk Company, pfd	106	110	7	Jan. quarterly
Piggly-Wiggly Corp., pfd	90	95	8	Jan. quarterly
do common new	15	17	.....	None being paid
Piggly-Wiggly Stores, Class A	15	17	.....	None being paid
Pittsburg Plate Glass, com	235	245	$10‡‡	Jan. quarterly
Polar Wave Ice & Fuel, "A"	33½	34½	$2.50	Mar. quarterly
Rice-Stix D. G., 1st pfd	108	110	7	Jan. quarterly
do 2nd pfd	99½	100	7	Jan. quarterly
do common (no par)	20¼	20½	*1.50	Feb. quarterly

PUBLIC UTILITY BONDS

	Rate	Bid	Asked	Due	Interest Date
Alton Railway Gas & Electric	5	89	.....	1939	Apr. & Oct.
Alton Railway & Illuminating	5	89	.....	1939	Apr. & Oct.
Alton Water Company, 1st	4½	89	.....	1931	Apr. & Oct.
Appalachian Power, Deb	6	100	102	2024	Jan. & July
Arizona Power Co., 1st Mtge	6	101	103	1933	May & Nov
Associated Electric, Conv	5½	97	99	1946	Apr. & Oct.
Bloomington, Decatur & Champ	5	84	87	1940	May & Nov.
Carolina Power & Light, 1st	5	100½	101½	1956	Apr. & Oct.
Central Illinois Public Service	5	97½	98½	1952	Feb. & Aug.
Cent. States Elec., deb. with wrts.	6	94	96	1945	May & Nov.
Central States Gas and Elec.	7	89X	94X	1933	Mar. & Sept. Y
Citizens Independent Telephone	5	98	100	1936	Jan. & July
do Ref. & Ext	6	100	100½	1950	May & Nov.
City Light & Tr. of Sedalia, Mo	5	89	91	1952	June & Dec.
Community Power & Light "D"	6	104½	105¼	1950	Jan. & July
do Series "B"	6½	104½	105½	1938	Jan. & July
do Series "E"	5½	104½	105	1955	June & Dec.
Dallas Telephone Company, 1st	5	99	101	1933	Apr. & Oct.
Des Moines City Railway	5	63	70	1936	Jan. & July
E. St. L. & Interurban Water	5	95	97	1942	Jan. & July
do 1st & Ref. "B"	6	101	104	1942	Jan. & July
E. St. L. & Suburban, Coll. Tr	5	88½	90	1932	Apr. & Oct.
E. St. L. Light & Pow., 1st Mtg	5	96	98	1940	June & Dec.
Houston Lighting & Pow., 1st lien	5	98	100	1953	Mar. & Sept.
do 1st lien B	6	103	105	1953	Apr. & Oct.
Illinois Electric Power Co., 1st	6	103	105	1943	Apr. & Oct.
Illinois Pow. & Light, 1st & Ref	6	102	104	1953	Apr. & Oct.
Kansas City Railways, 1st Mtge	5	64X	66X	1944	Jan. & July Y
do 2nd Mtge	6	5½X	7½X	1944	Jan. & July Y
do 2-Year Notes	6	74X	78X	1919	Jan. & July Y
do 3-Year Notes	7	81X	84X	1921	May & Nov. Y
Kinloch-Bloomington Telephone	6	99¾	100¼	1948	Jan. & July 15
Kinloch Long Dist Telephone	5	100	100¼	1929	Jan. & July
Kinloch Telephone, 1st Mtge	6	101	101½	1928	Feb. & Aug.
Knoxville Gas, 1st Mtge	5	91	93	1933	April & Oct.
Laclede Gas Lt., 1st Coll. & Ref	5½	104½	105	1953	Feb. & Aug.
do 10-Year Notes	5½	100½	101½	1935	Feb. & Aug.
do Refunding	5	102	102½	1934	Apr. & Oct.
Middle States Water Wks., 1st	6	99	101	1936	May & Nov.
Missouri Edison Elec., 1st Cons	5	100	100¼	1927	Feb. & Aug.
National Public Service Coll. Tr	6½	100	101	1955	Feb. & Aug.
Northern Indiana Gas & Elec	6	104	106	1952	May & Nov.
Northern States Power (Minn.)	6½	112	114	1933	May & Nov.
do Non-conv. Notes	6½	103	104	1933	May & Nov.
do 1st lien & gen'l Mtge	6	103½	105	1948	May & Nov.
do 1st lien & gen'l Mtge	5½	101½	103	1950	June & Dec.
Ozark Pow. & Water, 1st Mtge	5	91½	93½	1952	Mar. & Sept.
Public Service of Colorado, 1st	5½	97½	99½	1954	Mar. & Sept.
Public Serv. Co. of No. Ill., 1st	5	99	101	1956	Apr. & Oct.
do 1st Lien	5½	105	106	1962	June & Dec.
St. Clair County Gas & Electric	5	98½	100	1959	Mar. & Sept.
St. Louis & Suburban Ry., Gen'l	5	80	83	1923	Apr. & Oct.
St. Louis County Gas, 1st Mtge	5	99	101	1951	Apr. & Oct.
St. Louis County Water, 1st	5½	101	103	1945	June & Dec.
St. Louis Transit Co., Notes	5	72X	75X	1924	Apr. & Oct. Y
Southern Ill. Light & Power, 1st	6	103	105	1931	Jan. & July
Southwestern Bell Tel., 1st	5	103	103½	1954	Feb. & Aug.
Southwestern Power & Lt., Deb	6	100	102	2022	Mar. & Sept.
do 1st Lien	5	97	99	1943	June & Dec.
Suburban Tel. (Clayton, Mo.) 1st	5	96	100	1936	May & Nov.
Texas Elec. Railway, 1st & Ref	5	50	55	1947	Jan. & July
do Conv. Deb	6	30	35	1942	Jan. & July
Union Elec. Light & Power, 1st	5	101¾	102¼	1932	Mar. & Sept.
do Refunding & Ext	5	102¼	102¾	1933	May & Nov.
do General Mtge	5	100½	102	1954	June & Dec.
Union Elec. Light & Pow. of Ill	5½	102¾	103¼	1954	Jan. & July
United Light & Power, Deb	6½	99½	101	1974	May & Nov.
United Light & Railway, Deb	6	94½	96½	1978	Jan. & July
do 1st lien & Con. Mtge	6	102	104	1952	Apr. & Oct.
do 1st & Ref. Mtge	5	97	99	1932	June & Dec.
United Ry. of St. Louis, Gen'l	4	77	77½	1984	Jan. & July
Virginian Power Co., 1st & Col	5	100½	102	1942	June & Dec.
Yadkin River Power, 1st Mtge	5	100¾	102	1941	Apr. & Oct.

INDUSTRIAL BONDS

Amalgamated Sugar, 1st Mtge	7	103½	105	1937	Apr. & Oct.
Ass'o Simmons Hardware Co	6½	92½	93½	1933	Jan. & July

Dallas, Texas	122	125	10	Jan. quarterly	126
Denver, Colorado	98	102	8	Jan. & July 1	120
Des Moines, Iowa	47	53	.....	Last paid 1% 1-1-26	114
Fremont, Nebraska	90	98	7	Jan. & July 1	136
Kansas City, Missouri	63	68	.....	None being paid	123
Lincoln, Nebraska	112	116	9	Jan. & July 1	124
St. Louis, Missouri	130	140	9	Mar. quarterly	124
Virginian of W. Va. ($5 par)	4	6	40c	Jan. and July 1	6

INSURANCE STOCKS

INSURANCE STOCKS	Bid	Asked	Div. Rate	When Payable
Am. Bankers Ins. ($2.50 par)	1	3	.....	None being paid
Am. Credit Indemnity ($25 par).	53	54	16	Jan. quarterly
Am. Druggists Fire ($25 par)	70	.....	10cc	Mar. annually
Am. Nat'l Assurance ($50 par)	70	80	.....	None being paid
Am. Surety Co. ($50 par)	212	218	$8	April quarterly
Central States Life ($5 par)	20	24	f	Jan. 31 annually
Chicago Fire & Marine ($10 par)	9	12	80c	Jan. quarterly
Continental Life (S. L.) ($10 par)	35	38	ag	Irregular
International Co. of St. L. ($1 par)	2¼	2¾	17	Dec. 31 quarterly
International Life Ins. ($25 par).	70	80	12	Jan. quarterly
Int'l Life & Annuity ($10 par)	8	10	.....	Last paid 6% 1920
Inter-Southern Life ($1 par)	2¼	2⅞	6	Feb. annually
Marquette Nat'l Fire ($10 par)	.....	6	.....	Pd. 5% in stock April, 1923
Missouri State Life ($10 par)	72	75	12	Mar. 31 quarterly
do rights	62	65	D	Expire 4-15-27
National Surety ($100 par)	235	245	9g	Jan. quarterly
North American Life Ins	155	170	hh	No fixed dates
Stand. Am. Fire Ins. ($25 par)	.....	15	.....	Not published
Standard Life of Ill. ($5 par)	2	4	.....	Reinsured with Intl. Life
Southern Surety Company	200	235	16	Jan. quarterly

MISCELLANEOUS STOCKS

Aloe (A. S.) Company, common	34	35	$2.50	Jan. quarterly
American Candy, pfd	52	57	7	Jan. quarterly
American Investment "B"	.....	8	.....	Last 25c paid 6-1-26
American Stores Co. (no par)	72	73	$2	Jan. quarterly
American Stove Company	135	140	10	Mar. and Sept.
Armstrong Cork, common	170	180	6dd	Jan. quarterly
Associated Gas & Electric, pfd	94½	96½	6½	Mar. quarterly
Asso. Simmons Hardware, pfd	50	58	7	Last paid, Apr. 1, 1924
Baer, Sternberg & Cohen, 1st pfd	97	98	7	Jan. quarterly
do do 2nd preferred.	99	100	8	Jan. quarterly
do do common (no par)	20	22	$2	June and Dec.
Beatrice Creamery, pfd	102½	104½	7	Jan. quarterly
Beck & Corbitt Company, pfd	97	100	7	Jan. quarterly
Berry Motor Car, com. (no par)	14	16	$1.20b	Mar. 31, quarterly
The Best-Clymer Company	37	40	$3	Feb. quarterly
Boyd-Welsh Shoe Co., (no par)	40	40½	$3	Jan. quarterly
Brown Shoe Co., pfd	110	112	7	Feb. quarterly
do common (no par)	32	33	$2	Mar. quarterly
Bruce, E. L. Co., pfd	97	99	7	Jan. quarterly
do common (no par)	35	36	$2	Jan. quarterly
Brunswick-Balke-Collender, pfd.	105	107	7	Jan. quarterly
Butler Brothers ($20 par)	23	23½	$2	Feb. 15 quarterly
Celotex Company pfd	88	91	7	Jan. and July
do common (no par)	72	77	$3j	Jan. quarterly
Central Coal & Coke, pfd	78	85	5	Last paid, Jan. 15, 1924
do common	65	75	.....	Last paid, 1½% 1-15-24
Century Electric Co	.....	125	6ff	Mar. quarterly
Certain-teed Products, 1st pfd	107	109	7	Jan. quarterly
do 2nd pfd	97	100	7	Jan. quarterly
do common	47¾	48¼	4	Jan. quarterly
St. Louis Amusement, Class A	43	45	$4.50	Jan. quarterly
St. Louis Car Co., pfd.	95	97	7	Feb. quarterly
do common	16½	18	mm	mm
St. Louis Coke & Iron. 1st pfd	60	70	7	None being paid
do 2nd pfd	38	45	6	None being paid
do common (no par)	20	25	.....	None being paid
St. Louis Cotton Compress	n	n	4n	Jan. 31 quarterly
St. Louis Independent Packing	24½	25½	$1.30	Feb. quarterly
St. Louis Natl. League B.B. Club	.....	.....	.....	None paid yet
St. Louis National Stock Yards.	80	83	8	Jan. quarterly
St. Louis Public Service, pt. pd.	18½	19½	.....	None being paid
St. Louis Rocky Mtn. & Pac., com.	20	23	2	Jan. quarterly
St. Louis Screw Co., preferred	95	100	7	Feb. quarterly
do new common ($25 par).	20	25	.....	None being paid
Scruggs-Vand'voort-Barney, 1pfd	85	.....	6	Jan. and July
do 2nd pfd	85	.....	7	Jan. and July
do common (new) $25 par.	21½	22½	$2	Feb. quarterly
Securities Investment, pfd	104	106	8	Jan. quarterly
do common	38	39	$2.50ss	Jan. quarterly
Shapleigh Hdwe. 1st pfd. (par $25).	23	25	6	Feb. quarterly
do 2nd pfd. (par $25)	23	25	7	Feb. quarterly
do com., new (par $25)	58	61	$5	s
Sheaffer Pen Co., pfd	91	96	7	Not published
do common	100	103	.....	Not published
Sheffield Steel, common	27	27½	$2	Jan. quarterly
Sherwin-Williams, com. (par $25)	48	49	$2z	Feb. 15 quarterly
Sieloff Packing (no par)	18	19	$1.20	Jan. quarterly
Skouras Bros., Class "A"	43	44	$3	Feb. quarterly
Southern Acid & Sulphur, pfd	99	100	7	Jan. quarterly
do common	43	45	$3	Mar 15 quarterly
Southern Baking, common	142	150	.....	None being paid
Southern Ice & Utilities, pfd	85	90	7	Mar. quarterly
do common, class "A"	15	30	.....	None being paid
Southwestern Bell Tel., pfd	117	117¼	7	Jan. quarterly
Stan. Sanitary, com., ($25 par)	85	88	$5k	Feb. 15 quarterly
Stix, Baer & Fuller, common	29½	30	$1.50	Mar. quarterly
Superheater Company (no par).	150	170	$6w	Jan. 15 quarterly
Union Elec. Light & Power, pfd.	105	110	7	Jan. quarterly
do do do	101	103	6	Jan. quarterly
do do of Illinois	101	103	6	Jan. quarterly
Union Metal Mfg. pfd	101	104	8	Jan. quarterly
do common (no par)	40	42	$3	Jan. quarterly
United Accounting Machine, units	25	30	.....	Not published
U. S. & Foreign Sec., full pd. pfd.	87	89	$6.	Feb. quarterly
do 75% pd. pfd	80	82	$3.	Feb. quarterly
Wagner Electric Mfg., pfd	69	70	7	Jan. quarterly
do common (no par)	20	21	.....	None being paid
Wm. Waltke & Co., pfd	110	.....	$7	Feb. quarterly
do common (no par)	68	69	2.40t	Feb. quarterly
Western Cartridge, pfd. new	95	.....	6	Jan. quarterly
do common	95	.....	6	Jan. 15 quarterly
Winchester-Simmons, pfd	25	32	.....	None being paid

FOREIGN BONDS

	Rate	Bid	Asked	Due	Interest Dates
Brazil, Loan of 1895, £	5	66	68	1957	Feb. & Aug.
Brazil, Loan of 1889, £	4	55	58	1966	Apr. & Oct.
Bolivia (Republic of), $	6	90	93	1940	Apr. & Oct.
Cuba, Internal Loan of 1905	5	95	97	None	May & Nov. 28
European Mtge. & Inv. 1st	7½	99	101	1950	May & Nov.
French Premium Loan, fcs	5	31	34	1980	May & Nov.
French Victory Loan, fcs	5	24	28	None	Feb. 16 quarterly
Karstadt (Rudolph), 1st Mtge	7	104	108	1930	Apr. & Oct.
Sao Paulo (City of), Ext. $	6	88	91	1943	May & Nov.
United Industrial (Germany)	6	95	97	1945	June & Dec.
Beaver Products Co., Inc., 1st	[illegible]	108	110	1942	Jan. & July
Bowser (S. F.) & Co., 1st Mtge	7	100	101	1934	May & Nov.
Campbell Baking Co., 1st Mtge	6½	103	105	1943	Jan. & July
Celotex Company, 1st Mtge	6½	100½	102	1939	June & Dec.
do 3 year Convertible Notes.	6	98	100	1929	June & Dec.
do 10 year Convertible Deb	6	97	99	1936	May & Nov.
Chapin-Sacks, Inc. Coll. Tr	7	97	100	1934	June & Dec.
Chesebrough Building Co., 1st	6	97½	99½	1948	Apr. & Oct.
Consolidated Investment, 1st	5	.....	.....	1936	Jan. & July
Continental Motors, 1st Mtge	6½	101½	103	1939	Mar. & Sept.
Cudahy Packing Company, Deb	5½	97½	98	1937	Apr. & Oct.
Dalton Adding Machine, Conv	6	100	104	1941	Jan. & July
Dold (Jacob) Pack. Co., 1st	6	87	89	1942	May & Nov.
Driver-Harris Co., 1st Mtge	8	104	106	1931	Apr. & Oct.
Ferry Station Post Office, 1st	6	99	101	1934	Apr. & Oct. 15
Fleisher, Inc. (S.B. & B.W.) 1st	6	84	89	1939	June & Dec.
Frisco Annex Realty, 1st Mtge	5	96	99	1928	Apr. & Oct.
Frisco Building, 1st Mtge	5	96	99	1928	Mar. & Sept.
Godchaux Sugars, Inc., 1st Mtge.	7½	91	93	1941	June & Dec.
Hearst Publications, guar. 1st	6½	99½	101½	27-36	May & Nov.
Heine Boiler Co., 1st Mtge	6½	96	100	27-33	Apr. & Oct.
Houston Oil Co., 10-year Notes	6½	103½	103¾	1935	Apr. & Oct.
Hydraulic Press Brick, 1st	5	95	100	27-32	Feb. & Aug.
Illinois Glass, Debenture	6	100½	102½	1933	Jan. & July
Income Leasehold, 1st Mtge	5	99	100	1936	Jan. & July
Independent Brewery Co., Gen'l	6	25X	30X	1943	June & Dec. Y
Kellogg (Spencer) & Sons, Inc., deb.	6	101	103	1938	Jan. & July
Liquid Carbonic, 1st Conv	6	106½	107½	1941	Feb. & Aug.
Ludlum Steel Co., 1st Mtge	7	100½	102½	1943	Feb. & Aug.
Mengel Company, 1st Mtge	7	100	102	28-34	Mar. & Sept.
Minnesota Tribune, 1st Mtge	6½	104	106	1942	May & Nov.
Mo. Portland Cement, 1st Mtge	6½	100¾	101¼	1927	Jan. & July
Monsanto Chemical Works, 1st	7	100	102	28-40	Feb. & Aug.
N. O. Ponchartrain Bridge, 1st	7	97	99	1946	Mar. & Sept.
Pacific Mills, 5-Year Notes	5½	93	96	1931	Feb. & Aug.
Prichard Hotel, 1st Mtge	7	98	101	27-39	Feb. & Aug.
St. Louis Nat. Stock Yards, 1st	4	96	97½	1930	Jan. & July
St. Louis Rocky Mtn. & Pac	5	77	79	1955	Jan. & July
Santa Ana Sugar, 1st Mtge	8	99½	101	1931	Apr. & Oct.
Scruggs-Vandervoort-Barney	7	100	100½	28-39	Mar. & Sept.
Scullin Steel, 1st Mtge	6	99½	100½	1941	Apr. & Oct.
Sevilla-Biltmore Hotel, 1st Mtge.	7½	100	102	1937	May & Nov.
Spiegel, May, Stern Co., Deb	6½	99½	101½	1932	Apr. & Oct.
Southern Ice & Utilities 1st conv.	6	94½	97	1946	Feb. & Aug.
A. E. Staley Mfg. Co., 1st Mtge	6½	100	102	1938	June & Dec.
Standard Bakeries, 1st Mtge	7	99	103	1938	June & Dec.
Swift & Company, Notes	5	99	100	1932	Apr. & Oct. 15
Tri-State Baking Co., 1st Mtge	7	100	103	28-31	Jan. & July
Wagner Elec. Mfg. Co., 1st Mtge.	7	99	100	28-37	Feb. & Aug.
Ward Baking Co., 1st Mtge	6	103½	105	1937	June & Dec. 15
Whitaker Paper Co., 1st Mtge	7	104¾	106	1942	May & Nov.
Wright Building, 1st Mtge	5	94	98	1931	Jan. & July
Wurlitzer (Rudolph) Co., Deb	6	100½	102	1938	Jan. & July 15

RAILROAD BONDS

Chic., N. Shore & Milwaukee, 1st	5	97	99	1936	Jan. & July
do 1st & Ref. Mtge	6	100	102	1955	Jan. & July
Little Rock & Hot Spgs., Westn	4	86½	88½	1939	Jan. & July
Manila Railroad (Southern Lines)	4	67	68	1939	May & Nov.
Missouri & Illinois Bridge Belt	4	65	70	1951	Jan. & July
New Orleans Great No. Ry., 1st	5	87	89	1955	Feb. & Aug.
St. Clair, Madison & St. L. Belt	4	74	77	1951	Jan. & July
St. Louis Bridge Co., 1st Mtge	7	103	105	1929	Apr. & Oct.
St. Louis Merchants Bridge, 1st	6	101	102	1929	Feb. & Aug.
St. L. Merch. Bridge & Ter., 1st	5	99½	101	1930	Apr. & Oct.
Southern Ill. & Mo. Bridge, 1st	4	80	82	1951	May & Nov.

a—Paid 25% each Dec. 24, 1922, 1923, 1924 and 1925, also 30% in stock Dec., 1923, and 100% Jan. 15, 1926.
aa—Paid 2% in Dec., 1924, 6% Dec., 1925, 3% in June and 4% in Dec., 1926.
ad—Paid 2% Jan. 1, 1925, and 3% Feb. 1, 1926.
ae—Paid 50% stock dividend March 1, 1926.
af—Paid 9% June 30 and 15% Dec. 31, 1926, 10% June 30 and 15% Dec. 31, 1925.
ag—Paid $1 each Feb. 15, 1924, and Feb. 1, 1926.
b—Paid 50c extra Jan. 2, 1926. Reduced regular rate from $2 to $1.20 Sept. 22, 1926.
cc—Paid 50c extra Jan. 15, 1925, and 75c extra Jan. 15, 1926.
d—Stockholders of record 2/28/27 have right to buy 1 new share @ $10 for each 2 shares held.
dd—Paid 5% extra in stock Jan. 15, 1926.
e—Paid $2.00 for 1926. Last payment 12½c to holders of record 12/15/26.
ee—Paid 50c extra Jan. 15, 1925, and 75c extra Jan. 15, 1926.
f—No fixed rate. Paid 12% Jan. 26, 1923, 14% Jan. 21, 1924, 15% Feb. 1, 1925, 16% Jan. 30, 1926.
ff—Paid 10% extra in stock December 22, 1926.
g—Paid extras of 50c each 3/31/26 and 9/30/26; $1.50 each 1/2/26; 6/30/26 and 1/3/27.
gg—In arrears 48%. Paid 1% July 1, 1925, and 1% Jan. 1, 1926, on the back dividends.
z—Also extra dividend in 1926; American Trust 1%, Baden 1%, Belleville Savings 3%, Bremen 8%, Cass Avenue 2%, First National, St. Louis, 4%, First National, East St. Louis, 4%, First National, Wellston, 3%, Lowell 2%, Manchester 2%, Mercantile Trust 2%, Northwestern Trust 3%, St. Louis Union Trust 4%, Savings Trust 1%, State National 2%, State of Wellston 5%, Tower Grove 4%, Union Trust, East St. Louis, 4%, Vandeventer Trust $1.50, Water Tower 1%, Webster Groves Trust 3%, West St. Louis Trust 2%.
zz—Paid 5% extra each Feb. 16 and Oct. 1, 1925 and 1926, also declared same extra payable Feb. 15, 1927.
zzz—Paid 25c extra in each quarter of 1926.

g—Paid 2% extra March 1, 1926.
h—Paid 50c extra Dec. 1, 1926, and 40c Dec. 1, 1925.
hh—Paid 43% stock dividend Jan. 10, 1925, also $5 cash each Jan. and July, 1926.
j—Paid 100% stock dividend in November, 1926.
k—Paid 25% in stock. $1.25 extra cash 2/14/25 and 75c extra 2/15/26.
kk—Regular rate raised to 12% at directors' meeting 2/18/27. Previous rate 8% and extras.
L—Paid 4% January 31st and declared 3% payable June 1, 1927.
ll—Also 25c extra December 23, 1924 and 50c Jan. 2, 1926.
m—Paid 5% extra December 10, 1926, and 4% December 10, 1925.
mm—Initial dividend of 50c declared Jan. 25th, payable February 1, 1927.
n—Paid $65 a share extra in cash to holders of record July 1, 1926, also 1% extra each Feb. 2nd and May 1, 1925; Jan. 31, and Apr. 30, 1926. No quotation since payment of dividend.
nn—Paid extras of $1 and 20% stock 1/15/26; $1 on 12/1/26, also $1 extra 1/15/27.
p—Paid extras totaling $1 in 1925 and a total of $1.25 extra in 1926.
pp—Paid 62½c extra January 3, 1927, and January 2, 1926.
qq—Paid 5% extra in stock June 1, 1926.
r—Paid 50c extra January 3, 1927.
s—Payable $2 on March 1 and $1 quarterly. Same rate paid in 1924 and 1925.
ss—Also 50c extra paid Oct. 1, 1925, and Oct. 1, 1926.
t—Paid 60c extra February 1, 1927.
w—Paid $4 extra in each 1925 and 1926, and $5 extra Jan. 5, 1927.
ww—Also ½ of 1% a month in common stock.
z—From Nov. 15, 1925, has paid 25c extra each quarter.
X—Sells flat. Y—In Default. ***Heavy type denotes month of maturity.

We will furnish quotations of other securities on request. Our facilities enable us to develop markets on inactive and closely held issues.
Quotations are nominally as of January 31, 1927, and can be filed for future reference.

Write, Wire or Phone Us About Any Security in Which You Are Interested.

We do not guarantee the statistics and information in this pamphlet, but have obtained them from sources deemed reliable.

Coolidge, the Friend of Mid-West Farmer

By W. L. Taylor
Vice-President and General Manager of the Federal Surety Company

WHEN the question is asked what help the farmer wants, one generally gets the reply, "We farmers want relief from the East. We don't want the East to have all the prosperity while we are going broke feeding the country." Another statement is, "Coolidge is a Yankee lawyer and has no interest in the agricultural district," which is the farthest from the truth. The writer lived in New England several years and knows somethng of Calvin Coolidge. He has also lived in Iowa for the past seven years, and through his business has had a good opportunity to know something of the agricultural situation and he asks the readers of this paper just to lay aside their prejudices and study the facts.

The President has always been opposed to any "price fixing" law, and because he has the courage of his convictions to come out and stand against any such plan many farmers feel he is not their friend. In his address before the Republican Club in New York, February 12, 1924, he made himself clear on "price fixing." He said:

"What I am most anxious to impress upon the prosperous part of our country is the utmost necessity that they should be willing to make sacrifices for the assistance of the unsuccessful part. I do not mean by that any unsound advice like price fixing, which I oppose, because it would not make prices higher, but would in the end make them lower. * * *"

In the President's address to the Association of Land Grant Colleges November 13, 1924, he said:

"The permanent maintenance of our country's superior level of human comfort and well-being will require that our agriculture be made and kept the most efficient in the world. Our agricultural community must be maintained through constant improvement of methods and constant strengthening of the place it holds in the social structure, more prosperous, better educated, more contented, than that of any other nation. If we ever permit our farming population to fall to the level of a mere agricultural peasantry, they will carry down with them the general social and economic level. Every citizen among us has a personal concern for the welfare of the farmer. The fortunes of all of us will in the end go up or down with his."

So it can be seen that President Coolidge in his addresses and messages for the past four years has set forth administration efforts for such relief as well as a discussion of principles whereby agriculture would be restored to a basic quality with industry. He makes no attempt at price fixing. President Coolidge is not alone in his stand against "price fixing." It is safe to say that every student of agriculture economics will agree with the President. Professor C. L. Holmes of the Iowa State College says:

"The practice of better economics on the farm is the solution. * * * Price fixing is not the answer because farm production is not elastic and change in price would not change production."

Calvin Coolidge is a man who goes into every proposition thoroughly before he acts. He is a man that seeks out wise counsel, but when he arrives at the crossroad of decision he will follow the finger board that points to principle, no matter how rough the road may be or what effect it may have on his chances for 1928. That is why he is the greatest President since Lincoln.

United States Post Office Bonds

A Brief Description of These Securities

IN DISCUSSING Post Office Bonds it is well to understand the conditions that make possible the issuance of these securities. Parcel Post Mail, both domestic and international, has increased tremendously since its inception some years ago, and the facilities for handling this mail have been continuously enlarged and improved to meet the increased demands. The handling of this class of mail requires, among other things, the use of a large fleet of motor vehicles. As a result the Government Motor Vehicle Service was organized in 1914 and is now established in some 582 cities throughout the country.

Business houses that formerly used freight and express service almost exclusively are now shipping all their packages, weighing not more than 50 to 70 pounds, by parcel post. They are aware of the many advantages of this means of transportation. Although embargoes have been placed on both freight and express from time to time in different parts of the country, parcel post service has continued to function without a break. The reliability and speed of this method of transportation has resulted in an almost unbelievable growth of this branch of the Post Office Department.

As a consequence, the post office quarters available in Federal buildings constructed years ago have long since been outgrown. Consequently, enlarged facilities are required if the present and future needs for the handling of this class of mail are to be adequately met. The present policy of the Post Office Department in obtaining additional space required is typical of the era of economy and the introduction of modern business methods in Government administration. The time is passed when contracts for new post office buildings might be considered as political favors to be dispensed with a lavish hand. In its stead there has been adopted a sensible business like policy towards the housing of postal facilities.

The Government, similar to many of our great business corporations, has found it more economical to lease quarters for such purposes than to construct their own buildings. This has been especially true during the last few years (owing to the lack of appropriations for Government building purposes). The construction of one or more post offices in every town, hamlet, village and city would involve a tremendous outlay of capital on the part of the Government.

This policy of leasing suitable quarters on the part of the Government has resulted in the issuance of Post Office First Mortgage Bonds. Briefly, these bonds represent a first mortgage on land and buildings under lease or contract for lease to the United States Government for post office purposes. In other words, the property securing any issue of these bonds is under lease or contract for lease to the United States Government Post Office Department before the bonds are ever issued.

As might be readily imagined, the Government requires centrally located properties for post office purposes. As a consequence, the properties securing Post Office Bonds are generally situated in business sections where values are firmly established and in most cases are on the increase. This is a very important and desirable feature of the security underlying these bonds.

All buildings must be constructed according to plans and specifications approved by the proper Post Office Department Officials. It is necessary in this connection to submit plans and specifications for the buildings to the Department prior to the execution of the contract for lease. This procedure assures the construction of the building in accordance with Government requirements.

In leasing properties for post office purposes, the Government uses two forms of lease. One is known as the standard form of lease which permits cancellation by the Government at any time upon reasonable notice—generally one year—if the Government wishes to move into a Government-owned building or if it desires additional space and is unable to obtain this additional space in the present location. The other form of lease is the standard form of lease with these two cancellation clauses stricken out and is designated as the non-cancellable form of lease by the Post Office Department. All leases are signed by the Postmaster General and approved as to their legality by the Solicitor General of the Post Office Department, on behalf of the Government.

The leases to the Government always extend beyond the maturity of the bonds. This is a very important feature as it insures 100 per cent rental of the property during the entire life of the bonds to the best tenant in the world—the United States Government. After all, income is the basis of value —"a property is worth what it will earn." **It would be difficult to find any other form of real estate security where the earning power of the property is both established and assured and the financial standing of the tenant above question.** Yet this is the fact in the case of all Post Office Bonds.

The form of mortgage under which the bonds are issued generally provides that the annual rentals received from the Government shall be paid directly by the Government to the Trustee under the mortgage. The Trustee is then required to deduct the necessary amount for interest and sinking fund charges before paying anything to the owners of the property. This provision means that the money goes directly from the Government to the payment of principal and interest of the bonds.

In order to protect the bondholder against all contingencies, such as damage to the property by fire or storm, the necessary forms of insurance, including rental insurance, are carried on the property and the policies are made payable to the Trustee for the benefit of the bondholders.

Guaranteed Mortgage Bonds---How They Are Selected and Safeguarded

By E. R. Price
Vice-President and Treasurer
Guaranteed Mortgage Co., Minneapolis

THERE are various types of Guaranteed Mortgage Bonds on the market today. The greater portion of bonds under this classification are, however, in collateral trust form, and it is this type of bond that we will deal with principally in this article.

The security underlying these bonds, in practically all cases, is first mortgages on improved city real estate, the mortgages being pledged with an Independent Corporate Trustee for the benefit of the holder of the Collateral Trust Bond. The originating company issues the bonds as its direct obligation, and its entire resources are pledged for the payment of principal and interest. In addition to the prime obligation of the borrower executing the mortgages, and the direct obligation of the issuing company on its bonds, the payment of the principal and interest of each mortgage securing the bonds is guaranteed by one of the large surety companies having resources of many millions of dollars. Purchasers of Guaranteed Mortgage Bonds thus have back of their investment, the properties pledged, the resources of the issuing company, and the assets of the surety company.

Loans Are Spread.

It is not customary for mortgage companies issuing bonds of this type to confine their operations to one locality, but to spread their loaning activities over several states, specializing for the most part in large numbers of small sized loans in moderate-priced properties. Wide geographical and numerical diversifications of the mortgaged properties is of particular significance to investors in this type of bond. Stability of values is insured by selecting properties in regions where natural resources and favorable climatic conditions assure production of the basic materials upon which prosperity depends. Increasing population and rising standards of living assure us that such localities will always find a ready and profitable market for their varied products. Real estate in such regions provides a security of exceptional stability.

The utmost care is exercised in selecting the cities in which the funds of the issuing companies are to be loaned.

To illustrate this point, I will refer here to some of the methods used by our own company to make its bonds absolutely safe. Before any loan connection is established, a personal investigation is conducted by the officers of this company to determine whether or not the city under consideration meets the high standards required for approval. A survey is made of the city's industrial growth and possibilities for future development, its building needs, the general characteristics of its people, and the probabilities for enhancement of real estate values. Besides meeting the requirements of the issuing company, each city in which loans originate must be approved by the Surety Company.

The company issues its bonds against

the aggregate of moderately sized first mortgages diversified as to location, utility and ownership, thus eliminating, to a marked degree, the possibility of a serious general depreciation in the value of the underlying security.

It is of the utmost importance to the bond buyer that the issuing company be composed of men experienced in the mortgage loan and investment banking field, and that the management consistently exercise sound conservative judgment in the choice of the underlying security. The Board of Directors of the issuing company should be composed of widely experienced and successful business men who are thoroughly familiar with real estate values in the territory in which the company originates loans. By specializing in one type of investment and by applying certain standardized precedure in safeguarding the underlying security, mortgage companies have succeeded in creating an investment which merits the confidence of discriminating investors. The inherent safety of Guaranteed Mortgage Bonds is apparent to all those who are familiar with the procedure followed in the selection of the underlying mortgages. A brief explanation of the procedure followed by the originating company is given below:

Steps in Selecting Our Own Security.

1. **Mortgages Selected According to Conservative Standards.**—The company limits its selection of loans to high grade completed city properties; largely owner-occupied homes and income producing properties of moderate size. No mortgages are accepted on buildings in course of construction or buildings situated on leasehold property, or on theaters, garages warehouses, or other large single-use properties. The property must be well located in a progressive city where real estate values are sound and stable and where there is a constant demand for this type of structure. The property must be fully improved, conform to the building requirements of the city, and be adapted to the rental demand of the district in which it is located. This careful selection safeguards the security from depreciation in value.

2. **Wide Margin of Safety Required.**—Loans made by the company never exceed 60 per cent of a conservative certified appraisal of the property made by independent appraisers. Besides conservative appraisals, the margin of safety is increased by requiring that all mortgages maturing in more than five years be reduced by monthly, quarterly or annual payments of the principal. These payments are held in trust by the trustee to meet the prin-

cipal and interest on the bonds. An amortized mortgage is in itself a guaranty against decline in values. Guaranteed Mortgage Bonds have the cumulative strength of continually increasing equities.

3. **Expert Appraisals** — Accurate evaluation of the property is secured by employing competent appraisers experienced in building and rental values. Besides the preliminary appraisal by experts on the staff of the company, independent appraisals are always required before a loan is closed. These independent appraisers must be disinterested in their findings and thoroughly familiar with realty values in the locality under consideration. The qualifications of appraisers are investigated by and must have the approval of the Surety Company. Each property is also appraised by the Surety Company on the basis of its statistical records and direct knowledge of real estate values.

4. **Borrowers Investigated.**—In addition to a thorough analysis of the property itself to determine whether or not it measures up to the high standard required by the company, a careful investigation is made of the financial reliability of the borrower and his ability to carry out the terms of the loan. The company takes every precaution to restrict its loans to responsible borrowers.

Careful Analysis.

5. **Careful Analysis of Each Loan.**—If the preliminary analysis indicates that the application is worthy of consideration and when all necessary information has been secured relative to the property and the borrower, the application together with complete reports covering every phase of the loan, is submitted to the loan committee of the mortgage company for consideration. This committee consists of five members from the board of directors of the company. To determine the desirability of the loan under consideration, the committee carefully investigates the following data: The signed application of the borrower, credit reports on his financial condition, floor plan, showing interior arrangement of the building, detailed reports from approved appraisers as to the value of the property, photographs of the property and of the neighborhood. The members of the loan committee analyze the loan and supplement the facts presented with their own expert knowledge of real estate values. Only those mortgages which prove acceptable in every way receive the approval of this committee.

6. **Mortgages Submitted to Surety Company.**—Following the approval of the loan by the Guaranteed Mortgage Company, the important reports and accompanying papers are forwarded to the Surety Company and submitted to its loan committee for approval. Each separate mortgage, besides meeting the rigid tests of the company, must be approved by the Surety Company before it can qualify as security for the bonds. If the mortgage is acceptable, the Surety Company certifies its approval of the loan and the acceptance of the mortgage under its guaranty. The Surety Company operates under the insurance laws of the several states, and adheres in its choice of risks to properties which conform strictly to conservative and sound mortgage principles. The surety guaranty which unconditionally guarantees prompt payment of principal and interest is proof of the absolute soundness and the intrinsic merit of each separate mortgage, the aggregate of which constitutes the security for bonds.

7. **Security Held in Trust.**—The Guaranteed First Mortgages pledged as security for the bonds are assigned to and deposited with the trustee, under a trust indenture existing between it and the Guaranteed Mortgage Company. The company is at all times re-

(Continued on page 84)

Future Opportunity in Foreign Bonds Based on Past Developments

By J. C. Lutweiler
President. Baker, Kellogg & Company, Inc., Chicago

MANY people who are turning to foreign bonds for investments do not fully appreciate what a large diversification is offered in this field. The following charts tell an interesting story of what changes have taken place during the last six years in respect to foreign issues that have been floated in this market. In order to study these developments in foreign financing European government dollar bonds have been grouped according to the time of issue. In order to secure a representative selection of the bonds issued during different periods we have taken the ten highest grade European government bonds issued in the period (1) 1919-1921; (2) 1922-1923; (3) 1924-1925*. The following chart shows the price course of the three groups of bonds** up to the present and brings out the marked improvement in the prices of European securities. But, more interesting is the period during which each group made its greatest appreciation in price. The preceding chart clearly indicates that group (1), the issues of 1919 to 1921, underwent its main price appreciation in 1921 and 1922. Similarly, the bonds of 1922 and 1923 rose most in the period just following their issue, namely, 1924 and 1925. In like manner the issues of 1924 and 1925 have shown marked improvement in 1925 and 1926. This situation seems to indicate that the opportunities for appreciation are in the more recent issues.

Group (1) Ten highest grade government issues of 1919-1921*:

Berne 8/1920.
Christiania 8/1920.
Copenhagen 5½/1919.
Danish 8/1920.
Danish Cons. Mun. 8/1920.
Norway 8/1920.
Sweden 6/1919.
Switzerland 8/1920.
United Kingdom 5½/1919.
Zurich 8/1920.

Group (2) Ten highest grade government issues of 1922 and 1923:**

Austrian 7/1923.
Czecho 8/1922.
Denmark 6/1922.
Netherlands 6/1922.
Norway 6/1922.
Prague 7½/1922.
Serb. Croats-Slovenes 8/1922.
Seine 7s/1922.
Dutch E. Indies 6/1922¶.
Queensland 6/1922§.

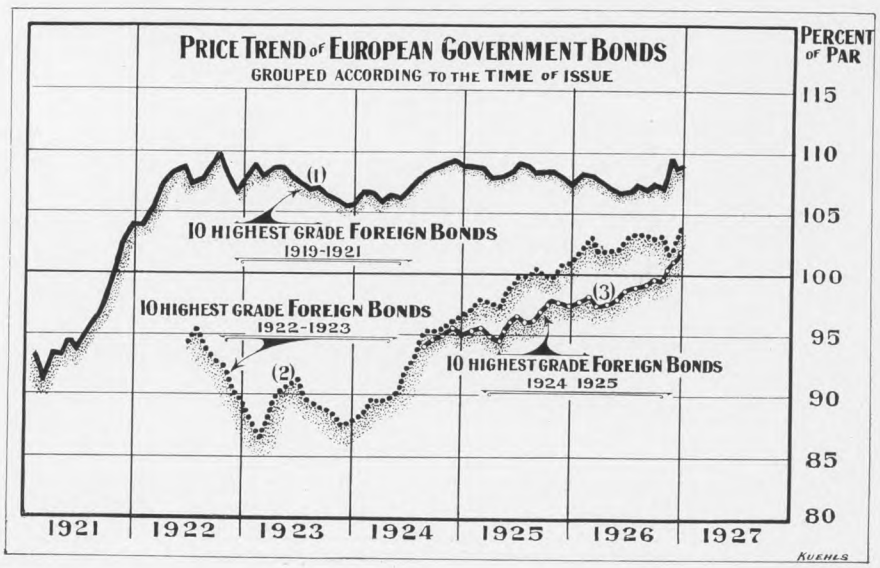
Group (3): Ten highest grade government issues of 1924 and 1925†:

Belgian 6½/1924.
Czecho-Slovak 7½/1925.
Finland 7/1925.
French 7/1924.
German 7/1924.
Hungarian 7½/1924.
Netherlands 6/1924.
Norway 6/1924.
Swiss 5½/1924.
Swedish 5/1924.

Group (1), which is composed of the highest grade European Government bonds issued between 1919 and 1921, indicates that the American investor moved cautiously into this new field of foreign financing and loaned funds to the countries least affected by the war and those of the best credit standing in Europe. These countries whose government obligations sold before the war on a 3½ per cent or 4 per cent yield basis, were forced to borrow in this market on an 8 per cent yield basis. The bonds in this group sold on an average yield of 8.07 per cent in April, 1921, and rose in price as the American investor understood their worth, until April, 1925, when they were selling at a price to yield 5.93 per cent. This meant a rise of 15 points in the index during that time. Then various features which allowed the bonds to be retired at prices lower than they were then selling, caused many of them to decline in prices as may be seen on the chart. For example Berne 8/1922 sold in January, 1925, at 111½ but were callable at 107 after 1925 which caused a gradual decline to 107 in April, 1926, when they were retired. Practically no further appreciation in price can be expected of the bonds still outstanding in this group because of call features or operations of their sinking funds which retire them at prices around present levels.

Group 2

Group (2) is made up of the ten highest grade European government bonds issued in 1922 and 1923. It includes some of the bonds of the countries which had borrowed previously as well as countries whose economic condition had suffered greatly from the effects of the war and which could not obtain loans in New York until the way had been paved by these previous foreign government loans. The American investor by this time was willing to go one step further and lend to other countries besides those less acutely affected by the war. Therefore this group includes such countries as Austria and Czechoslovakia. The index of Group (2) rose 14 points from the beginning of 1924 to the first part of 1926. The chart shows how the prices of these bonds have tended steadily to improve since the last of 1923, along with the better conditions in Europe and the growing popularity of foreign bonds in this market. The opportunity for profitable investment in 1924 and 1925 was in this group rather than Group (1). Many of these bonds are selling at such prices that either operation of their sinking funds or call features keep them from improving



further. For example, Czechoslovakia 8/1922 are now selling at 104½ but have semiannual drawings for the sinking fund at par.

Group (3) consists of the 10 highest grade European government bonds issued in 1924 and 1925. In this group we have several countries which had not borrowed in this market before, such as Germany and Hungary, showing that we were willing to lend to still other countries which had only recently developed a sound financial basis. This group also includes loans to some of the same countries which had borrowed in 1919 and 1921 but these countries now borrowed with a coupon of 5½ per cent or 6 per cent instead of 8 per cent as in the earlier years. For instance, Switzerland which borrowed at 8 per cent in 1920 was able to borrow in 1924 at 5½ per cent; and, again, Norway which borrowed at 8 per cent in 1920, issued a 5½ per cent dollar loan in 1925.

The chart shows us that this group of bonds has been steadily appreciating in value but there is room for further appreciation for two reasons; either because these are issues of countries which will probably gain a higher credit standing during the coming year; or because they have low coupon rates such as the Belgian 6½s and can sell at a much higher price before sinking fund or call features operate to limit their price.

The bonds that constitute these various groups shows quite clearly the development in foreign borrowings in New York. Of the total European government issues in 1919 to 1921, 10 per cent had 8 per cent coupons and 10 per cent had 6½ per cent or 6 per cent coupons, while in 1924-25, 5 per cent had 8 per cent coupons and 30 per cent had 6½ per cent or 6 per cent coupons. Practically all of the borrowing countries now can issue loans at lower coupon rates than could Switzerland, Sweden, Denmark and Norway in 1919-1921, when we were skeptical of all foreign issues. For instance, we have Belgian 6½s, French 7s, Hungarian 7½s and German 7s among the 10 highest grade issues of 1924-25.

Now Borrowing Less

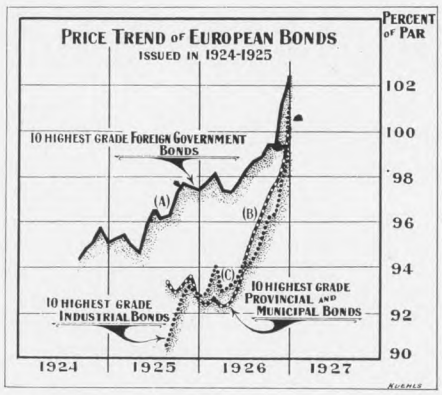
The countries which borrowed here in 1919-1921 are borrowing less in proportion to the total foreign loans in New York than in the earlier days. They are issuing loans now in their home markets or are obtaining loans from other European countries. At the same time they are buying back the dollar bonds of their own countries in this market. This is especially true of Sweden and Holland and more recently Germany has been purchasing its own issues here.

The years 1924-1925 brought a new development in foreign financing. Municipalities, provinces and industries, which heretofore were unable to obtain credit, secured large amounts of funds through loans in this market. In order to study more carefully the recent development in foreign financing, issues of 1924-1925 were divided into three main groups: (a) The ten highest grade national government issues; (b) the ten highest grade municipal and provincial issues; (c) the ten highest grade industrial issues. The accompanying chart gives the price course of these groups* and reveals that the greater appreciation during 1926 was in the industrial, provincial and municipal bonds, the relatively new field of financing. The index of the provincial and municipal bonds, as well as that of the industrials, rose 6 points since the beginning of 1926, while the government bond index rose 3 points.

There is a definite tendency in the amounts lent to provinces, municipalities and industries to increase in proportion to the amounts lent national governments. This is shown in the fact that in 1919 to 1921, 57 per cent of the number of issues in this market was by governments as compared with 31 per cent in 1924 to 1925. Also during 1919 to 1921 there were no European industrial issues while in 1924 and 1925, 41 per cent of the issues were by European industries.*

"A"—Government

Belgian 6½/1949.
Czecho-Slovak 7½/1945.
Finland 7/1950.
French 7/1949.



Hungarian 7½/1944.
Netherlands 6/1954.
Norway 6/1944.
Swiss 5½/1946.
German 7/1949.
Swedish 5½/1954.

"B"—Municipal and Provincial

Finnish Mun. 6½/1954.
Rotterdam 6/1964.
Berlin 6½/1950.
Bremen 7/1935.
Cologne 6½/1950.
Graz 8/1954.
Hung'n Cons. Muni. 7½/1945.
Bavaria 6½/1945.
Dresden 7/1945.
Upper Austria 7/1945.

"C"—Industrials

Paris-Lyons Med. 7/1958.
Nord 6½/1950.
German General Elec. 7/1945.
Ger. Cent. Bk. for Agr. 7/1950.
Ind. Mtge. Bk. Finland 7/44.
Rhine-Main-Danube 7/1950.
Rhine-Westphalia 7/1950.
Sauda Falls 5/1955.
Tyrol 7½/1955.
Saxon Public Works 7/1945.

The increase in loans to industries and smaller governmental units that has taken place in the past will in all probability continue in the future. In time the New York market will very likely be in the same position as the London market with several times more industrial issues than government issues. Many opportunities for profitable investment in foreign industries and smaller governmental units await the investor who will buy such securities before they have their full value recognized and have risen to their true investment level.

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*Twenty-two issues of various European governments, provinces and municipalities were offered in this market between 1919-1921 inclusive. The 10 issues in group (1) used in the chart represent $388,000,000 out of $882,051,000 loaned Europe during this same period, or 45 per cent.

**Eighteen European government issues were offered in this period. The 10 issues used in Group (2) represent $222,700,000 out of a total including Dutch East Indies of $276,725,000, or 80 per cent.

†Fifty-six European government issues were offered in 1924 and 1925. The 10 government issues in Group (3) totalled $410,000,000 of a total lending to European governments of $1,039,800,000, or 39 per cent.

¶Possession of the Netherlands and approved by the government of the Netherlands.

§Queensland, a state of one of the British Dominions.

Five of this group were retired by May, 1926.

The recent statement of condition of the First National Bank of Danville, Illinois, shows total resources of approximately $3,500,000. Deposits are more than $2,500,000. J. L. Tincher is president of the bank, and C. P. Nelson is cashier.

Service Charge Experts in New and Larger Quarters

Devlin, Merrill, Price & Bennett, Inc., financial sales and advertising counsellors of Chicago, because of their rapid growth the past year, have been forced to seek enlarged quarters. They have recently moved from the Wrigley building to more commodious quarters in the Lake Michigan building, 180 North Michigan avenue.

This advertising organization is perhaps best known for its campaign which has been used with great success in Dayton, Ohio, and other Middle West cities for installing a service charge on unprofitable checking accounts.

Southern Securities in Strong Demand

People Who Are Putting Money Into Southern Securities Now Have Good Cause to Expect a Profitable Investment

By R. G. Fields
Advertising Manager, Caldwell & Company

WITH the substantial growth of the South in recent years there has arisen naturally a strong demand for capital in this section, which has been supplied in large measure through the issuance of bonds secured by Southern properties. Because of this demand Southern bonds have normally paid a better rate of interest than those originating in old established industrial sections where the demand for capital is not so great.

This comparatively high yield, together with the fundamental safety incorporated in these issues, has given them a splendid market in the northern and eastern financial centers, as well as at home. Through the sale of these securities, northern capital has moved into the South in enormous amounts, making possible the expansion of southern industries, the financing of state, county and municipal improvements, and the erection of needed buildings of income-producing character.

The people of the South have used their credit to construct splendid highway systems, schools, churches, hotels, office buildings and other needed betterments. Securities given in exchange for this capital have as a general rule been of a constructive type, providing sound investments for northern and eastern capitalists as well as for investors in the South itself, many of whom have put considerable sums at work in their own section through buying securities of southern origin.

Not so many years ago southern securities were held in small repute in the northern and eastern financial centers, but with the rapid industrial development of the South in recent years and the better knowledge of this section which northern and eastern people have gained, southern bonds have risen in the esteem of the old conservative investors until now they are rated among the choicest securities.

> "The South has only just begun its real development, and in the course of the next ten years it is certain that many choice issues of Southern securities will be available through the development of southern industries. Capital must be secured for this development, and conservative financing will see to it that this capital is obtained through the issuance of sound securities. The industrial leaders of the South have only started. The greater portion of their work lies in the future."

The year 1926 probably saw the largest volume of financing in the South's history. Southern industries particularly were developed through the providing of additional capital. At the same time the building of conservative income-producing properties in the larger cities continued from the previous year without interruption and the volume of municipal financing in southern states continued to be very considerable.

The outlook for 1927 is that the South will go ahead with its construction programs in all lines. This being the case, the volume of southern securities will undoubtedly remain at a high level. Southern investment houses specializing in securities of this section are find-

ing a splendid demand for southern bonds and anticipate that such demand will be increased rather than diminished during the coming twelve months.

One of the primary reasons why southern bonds are regarded as a particularly good investment by wealthy people of other sections is that these bonds are showing a decided tendency to enhance in value through the growth of the security behind the bond issue. This growth is taking place as the result of the present progress of the South, and affects municipal, corporation, railroad and industrial bonds in a greater or less degree. As the South develops, the physical property covered by the mortgages of these bonds is increased in value. The natural result is that the bonds themselves become more valuable year by year. This feature of sound southern securities has been more or less obvious in recent years and have proven decidedly profitable to holders of southern bonds.

As Northern and Eastern people have invested money in the South, their interest in this section has grown more than ever. A person is naturally interested in the locality in which his funds are invested. It is thus seen that not only has prominence of the South in the eyes of people of other sections tended to better the market for southern bonds, but also the broader sale of southern bonds tended to increase the interest of others in this section.

The South has only just begun its real development and in the course of the next ten years it is certain that many choice issues of southern securities will be available through the development of southern industries. Capital must be secured for this development and conservative financing will see to it that this capital is obtained through the issuance of sound securities. The industrial leaders of the South have only started. The greater portion of their work lies in the future.

With splendid labor conditions, enormous natural resources, cheap water power in quantities sufficient for any conceivable usage, favorable climatic conditions and numerous other advantages, the people who are putting their money into southern industries now have every reason to expect a profitable investment.

The recent statement of condition of the Commercial Trust & Savings Bank, of Danville, Illinois, shows total resources in excess of $1,824,000, with deposits in excess of $1,337,000. Geo. W. Telling, an active worker in affairs of the Illinois Bankers Association, is president of the bank. John H. McCormick is cashier.

Along La Salle Street

By Wm. H. Maas

The recent death of Lyman J. Gage, former secretary of the treasury under President McKinley's administration and nationally known banking authority, recalls a career in many ways similar to that of his friend, the late David R. Francis of St. Louis. Mr. Gage was the first president of the World's Fair in Chicago in 1893, while Gov. Francis was chairman of the board of the World's Fair held in St. Louis in 1904. Their deaths occurred within a few weeks of one another.

More honor for one of Chicago's leading citizens. Eugene M. Stevens, who a few weeks ago was elevated to the position of president of the Illinois-Merchants Trust Company, has been elected a trustee of the University of Chicago. He is 56 years old and a native of Preston, Minn. He came to Chicago from Minneapolis in 1917.

George Emery, vice-president of the National Bank unit of the Stockyards Banks and one of the oldest officials of the affiliated institutions, has been hitting the ball since 1889, when he started in as messenger at $30.00 a month. At this writing, he is in Florida literally hitting a little golf ball at Valparaiso.

It is interesting to recall that during his thirty-eight years service, he has served under seven chiefs. In 1889, Elmer Washburn was president of the National Institution, and, through the years, the following: L. D. Doud, S. R. Flynn, W. A. Heath, Melvin A. Traylor, and S. T. Kiddoo, who recently was made chairman of the board. Charles N. Stanton recently was elected president of the two institutions.

Dale Chamberlain, vice-president of the Drovers Banks, is now prepared for the summer months. An expensive Panama chapeau was included in the tropical gifts which his colleague, Frank Covert, brought back from Panama last month. William C. Cummings, president of the Drovers, chose California for his winter vacation and is in Los Angeles with his family.

Joining in the late winter hegira toward Southern sunny climes, P. M. Reed and his charming wife arrived in New Orleans in time for the Madri Gras. Later, of course, their itinerary included Havana. P. M. Reed & Banker Associates has become a well known term in a great many of the thirty thousand banks throughout the U. S.

Interesting findings showing the growth of the bond business throughout the entire Middle West, were unfolded by this magazine recently to bond executives in Chicago and St. Louis. More than eighty leading houses were represented at the luncheon given for La Salle Street investment men by The Mid-Continent Banker at the Hotel Sherman. A similar meeting at the Hotel Statler in St. Louis brought out an attendance of almost equal size.

Representative of the Investment Bankers Association, Illinois Bankers Association, Illinois Bond Men's Club and Financial Advertisers' Association were honored guests. In addition to sales managers and bond house executives there were in attendance a number of well-known financial economists of the larger banks.

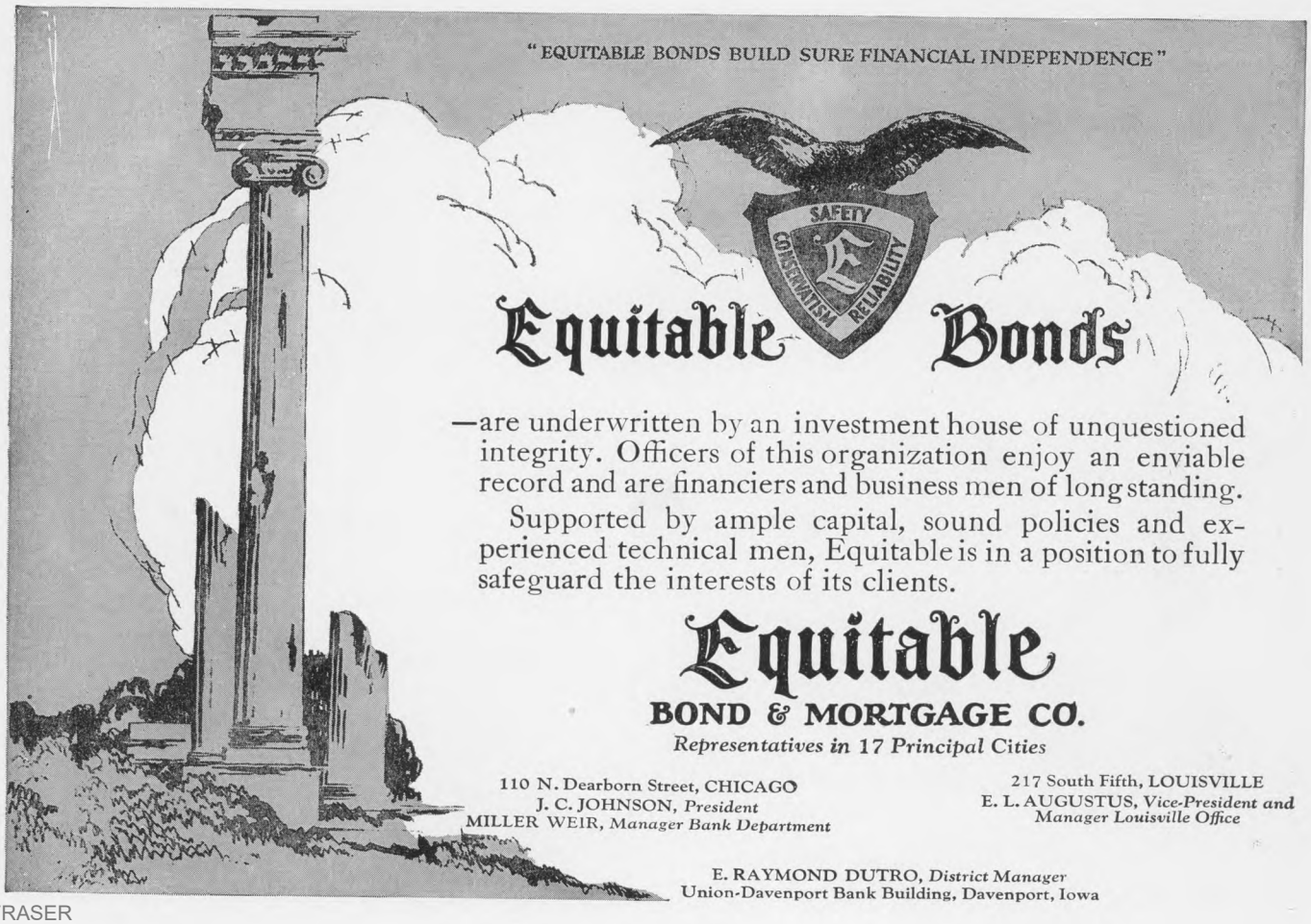
Three bits of comment from La Salle Street which came to this writer following the luncheon are very appreciated; "I never saw so many men making notes at a business meeting; "It was the most ethical luncheon meeting ever given of a similar nature by

a publisher in Chicago;" "The Mid-Continent Banker and Northwestern Banker have given Chicago bond houses a great deal of valuable information on the bond situation in the Middle West."

"When in Rome, Do as the Romans Do," runs an old saying. And that is exactly what W. W. Welsh, Chicago district manager of Baker, Kellogg & Co., Inc., is doing while on a vacation with Mrs. Welsh at Rome, Ga. Mr. Welsh, who is one of the best posted men in Chicago on foreign securities, is taking his first vacation in four years.

Yesterday, February 28th, was a gala day for De Wolf & Company, Inc., marking as it did the removal to their new executive quarters to the One Hundred West Monroe Building, at 100 W. Monroe St.

Some people have been wont to say that bankers have no hearts. A well-known cashier of a bank in a large Middle Western town recently proved otherwise in the presence of this writer when he told us of an unfortunate situation in his institution brought about by three young men in his employ who had embezzled a total of approximately $25,000. The bank was protected by the bonding company naturally, but it hurt the cashier to jail these boys, one of them married, and all three having been "faithful" employes for a number of years. The stock market caused their downfall.



Real Estate Mortgage Bonds

How to Distinguish the Good from the Bad

By J. C. Johnson
President, Equitable Bond & Mortgage Co., Chicago

IT IS, of course, highly desirable from the standpoint of the investor, that he should be able to determine whether or not his investment is good. At the same time, it is more or less difficult for him to determine to his satisfaction whether or not his railroad bond, his public utility bond or his industrial bond has the desirable qualities of not only being good, but that the income on such properties is sufficient to meet the coupons and the serial maturities.

It is equaly desirable in an investment that it shall have continuous and sustained earnings, as well as being intrinsically good. Earnings are a very important element in the "goodness" of a bond. I have said that it would be difficult for the holder of general market securities, such as railroad, public utilities or industrial bonds, to determine as to whether or not sufficient intrinsic value is there behind the bond to make it a good and safe bond, for the reason that it would be a matter of vast expense and difficulty, ordinarily to make an appraisement of any such properties. Therefore, the purchaser of this kind of securities must rely exclusively upon the high character and reputation of the house which sells them.

It is somewhat different, however, for the investor who is a purchaser of first mortgage real estate bonds. It is comparatively a simple proposition for an investor to obtain accurate information regarding the value of buildings and ground securing the bond issue in which he is interested. It is also comparatively simple to obtain an accurate statement showing the net income or earnings of such real estate property. Such real estate properties can be visualized; the holder of first mortgage real estate securities can personally inspect the property and by inquiry, if he is not personally up on real estate or land values, can obtain within a period of an hour or such a matter, a very fair estimate of the value of any real estate property upon which he may hold bonds. I do not mean to say that an exact and accurate appraisal can be made in such haphazard manner, or within the short space of an hour or two, but I think almost any intelligent man or woman can, by inquiry, come within shooting distance of the value of a property. Certainly very much more accurately than one could in desiring to know the value of a railroad or a public utility company's properties, or a vast industrial plant, properties of which may and are usually scattered about and located in various parts of the state or country. Real estate bonds, therefore, have this desirable feature, that anyone can readily obtain accurate and dependable information regarding the intrinsic value of property securing a bond issue, and can easily secure a statement of the earnings and expenses and net earnings.

One of the features of strength which I regard as inherent in good real estate bonds, is the amortization feature. That is, the borrower or debtor agree-

ing in the provisions of his trust deed that he will, out of the income of the property, deposit a certain amount each month with the trustee to cover the accruing interest and accruing amortization.

In my thirty years experience in banking and finance, I believe I can state that in the handling of all manner of investments, the first mortgage real estate bond on well located property in a city of metropolitan size, is about the only security that I know of where the income is so certain and continuous that the borrower or debtor is justified in agreeing in his trust deed that he will make a monthly deposit anticipating the accruing interest and

J. C. Johnson

amortization out of the net income of the property each month. Perhaps there is no form of investment in existence which is known to have the record for continuous and constant income, as well-located apartment property in metropolitan cities.

I consider the feature of "diversity of income" a very important element of strength in first mortgage real estate bonds. Income from apartment house property or office property is not dependent upon market conditions or the income of any one individual, and is largely free from many of the hazards incident to business. Income is derived from thirty, fifty or a hundred tenants living in the building—usually of various and diverse occupations, thus rendering the monthly income of the property comparatively safe from the usual hazards. For many, many years the farm mortgage was considered the ideal form of security and investment to such an extent that many of our large insurance companies invested the major portion of their funds in these securities. These mortgages had been good for a thousand years, but

the defect is that they are dependent upon one source of revenue, namely, the crops, which are affected by various climatic and other conditions.

The question of "management," so largely controlling the success or failure of various enterprises is not a very important element in apartment house or office building property. It is highly desirable, of course, to have efficient management, but the proposition does not entail great technical skill; the employment of an army of employes and the greatly involved problems confronting the management of railroads, public utilities or other industries.

It is the universal experience in every city of this country of metropolitan size that real estate values throughout such cities have constantly increased in value from the very day that such cities have taken on metropolitan proportions. It is true there may be spots in such cities where real estate values are depressed or are stationary, but they are insignificant compared with the great growth and development and increasing values constantly going on in other parts of our American cities. These increasing values are adding equity and security behind your first mortgage real estate bond, and while bonds of other character, secured by various kinds of equipment, machinery, turbines, etc., are wearing out and the security getting proportionately less, it is almost the universal rule that the equity and security behind mortgage bonds located in advantageous and desirable locations in metropolitan cities are constantly getting more valuable from year to year.

Chicago is not a city of mushroom growth, but is a city that increases its population by approximately 90,000 people every year. It is a city of conservative growth and cannot and will not have a boom. Booms occur very rarely in the older and substantial cities of our country. Chicago is too large to have a boom.

The modern trust deed is a vast improvement over the old-fashioned mortgage. It contains many provisions of safety for the bondholder which are not usually incorporated in the ordinary mortgage. For example, the modern trust deed provides for the administration of a building by the trustee if the owner misapplies or misuses the income and defaults in his payments for longer than sixty days. This is of advantage to the investor who holds first mortgage real estate bonds on such property. He has a very reliable, capable attorney in the form of the independent trustee representing him, and in my judgment this provision is one of the elements which explains why there have been comparatively very few foreclosures on bond issues in the city of Chicago.

Of course it is highly desirable to pay due regard to the queston of locaton. Well located property is always in demand and commands a ready market. Well located property is always rentable and thus insures the necessary income. Locations near but not too close to a market or shopping center, within easy walking distance of transportation and in a neighborhood which commends itself to the discriminating individuals argue much for the safety of one's investments in first mortgage bonds on property within such approved locations.

And lastly—the character, reputation of the bond house and the individuals operating it should be taken into consideration. Such a bond house need not of necessity be the largest or the oldest, but it should have a good reputation both for integrity as well as ability.

I believe that if the prospective investor in first mortgage real estate bonds should observe the foregoing fundamental principles in the making of his investment and in the purchase of first mortgage real estate bonds, that his losses during his life-time by the purchase of such bonds will be practically nothing.

Piety is the right performance of a common duty, as well as the experience of a special moral emotion.—Beecher.

"BUSINESS CYCLES"

(Continued from page 18)

of the secondary reserves of many banks. The commercial paper dealt in by note brokers also had begun to occupy a place as a standard investment for funds of commercial banks.

Notwithstanding the fact that the Federal Reserve rediscount facilities afforded a secondary and readily available reserve for member banks, other opportunities for the use of investments on the part of banks developed which more than offset an apparently diminishing need for investment. Member banks are permitted to borrow on their own notes for short periods from the regional reserve banks using United States securities and corporate bonds as collateral. This privilege has tended to emphasize the importance of bonds as a secondary reserve, since instead of rediscounting, the member banks can borrow on corporate security collateral.

Not Enough Commercial Paper

In recent years, too, there has been a surplus of funds in the money market. There has not been sufficient short-time commercial paper to absorb the money available in investment. Under such conditions it is quite logical that the banks should turn to longer time corporation securities to employ profitably their idle funds. The extent to which commercial banks have entered the investment field is indicated by the fact that at the present time the proportion of bonds to the total deposits of all national banks of the country is double what it was in 1914.

While the commercial banks at the present time are carrying heavier bond investment than ever before, this movement may have a much greater possibility than merely adding to the profits of banks. Could not the banks with their large investment buying power by intelligent and concerted action regulate or control business cycles and aid materially in smoothing out the curves of business prosperity and depression? Study of the causes of the business cycles is increasing, and there is little doubt that with an intelligent understanding of the underlying reasons for these cyclical fluctuations they can be materially reduced.

When the peak of business prosperity is approaching with the tendency to over-production and inflation, then the question arises whether it would not be advisable to shift from the commercial field to well-seasoned securities unlikely to be seriously affected by declining activity. Such a shift by mildly curtailing credit would have a tendency to tighten the short time money market thus checking inflation and also since the bond market weakens in time of heavy demand for commercial money there is presented a favorable opportunity for the banks to invest in longer time securities. A period of depression has a tendency to strengthen the bond market and when recovery begins, the banks by disposing of their bonds would then increase the money available for commercial purposes, thus aiding recovery by cheapening money rates and at the same time taking advantage of a favorable opportunity for disposing of their bonds.

Business cycles have been the bane of our economic life and have caused untold waste. They were formerly regarded as inevitable. Recently more systematic and scientific study of causes have led us to question the inevitableness of these devastating fluctuations. All the facts and theories as to the cause of these cycles and remedial measures which have been so laboriously collected by economists are useless, however, unless the business world is willing to co-operate intelligently, and be guided by the theories as they are worked out from time to time. Can the banks aid in smoothing out the economic curve? If so, will they whole-heartedly do their part?

GUARANTEED MORTGAGE BONDS.

(Continued from page 72)

quired to maintain, in the hands of the trustee, mortgage collateral, cash or obligations of the United States Government at least equal to the par value of the outstanding authenticated bonds. Each bond carries the certificate of the trustee as assurance that approved collateral equal to 100 per cent of the bonds has been deposited as security. Policies covering fire, tornado and title insurance are also deposited with the trustee.

8. **All Titles Guaranteed.**—All titles are based on fee simple ownership of the property. For the protection of the bond holder, the titles of all mortgaged properties are insured by approved title companies satisfactory to the guaranteeing companies.

9. **Insurance and Taxes.**—Adequate fire and tornado insurance is required and maintained on each property securing the mortgage underlying these bonds in companies whose capital and surplus is not less than $1,000,000. Provision is also made for the payment of taxes.

We have outlined above some of the most important steps followed by our own company which issues bonds of the guaranteed type. A thorough understanding of the procedure in creating an investment security is fundamental for an intelligent appreciation of its relative desirability. The independent investigation which the issuing company and its mortgages must undergo at the hands of the Surety Company, assures investors in bonds of this type that their security is intrinsically sound.

Additional safeguards provided for this form of investment are embodied in certain requirements:

1. The principal of the mortgages must be reduced by monthly or quarterly payments, with corresponding increase in the margin of safety.

2. The makers of the mortgage notes must be of good character, with adequate financial responsibility.

3. The issuing company must guarantee the payment of the underlying security. It must also assume the direct obligation for the payment of the bonds it issues, and must be approved by the Surety Company.

4. Positive proof of protection against loss must be furnished investors in the form of an unconditional guarantee of a large Surety Company, which covers the payment of principal and interest of every mortgage, securing Guaranteed Mortgage Bonds.

Bonds of this type are being offered to the public to yield from 5½ to 6 per cent by investment bankers, banks, and trust companies, in nearly every state.

ADVANTAGE OF REAL ESTATE BONDS.

(Continued from page 53)

For instance, generally speaking, the man who has only a few hundred or few thousand to invest, has no business holding government bonds, except in governmental emergency. The interest is too small to make him feel his money is worth anything, hence the first smart salesman who comes along gets his bonds in exchange for what will be "better than Bell Telephone stock ever was" in just a few years. The investor takes the attitude that he does not need the money, it is earning him a very little, and he could just as well invest it where he has a chance to make a million." How different this would be if his banker had taken a personal interest in his welfare by advising with him how to invest his $500 or $1,000 so as to earn the maximum interest with safety—at the same time arousing his interest in how compound interest actually accumulates over a period of years.

To state it differently:

A banker seldom gains the confidence of his customer by giving advice that curtails his earnings, but does gain his confidence by helping him increase his earnings. The average man is not so much interested in how to "keep" his money as in how to make it double in the shortest space of time.

The real estate bond is the ideal investment for the banker to sell his customers, for the reason that its interest return is good, its safety is unquestioned if put out by a conservative house and the customer is already acquainted with the real estate mortgage as a safe form of security. The average man has had experience one way or the other with mortgages, so it is not hard to explain to him that a bond is simply one of the notes secured by a mortgage. It may bewilder him to talk about "general underlying bonds" or "debentures" or "first preferred," but when you tell him about a real estate mortgage, he understands. It only remains for the banker to first satisfy himself as to the character of the house underwriting the bond issue, its reputation for conservatism and integrity. There are reliable and unreliable bond houses, the same as there are reliable and unreliable banks.

Real estate securities now form a much larger percentage of the investments of the great life insurance companies than any other security, also that of savings banks and large estates, particularly in the older states. Banks in general are increasing their holdings rapidly, and as a security for resale to its customers, the banks are finding the real estate bond most satisfactory from the standpoint of both safety and salabiltiy.

Interesting Men in the Banking Field

Ben Edwards Began Banking Career at Age of Sixteen

Back in the days when St. Louis was pretty much of a prairie beyond Grand avenue there was born a boy who is now one of the oldest bankers in Missouri in point of service.

Ben Edwards

That boy, now 67 years old, is Ben Edwards, who was born on the last day of the year 1859, in a house that was located near what is now the corner of Eleventh and Locust streets.

At the age of four, Mr. Edwards' family moved to Kirkwood, where he received his early schooling. In those days Mr. Edwards says he had a lot of fun playing baseball and attending the annual fairs at the old Fair Grounds on North Grand avenue. To attend the fairs he used to ride a Missouri Pacific train from Kirkwood to the Grand avenue station and then "hoof it" north until he came to the fair grounds. Sometimes he was lucky and caught a ride with a farmer driving a wagon.

On his sixteenth birthday, believing the better the day, the better the deed, Mr. Edwards began his banking career as a messenger for the old St. Louis National Bank, located at 215 Olive street. He served as a messenger and in various other capacities for four years, then went to the Bank of Commerce (now the National Bank of Commerce) as assistant correspondence clerk.

In 1887 he abandoned the banking business for a time to go with his father and organize the brokerage firm of A. G. Edwards & Son. He remained in this business for five years, then returned to the Bank of Commerce as assistant cashier.

In 1899 the Bank of Commerce took over the old St. Louis National Bank, with which Mr. Edwards had started his banking career, and Mr. Edwards became cashier of the combined institutions which then became known as the National Bank of Commerce. He subsequently became vice-president of the bank, and in 1908 he was elected president, succeeding J. C. Van Blarcon.

Five years later, in 1913, he left the National Bank of Commerce and was not actively engaged in the banking business again until March 1, 1915, when he became president of the Central National Bank.

He continued in this position for five years and then, in 1921, he organized and became president of the National City Bank of St. Louis, which was opened for business on July 21 of that year.

Deposits of the new bank amounted to approximately $1,500,000 on the opening day, and in five and a half years they have increased to approximately $17,000,000.

A part of this substantial growth can no doubt be attributed to the long hours of work which Mr. Edwards exacts from himself—at any event, you will find him at his desk at eight-fifteen every morning.

He believes in lots of hard work, but he also believes in offsetting the hard work with recreation—accordingly, he plays golf, and in his younger days, baseball and other outdoor sports were favorites, even though it was necessary at that time to use resin, instead of a glove, to take the sting out of catching a ball.

Mr. Edwards is a member of the Noon Day and Glen Echo clubs. He is also a member of the board of trustees of Westminster College at Fulton, Missouri. His hobby is unquestionably banking, but he is fond of all outdoor sports, especially golf, and he has always taken a great interest in church work.

Be a philosopher; but, amidst all your philosophy, be still a man.—Hume.

National Bank of Commerce Celebrates Its Seventieth Anniversary

THE National Bank of Commerce in St. Louis, which was granted a charter on February 14, 1857, under the name of the St. Louis Building and Savings Association, celebrated the seventy years of its existence the week of February 14, last.

Full page advertisements were published in newspapers, picturing the first home of the institution and the customs of this period. Women were shown in front of the bank, dressed in hoopskirts and carrying the small parasols of the day, with men clad in the long coats and beaver hats that were then the mode. In the background along the Mississippi River front was a steamboat moored at the levee, and a train with its odd-looking, funnel-like smokestack.

The bank also had an unusual window display, showing in miniature the four homes in which the institution has been housed, with a silhouette pageant above these that paraded in review figures and objects that characterized the various styles and developments from 1857 to 1927.

Inside the bank were interesting exhibits of old coins and bank notes used in the early days of St. Louis banking, in addition to other relics of that period. A young lady dressed in a hoopskirt handed out flowers to the hundreds of visitors who came to view the unique display.

The charter of the St. Louis Building and Savings Association provided it might engage in banking as well as the building and loan business. But the banking appeal was the strongest, so the new institution decided from the very start to confine itself to banking activities.

It is interesting to note that in those early days loans were limited to $1,000 and that the salary of the first president was only $750 a year. It was this cautious attitude of the founders that enabled the institution to emerge safely through the panic of 1857, the first year of its founding, and later through the trying days of the Civil War.

The name was changed to "The Bank of Commerce" on November 3, 1868, and the word "National" was added on December 14, 1889, when the institution voted to take advantage of the National Bank Act and become a national banking organization.

When the bank officially opened its doors for business on July 6, 1857, its paid-up capital was only $8,500. Now it is $10,000,000, additions having been made from time to time in the seventy years to meet continued growth.

John G. Lonsdale has been president of the National Bank of Commerce since 1915. Under his able guidance such departments as Savings, Trust, Investment, Foreign, Advertising and Central File have been added until the institution is now one of the large banks of the country, with service connections throughout the world. Although the bank is seventy years old, its officers regard that as only a good start and are looking forward to an ever-increasing era of usefulness as the institution further develops with the rich territory it serves.

What Are They Reading?

Not one of the latest novels, but nevertheless a book filled with romance, for it is the first ledger placed in use by the National Bank of Commerce in St. Louis, when it began business seventy years ago. The ledger was a portion of an interesting display which the bank arranged in commemoration of its seventieth birthday. And the young ladies, dressed in the hoopskirts that were the fashion away back in February, 1857, when the bank had its beginning under the name of the St. Louis Building and Savings Association, were the center of attraction for thousands who called to congratulate the institution and its officers on its splendid achievements. Thousands of flowers were presented to the visitors and most of them remained to examine with evident satisfaction a display of old coins, bank notes and other relics of 70 years ago and other periods.

Percy H. Johnston Now on South American Trip

Percy H. Johnston, president of the Chemical National Bank of New York, sailed recently on the Santa Ana for a South American trip. He will visit the Bahamas, Cuba, Peru, Bolivia, Chile, Argentina, Brazil, Trinidad and Porto Rico.

Country Banks Can Do Much to Encourage Diversified Farming

IN an effort to secure more effective co-operation between banks and their farmer customers, S. L. Cantley, Missouri Commissioner of Finance, is urging more attention to a program of diversified farming in the state

"There is no disputing the fact that the solvency of our banks in rural communities depends upon the ability of the farmer to pay; and the ability of the farmer to pay depends upon the profit derived from the products he places on the market," says Mr. Cantley.

"In communities purely agricultural, and I mean by that communities growing grain or cotton crops and producing live stock for the market, prices of grain, cotton and live stock thus produced have, for the past several years not returned sufficient profit to the producer to enable him to more than meet current expenses of operation, with the result that, except in isolated cases, debts contracted during the period of inflated values have not been fully liquidated. It has been clearly demonstrated that corn, cotton, cattle and hogs will not pay mortgages under present conditions, but it has been shown that where poultry and dairying—by-products of the better farming sections—were strongly in evidence and made to at least absorb the overhead, thus rendering available for debt paying purposes bulk sales of grain, cotton or live stock, progress toward normal recovery has been noticeable.

Poultry and Dairying Profitable

"It should, therefore, be apparent to all that greater diversification in production is the solution to a part of our troubles. There is not any part of Missouri in which poultry and dairying could not be made profitable, whether it be primarily adapted to grain, cotton, fruits or berries, but it should be associated with all of the above. In some sections these should predominate, in others they should bear the burden of expense, leaving as profits, the major productions.

"I believe that bankers all over the state should interest themselves tremendously in the activities of their customers and should encourage by way of extending credit, properly placed, to farmers who show a willingness to increase their flocks of chickens and herds of dairy cattle. A portion of every board meeting in rural communities, might very properly be devoted to a discussion of these problems, with the view of co-operating and advising with deserving borrowers, toward a solution of their difficulties.

"Stress business methods in farming, to the end that records be kept by farmers and the unprofitable lines of endeavor be curtailed and more attention given to those lines which records show to have been profitable. Loss of soil fertility and a resulting decrease in acreage production in the better soiled sections of Missouri is conclusive proof that sooner or later a change must come, and the time is certainly ripe."

Other Missouri Bankers Heartily Endorse Diversification.

"We heartily agree with Commissioner Cantley," says **Chris R. Maffry, president of the State Exchange Bank of Macon.** "We are, we have been, and we will continue to co-operate with our farmer customers in the direction of encouraging them to diversify. As a result of this long continued policy we feel that we have come through the stormy period, just over we hope, in splendid shape.

"In writing this letter we are thinking of Will Rogers' recent farm relief bill in which he says: 'Every time a Southerner plants nothing but cotton on his farm, year after year, and the Northerner nothing but wheat and corn, why, take a hammer and hit him twice between the eyes. You may dent your hammer, but it will do more good than all the McNary-Haugen bills you can pass in a year.'

"Experience has taught us that in order to exist we must practice diversification."

W. W. Alexander, secretary of the Trenton Trust Company, says: "Being in a position to observe this for the past few years especially, I, personally, know that diversification has solved the problem for a number of fellows. I am also pleased to say that where we find dairying and poultry given proper attention the parties have had very little financial difficulty. Our one-crop farmers are not getting ahead.

"We are, for the coming year, going to devote most of our efforts to this one particular development. The thing our farmers need is more education along this activity, and I feel if we work out a solution to the problem for them they will do the rest.

"I feel that our present commissioner is keeping very close touch with this situation in Missouri and are looking forward for some very constructive things from his office."

"We have encouraged diversification for farmers for several years, says **R. R. Arnold, president of the First National Bank of Mexico,** "particularly, keeping at all times a well balanced supply of brood sows, cows and chickens, according to size of farm, together with raising sufficient grain, beans, clover or hay to feed all stock and poultry kept.

"Farmers should always keep in mind, particularly those living in Missouri, that you can neither buy nor sell your grain and prosper over a period of ten years. 'Raise Everything,' is a good motto. I am of the opinion if you stick to this for a few years the wolf won't howl around your door. If you don't succeed working under this plan, then you might try raising hell with the government, or someone else.

"It appears to me the only logical

Pruning Demonstration in connection with country school house meetings for farmers held by E. C. Williams, president Bank of Noel.

way to help the farmers is to make loans on farm land tax exempt over a period of ten years, thereby reducing the present prevailing farm loan rates possibly from 1 to 1½ per cent."

George U. Shelby, vice-president and cashier of the Charleston-Mississippi County Bank, and secretary of Group Six of the Missouri Bankers Association, says: "I believe that the bankers throughout this section are now realizing more than ever before the value of co-operating with the farmer. It is now apparent that the one-crop system is beginning to give way to livestock and dairy associations, poultry and general diversification. This policy cannot keep from resulting in a better economic condition.

"Farm relief will surely come, but I fear it will not come in the manner most of us would desire. There must first be created the desire to have, and if that desire is strong enough to inculcate self denial, frugality and effort, then in my opinion conditions will change rapidly.

"Those of us who are in farming sections that have taken their losses now seem to be gaining ground and much hope is held out for a better year during 1927."

An excellent example of how a banker can help to improve agricultural conditions in his community is shown by **E. C. Williams, president of the Bank of Noel,** "in the Ozarks." Three years ago Mr. Williams worked out a farm development program with J. F. Newsom and R. L. Barrett, agricultural agents for the Kansas City Southern Railroad. Some of the definite results of the program are: an increase in strawberry acreage from 38 to 595 acres; increase in the grape crop from practically nothing to 10 carloads; location of a 14,000-egg capacity hatchery in Noel; and introduction of better dairy cows and the purchase of an excellent pure bred bull.

One of the features of Mr. Williams campaign has been a series of meetings in the country school houses where the farmers attending have been given practical information on better farming methods. As many as 150 attended some of the meetings, and as they lasted ten days, more than 1,000 farmers were reached during the campaign. The accompanying picture shows a pruning demonstration in connection with one of the country school house meetings. These meetings and the work with farmers in general has been responsible for a great improvement in the Noel community which will result in increased profits to the farmers and merchants as well as to the bank.

S. F. Lumm, cashier of the State

Bank, Lebanon, says: "The directors of this bank have long advocated crop diversifications; indeed it is the only method of farming which could possibly be made to pay in this region. Only creek and river bottom lands may be put to corn regularly with any degree of profit.

"This bank is backing the work of the Missouri College of Agriculture through the work of the District Extension Agent by assisting in financing the work in the district.

"We extend credit freely to farmers who are working along this line. They are practically the only ones who are making any degree of success. Dairying and poultry raising are the principal avenues, but small fruits are also being raised very successfully, and our local association, in conjunction with the Ozark Fruit Growers' Association, is marketing strawberries and grapes profitably as a rule.

"Fruits for the cash crop, and hens and cows to keep the old pot 'a-bilin' ', are the life-savers for Ozark farmers, and this bank is doing all in its power, both by advice and extension of credit, to further this kind of development. I might add that as a side line to dairying we advocate the keeping of a few brood sows; and that a small bunch of sheep on the farm tends to round out the industry and help improve the land, as well as provide a nice little source of revenue.

"Our observation is that farmers who work the old style 'cawn' and 'hawgs' and cattle method, unless they are living on exceedingly rich lands, are gradually making a failure."

My Advice to the Young Man of Today *is* "Choose Your Line"

By Geo. T. McCandless
"The Man Behind the Counter"

George T. McCandless, author of the article on this page and well-known to hundreds of bankers as "The Man Behind the Counter," has moved to Washougal, Washington, where he has purchased an interest in a bank of which he becomes president. In doing this, Mr. McCandless returns to his first love; he was first a banker and later a bank examiner. Later he devoted a great deal of time to writing, and this he will continue for the Mid-Continent Banker.

Geo. T. McCandless

LAST week I attended a vaudeville show. There were three acts that stood out above the others: one was an orchestra of college boys; one an English chappie and an American; one a rough and tumble comedian who tore his shirt every time he appeared till he ran out of shirts. He had a knack of destroying or damaging some part of his apparel every time he expressed an emotion. Consequently when he left, after making his final bow, he resembled our ancestor Adam.

The thought predominant with me when the entertainment was over was: "How wonderfully smooth." Every act was marked by a finished technique which could have been attained only by long preparation and practice.

I admire cleverness. I like to see a man stand out above the mob. If a man choses burglary as his profession, I like to see him good at it. Likewise I admire a brilliant preacher, or speaker or doctor.

And strange to say the seeming ease of rendition is what marks the artistry. The well-dressed man or woman is not conspicuous in any one particular that can be described. One is only conscious of harmony and pleasure.

Excellence is not always consciously expressed, but it is there just the same.

We like to have our entertainment exellent and furnished us with as little effort as possible on our part. We are getting to be a lazy nation. We are so much engrossed in guiding the car and watching the road ahead that we have no chance to view the scenery. I wonder how many men who have driven across the country could give an intelligent narrative of anything except the state of the roads or the inferiority of the hotels en route.

The effect I see in this is that we are getting so we don't notice things which do not directly concern us or our pleasures. We rush through our meals—we race madly down the streets on foot or in auto and never give a thought to the interesting faces or windows we pass. People and vehicles we regard as nothing but obstructions in our way which delay us. Tell me the next time you take a walk or ride what you saw along the way and what impressions you had when you returned.

And so we are becoming a selfish, careless nation. But the men who arrive and are in demand are those who notice everything possible as they journey here and there. The men who read every page in the book—who do not "skim" or do as the young lady across the way who turned to the last page to see who married who.

The all-around man is getting scarce. Specialization has become the order of the day. There are 50 different kinds of lawyers, doctors and professors. Our children have seven studies in the grades and seven teachers.

The moral for my younger readers is to specialize along your chosen profession or business.

A few years ago a boy of 19 entered the treasury department. He read everything he could find on internal revenue. At 27 years of age he is considered the outstanding authority in his line in the country. Would he have reached this high position if he had been a loafer or a slip-shod reader of cheap literature?

My advice to the young man of today is: "Choose your line." Perfect yourself in knowing all you can about your job. You won't be lost in the shuffle. Business and the professions are looking for "the man who knows."

The boys who took their own time in the evenings to attend sessions of the A. I. B. have made a wonderful record. And the boy or man who really tries to see what is going on in the world is forging ahead of the selfish, shiftless "skimmers," whose chief characteristic is speediness without thoroughness, and a nimble tongue unbacked by brains. Again let me repeat—**specialize.** Be one of the best in your line. You'll enjoy it as well as profit by it.

Principal & Ancillary Administration

Letters Granted by a Court Have No Authority Beyond the Jurisdiction of the Court Granting the Letters

By the Legal Editor

ADMINISTRATION may be either domestic or foreign. The domestic or home administration at the domicile is referred to as the domiciliary administration. The foreign administration is referred to as the ancillary administration. The administration at the domicile is the principal administration, even though letters of administration be first granted in a foreign state. The domiciliary representative has a legal title to all assets belonging to the decedent regardless of their location, and it is his duty to collect and preserve such assets subject, however, to foreign local administration. A debt or property voluntarily paid or delivered to the foreign domiciliary representative will be a good discharge of the debtor for his obligation to the estate, if there is no local administration pending in the foreign jurisdiction, and as a rule such voluntary payment to the foreign principal representative will be good as against the demand of an administrator subsequently appointed in the local jurisdiction for the possession of the property.

This rule, however, does not obtain in all of the states, Missouri being one of them. These states do not recognize the authority of a foreign representative. Since he has no title to the property he can not give a good receipt or valid discharge for the property, and by reason of this fact a voluntary payment to the foreign representative will not discharge the debt. A public administrator subsequently appointed may recover the property, even though previously paid to the foreign representative. An ancillary representative has title only to assets located within the jurisdiction of his appointment, and the payment of a foreign debt to him will not discharge the debt even though voluntarily made by the debtor, for the reason that he has no title to the property and no right to receive it.

In speaking of foreign administration, we do not have reference to the non-residence of the administrator or executor, but rather to the foreign character of the representative capacity. Thus the courts of one state are not required to recognize the authority of an administrator or executor appointed under the authority of another state. If they do recognize this authority it is merely a matter of comity. The letters granted by a court have no authority beyond the jurisdiction of the court granting the same. They have no extra territorial effect and are limited to the state's own jurisdiction, within which they are granted.

Transfer of Title.

At the common law the domiciliary representative could transfer the title to foreign assets, because in law he was the absolute owner of such property. The ancillary representative, however, may only transfer the title to such property as is within his local jurisdiction.

Many of the common law rules have been changed by statutes in the various states, so that they do not now generally obtain. Thus it has been held that a foreign executor or administrator can not endorse a note or bill of exchange, so as to enable the endorsee to sue the maker thereof. In such a suit it would be necessary for the endorsee to make his title to the paper through the endorsement of the foreign representative. This would be

a local recognition of the foreign authority. Some states as heretofore mentioned refuse to recognize this authority. Neither can a foreign representative assign a cause of action to a non-resident so as to authorize a suit by the assignee in the foreign jurisdiction. In some states corporate stocks will not be transferred when endorsed by a foreign executor or administrator where the stock is issued in the name of the decedent.

As a general rule a foreign executor or administrator can not sue for the collection of assets in a foreign state, where he would be required to prosecute the action in his representative capacity. This is not true, however, where the executor or administrator may sue in his own name and not in his representative capacity. It has been held that where a note is payable to bearer; where endorsed by the payee in blank, and where maturing after the decedent's death, that in any of these cases the representative may sue in his own name as an individual and as the owner of the debt. In such cases he may sue in a foreign jurisdiction. If a note is given to the executor in his representative capacity, he may likewise ignore that capacity and sue upon that note personally in a foreign jurisdiction. Where, however, the obligation is payable to the decedent and matured before his death then a suit can only be prosecuted by the executor or administrator in his representative capacity and such suit could not be brought in a foreign jurisdiction.

Court Order Necessary.

In order to sell or transfer the assets of the estate it is usually necessary for the representative to first obtain an order of court authorizing the sale or transfer. This order of court is only valid with respect to local property unless such order of court is recognized by the laws of the foreign state. Thus the courts of one state could not order the sale of property located within another state, unless permitted by the laws of such other states. Finally upon completion of the ancillary or foreign administration the decedent's estate will be forwarded to the domiciliary representative for distribution at the domicile. The laws of the domicile will govern the distribution of personal property in either event, whether the distribution be made at the domicile or in the foreign jurisdiction. The local foreign court would have the authority to distribute the property under its own process and to the parties entitled without transmitting the same to the domiciliary representative, although the latter course is generally pursued.

Union Trust Co. Issues New Radio Index and Log

The Union Trust Company, Chicago, has just issued the fifth edition of its Radio Index and Log in response to widespread demand. The folder lists almost 200 of the principal stations in the United States. The wave lengths and kilocycles of all stations are given and three columns are provided for recording dial readings of the various stations which are classified according to call letters and wave length channels.

In addition the Log provides space for recording features which the radio fan may wish to tune in on weekly.

The Union Trust Company will be pleased to furnish copies of these folders on request as long as the supply lasts.

W. W. Smith Now a Director of United Railways

Walter W. Smith, vice-president of First National Bank in St. Louis, was elected a director of the United Railways Company of St. Louis at a meeting of the stockholders held Tuesday, February 8th, 1927. Mr. Smith is prominent in the St. Louis banking and business affairs.

Savings Conference to Be Held in St. Louis

ARRANGEMENTS have been completed for the Midwest Regional Savings Conference to be held in St. Louis, March 29 and 30, under auspices of the American Bankers Association, according to H. H. Reinhard, vice-president of the National Bank of Commerce in St. Louis, who is chairman of the Arrangements Committee.

A well-balanced but busy two-day program has been scheduled for the representatives who are expected to be here from banks in fifteen states, including North and South Dakota, Nebraska, Kansas, Oklahoma, Texas, Minnesota, Wisconsin, Alabama, Iowa, Missouri, Louisiana, Mississippi, Arkansas, Tennessee and Illinois. This will be the third regional conference of the year, one being scheduled at Oakland, California, on March 17 and 18, and the other at Cleveland, March 24 and 25. A fourth one will be conducted at Washington, D. C., April 7 and 8.

The program for the St. Louis meeting includes speeches from leaders in the savings bank field and a number of round-table discussions, where everyday problems will be threshed out. The speakers and their subjects for March 29 are:

Address of welcome by John G. Lonsdale, president of the National Bank of Commerce in St. Louis and head of the St. Louis Clearing House.

Address by W. R. Morehouse, president of the Savings Bank Division of the American Bankers Association and vice-president of the Security Trust and Savings Bank, Los Angeles.

"Competition for the Savings of the People," by Rome C. Stephenson, president St. Joseph Loan and Trust Company, South Bend, Indiana.

"Methods of Procuring New Business," John W. Rubecamp, assistant cashier Illinois-Merchants Trust Company, Chicago.

"Building Savings Balances," Gaylord F. Morse, assistant cashier State Bank, Chicago.

Address by Noble R. Jones, savings manager First National Bank of St. Louis.

"Organizing and Building a Savings Department," Arthur R. Cooney, assistant vice-president, Texarkana, (Tex.) National Bank.

"The Value of Savings to the Community," C. B. Mudd, cashier First National Bank, St. Charles, Mo.

"The Dilemma of Thrift," F. S. Wettack, cashier First National Bank, Coffeyville, Kan.

A banquet will be held on the evening of March 29, at which Walter B. Weisenburger, vice-president of the National Bank of Commerce in St. Louis will be toastmaster. Speakers at this gathering will be Fred H. Shepard, executive manager of the American Bankers Association, and Eugene Angert, a St. Louis attorney.

The program on March 30, the closing day, will be:

"Savings Bank Taxation and Other Handicaps," W. S. Webb, president Missouri Savings Association Bank, Kansas City, Mo.

"Printed Figures Versus Pen and Ink," Stephen C. Thorning, manager savings department, First National Bank, Kansas City, Mo.

"School Savings," Paul S. Abt, vice-president Southern Illinois National Bank, East St. Louis, Ill.

"Fashions Have Changed in Savings," Mrs. L. D. Sultzer, manager savings department, Mercantile Trust Company, St. Louis.

"Developing the Bank's Personnel," Fred W. Ellsworth, vice-president Hibernia Bank and Trust Company, New Orleans.

"Savings Bank Literature," E. E.

McCleish, president Williams-Elliott-Graves Company, Chicago.

"Paid Space," Charles H. Wetterau, assistant vice-president American National Bank, Nashville, Tenn.

"The Blue Sky Menace," H. W. Riehl, manager Better Business Bureau, St. Louis.

The regional conferences, according to Chairman Reinhard, are becoming increasingly important and valuable as a place to swap ideas and learn worthwhile lessons from what the other fellow is doing. A large crowd is expected and every effort is being made by St. Louis bankers to see that the visitors are well entertained.

The Fidelity Trust & Savings Bank has absorbed the business of the North Shore Trust & Savings Bank, Chicago, Ill.

Palm Beach Guaranty Co. Votes Capital Increase

Stockholders of the Palm Beach Guaranty Company of West Palm Beach, Florida, have voted to increase the capital stock of the company from $1,000,000 to $3,000,000.

The vote provides for a stock dividend of $100,000 to be paid by the company to the present holders of its common stock and the immediate offering for subscription of 2,500 shares of its 8 per cent preferred stock and 2,500 shares of its common capital stock in units of one share of common and one share of preferred.

The increase, according to officials of the concern, will enable the company to establish stronger connections with financial institutions and increase its already great volume of business.

Records of the Palm Beach Guaranty Company point out that at the close of the year 1926 its capital assets totaled $1,303,152.12, the largest, according to its officials, of any mortgage company in Florida.

The progress of the company has been one of steady growth since its organization with a paid-in capital of $25,000 nearly eight years ago. Records of the company disclose an increase in capital to $150,000 in 1920 and further increases from time to time through stock dividends and subscription. The last increase, prior to the present offering, was made in 1925 when an issue of $500,000 was subscribed by its stockholders, it was stated.

The business of the company is that of loaning of money on real estate and the selling of the bonds and mortgages secured by such real estate. Officials of the company stated that a large portion of the financing done by the concern at present is handled in connection with large surety companies in the nature of guaranteed bonds, which bonds are then sold to northern banks and trust companies.

D. F. Dunkle has been president of the company since 1920, having been elected to the presidency from his former position of vice-president.

B. D. Cole was elected vice-president in 1920, and Edward C. Gross was elected secretary in 1922, both having continued in these positions since their election.

Lynn S. Nichols formed his connection with the concern in 1925 as its active vice-president. He has been actively engaged in mortgage and bond financing for about 23 years.

O. H. Breidenbach, treasurer and bond officer, entered the employ of the company in 1925, after having been for several years manager of the bond department of a large securities concern in New Orleans.

L. A. Hogarth, manager of the mortgage department, has been with the company since 1922.

The other officers and heads of various departments of the concern are fully experienced in their respective positions.

Lon Edmondson has resigned as cashier of the Republic State Bank, Republic, Mo., and has been succeeded by F. A. Winter.

By Clifford De Puy
Publisher De Puy Banking Publications

The United States seems to be a nation of lawmakers and lawbreakers. This is the lawmaking season as all state legislatures are having meetings this year except Kentucky, Louisiana, Mississippi and Virginia.

In 1925 the state legislatures passed 13,000 new laws out of a total of 40,956 bills which were introduced.

Many of these laws were for tax increasing purposes. Others were supposed to be panceas for our business, social and domestic conduct.

It is the old, old story—what we need is fewer laws and more enforcement of those which we now have.

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Colonel Leonard T. Ayres, vice-president of the Cleveland Trust Company, in commenting on business conditions says: "The prices of bonds, preferred stock and investment common stocks have been rising strongly, and the value of bond trading has risen to exceptionally large proportions. Short time interest rates have steadily declined. These developments will probably prove to be the forerunners of new advances in the activity of general business."

This is simply stating in different words the old fundamental principle that whenever we have had ample credit in this country we have never had a business depression.

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According to D. F. Houston, president of the Bell Telephone Securities Company, there are in this country today 17,000,000 telephones, and each day there are 70,000,000 telephone conversations.

While our illustrious President does not talk much, his constituents seem to make up any deficiency in the conversation line.

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Over 1,000 mourners were present at the recent funeral of William E. Knox, president of the Bowery Savings Bank and formerly president of the American Bankers' Association, who committed suicide last month. The funeral services took place at St. Bartholomew Church, which was packed to overflowing. In one of the rear pews a negro sat and wept. He was an elevator man in the Bowery Savings Bank and for years had greeted Mr. Knox each morning as the banker arrived at his office. The Episcopal service was read, and while no eulogy was delivered the pastor in a prayer referred to Mr. Knox as "A fine example of thrift, industry and kindliness which he always exhibited during his lifetime."

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Gates W. McGarrah, chairman of the executive committee of the Chase National Bank, has resigned his position with the bank and has accepted the chairmanship of the Federal Reserve Bank of New York, effective May 1st.

In commenting upon Mr. McGarrah's appointment the Chase National Bank issued a statement, in which it said, "Keen regret was expressed that the bank would lose the services of so distinguished an official and so warm a friend. At the same time it was recognized that no one is better qualified than Mr. McGarrah to assume these important public duties because of his intimate knowledge of banking conditions, both in this country and in Europe, and that in losing one of its most important officials the entire financial and commercial community is being benefited."

Prof. William Z. Ripley of Harvard University, who has written several articles opposing the issuance of non-voting stock by corporations, has just published a book, entitled, "Main Street and Wall Street," and in this he takes objection to the issuance of stock of no par value. He says that this practice is "egregious malversion of the rights of shareholders and the public generally." To save you reaching for your dictionary, the word "egregious" means "excessive."

To our way of thinking there is much more danger in issuing of non-voting stock than the issuing of stock of no par value. When an individual becomes a stockholder in a corporation which has no par value for its stock he is a participant in the earnings of that corporation in just proportion to the stock which he holds. Therefore, we can see no great harm in the issuing of stock of no par value. In non-voting stock there may be serious evils arise because it prevents the holder from exercising his right of franchise at any of the various stockholders meetings.

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Approximately 696,800 individuals borrowed $165,876,000 from the Morris Plan Banks throughout United States in 1926. The average Morris Plan loan is about $212.00. The Morris Plan Bank takes care of the small borrowers and makes a very satisfactory profit doing it.

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The Belgium National Bank has reduced its discount rate from 6½ per cent to 6 per cent. This reduction of the discount rate follows the general movement of money rates in the principal European cities. To the student of agricultural conditions this has its significance. If the discount rates are being lowered in the principal European cities this means that additional credit is available for purchases abroad and these purchases will naturally include farm products. Therefore, we may translate the reducing of discount rates in the leading European cities to mean that the farming territory will be improved to just the extent that this additional available credit is used for agricultural purchases in the United States.

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Benjamin Weimer, a broker in New York, entered the Hamilton National Bank of that city recently and opened a new account. Instead of making his initial deposit in one sum he made the following deposits of $8.40, $1.70, $76.00, $25.27 and $7.50 and then asked the teller to mark the pass book No. 707-A.

When the teller inquired as to why the various amounts had not been consolidated into one deposit he informed

him that he was a proud father and that these deposits represented a historical record of the date, location and other statistical data concerning his first born child, which had arrived at 8:40 in the evening at 170 West 76th street, under the date of 2/5/27, the weight of the child being 7½ pounds, and that finally the room number at the hospital was 707-A.

No doubt the moral of this is that records of new babies can just as well be placed in bank books as in baby books.

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When our friends across the Atlantic and some of our friends at home rant and rave that money due the United States should not be paid, we are reminded of the following quotation: "While the money is looked for and for a short time after it has been received, he who lends it is a friend and a benefactor; by the time the money is spent and the evil hour of reckoning is come the benefactor is bound to have changed his nature and to have put on the tyrant and oppressor. It is an oppression for a man to claim his own money; it is not to keep it from him."

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The National Bank of Commerce in St. Louis celebrated its 70th birthday on February 14th. When the bank officially opened its doors for business in 1857, the paid-up capital was only $8,500. Now it is $10,000,000. John G. Lonsdale has been president of the bank since 1915.

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Speaking of bond issues, Dillon, Reed & Company have just been appointed fiscal agents for the United Steel Works Corporation of Germany. Or, in other words, for the "Vereinigte Stahlwerke Aktiengesellschaft." The heading of the circular is "Rheinelbe Union"—"Gelsenkirchener Bergwerks-Aktien-Gesellschaft Deutsch-Luxemburgische Bergwerks-Und Hutten-Aktiengesellschaft Bochumer Verein Fur Bergbau Und Gussstalfabrikation."

This should all be very clear to our good German friends and maybe a few others.

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O. Howard Wolfe, cashier of the Philadelphia-Girard National Bank, offered a resolution at the meeting of Group One of the Pennsylvania Bankers Association recently inviting the American Bankers Association and American Institute of Banking to hold their annual conventions in Philadelphia in 1928.

An active campaign for securing the convention will be made at Houston at the annual meeting, which will be held there this fall.

Illinois Bank News

W. B. Crawford, Pres.

OFFICERS ILLINOIS BANKERS ASSOCIATION: W. B. Crawford, West Frankfort, President; J. M. Appel, Highland Court, Vice-President; M. A. Graettinger, Chicago, Secretary; Olive S. Jennings, Chicago, Assistant Secretary; W. H. Drewel, Charleston, Treasurer.

GROUP CHAIRMEN: I—E. F. Anson, Kewanee; II—G. K. Slough, Abingdon; III—H. H Badger, Amboy; IV—A. K. Foreman, Chicago; V—C. A. Mueller, Kankakee; VI—E. E. Core, Robinson; VII—E. B. Appleton, Litchfield; VIII—J. C. Whitefield, Quincy; IX—L. G. Gee, Lawrenceville; X—Earl Karraker, Mound City.

GROUP SECRETARIES: I—C. D. DePauw, Kewanee; II—John B. Fleming, Peoria; III—F. P. Baker, Stillman Valley; IV—W. M. Givler, Naperville; V—W. D. Kitchell, Danvers; VI—G. H. Baker, Urbana; VII—J. E. McDavid, Raymond; VIII—George Dyson, Rushville; IX—Henry Eversman, Effingham; X—B. G. Gulledge, Marion.

M. A .Graettinger, Sec'y

Many Bank Mergers Are Completed in Illinois

Among the recent bank mergers in Illinois are the following:

First National Bank of Sycamore, a consolidation of the Sycamore National Bank and the Citizens National Bank, with resources of $2,898,775. J. R. Waterman is president; A. E. Hammerschmidt, W. M. McAllister, F. E. Claycomb and B. P. Stroberg, vice-presidents; T. M. White, cashier; Floyd Rose and K. J. M. Cormack, assistant cashiers.

Chandlerville State Bank, a consolidation of the State Bank of Chandlerville and the Peoples State Bank, with capital of $60,000 and surplus of $30,000. Dr. J. D. Franklin is president; V. P. Ainsworth, vice-president, and D. W. Ainsworth, cashier.

Central Trust and Savings Bank of Sterling, consolidating the Sterling State Bank and the Farmers and Merchants State Bank, with capital of $100,000 and surplus of $50,000. A new banking home costing $100,000 is planned. H. V. Bittenorf is president; Ezra Mathew, vice-president; W. L. Frye, cashier, and C. A. Burr, assistant cashier.

Farmers Trust and Savings Bank of Ashkum consolidated with Farmers and Merchants Bank of Ashkum, under former name. Resources are $500,000. Senator R. R. Meents is president and Albert Lemenager will be cashier.

First National Bank of Tremont has absorbed the Tremont National Bank.

I. B. A. Will Meet at Danville June 23-24

Plans are already under way for the 37th annual convention of the Illinois Bankers Association, which will be held at Danville, June 23 and 24. Hotel Wolford will be convention headquarters.

The general convention committee includes: C. V. McClenathan, president Second National Bank; J. A. Foster, cashier American Bank & Trust Company; George W. Telling, president Commercial Trust & Savings Bank; J. L. Tincher, president First National Bank; M. J. Wolford, president Palmer National Bank.

A hotel committee has been appointed, of which J. A. Foster, cashier American Bank and Trust Co., is chairman, the other members being Woods H. Martin, vice-president of the Second National Bank, and John W. Telling, vice-president of the Commercial Trust and Savings Bank.

The following committee chairmen have been appointed, each one of whom will select his own committee: J. L. Tincher, entertainment committee; M. J. Wolford, registration committee; G. W. Telling, banquet committee.

ILLINOIS GROUP MEETING SCHEDULE

First Week	Group
May 6—Barry	8
May 17—Litchfield	7
May 18—Murphysboro	10
May 19—Mt. Vernon	9
May 20—Casey	6
Second Week	
May 23—Dixon	3
May 24—Kewanee	1
May 25—Peoria	2
May 26—Pontiac	5
May 27—Woodstock	4

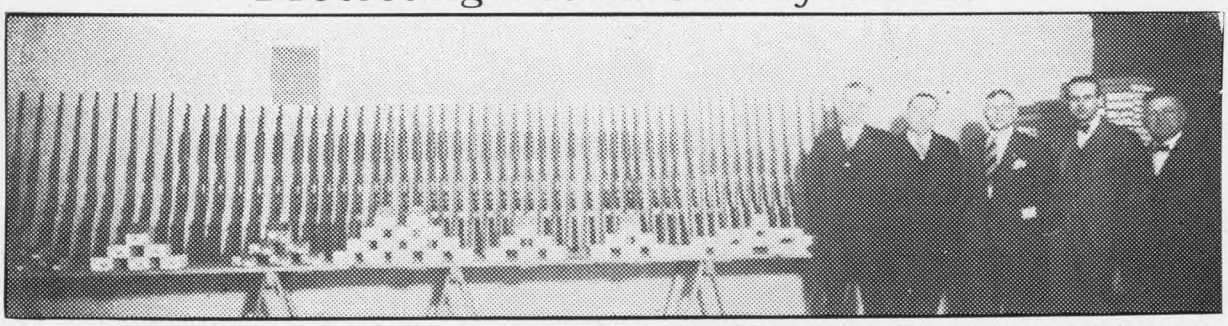
Wirt Wright Now Is President at Evanston

Wirt Wright, former president of the Illinois Bankers Association, has been elected as president of the State Bank and Trust Company of Evanston, to succeed F. J. Scheidenhelm, who becomes chairman of the board of directors. Mr. William A. Dyche has been made chairman of the executive committee. Mr. Wright was for 15 years president of the National Stock Yards National Bank at the St. Louis National Stock Yards. Recently he has been vice-president of the Evanston bank.

Wirt Wright

C. J. Luther and L. J. Knapp were both promoted to positions as vice-presidents, while F. O. Potter was named secretary. F. U. Carlborg was advanced from assistant cashier to cashier.

Protecting Peoria County Banks



Some of the guns and ammunition distributed among Peoria county banks at the recent meeting completing organization of the county protective system. Rifles, sawed-off shotguns, special shells and equipment, and instructions and targets for practice were included in this $2,500 purchase.

Left to right are Sheriff Grant Minor, Joseph H. Stickelmaier, cashier of the Bartonville State bank and secretary of the Peoria County Bankers Federation; Maynard E. Tarpy, First State and Savings bank, Elmwood, and secretary of the Peoria County Protective association; F. M. Blossom, vice-president of the Central National bank, Peoria, and R. C. Saunders, head of the Protective Department, Illinois Bankers association.—Peoria Star Photo.

New Vault Door Ready For Commercial National.

The new 17,000-pound vault door for the new Commercial National Bank Building of Rockford has been installed and the interior of the new home is rapidly nearing completion. The structure will be finished about April 1.

Schell is President Exchange National, Polo.

W. T. Schell has been elected president of the Exchange National Bank of Polo, and B. H. Unangst has been promoted from assistant cashier to cashier, the position formerly held by Mr. Schell. J. D. Herb has been elected first vice-president and John Yeakel, second vice-president.

W. D. Kitchell On Southern Tour.

W. D. Kitchell, cashier of the Farmers State Bank of Danvers, is leaving early in March with his family for a month's trip. He will drive through Missouri and Arkansas and to Corpus Christi, Texas. Mr. Kitchell is secretary of Group Five of the I. B. A.

C. J. Moyer Heads Corn Belt Bank, Bloomington.

C. J. Moyer has been elected president of the Corn Belt Bank of Bloomington to fill the vacancy caused by the death of J. J. Pitts. Claire McElheny was elected cashier.

J. C. Burtschi Heads Peoples State.

Joseph C. Burtschi of Vandalia has been elected president of the Peoples State Bank of Ramsey to succeed Jas. G. Hunt, who resigned. O. G. Casey is vice-president; Hershel Hill is cashier, and Nellie O'Conner and J. M. Brown, clerks.

Arthur Rogers Is Now at Waukegan.

Arthur Rogers of Evanston has been elected cashier of the Peoples State Bank of Waukegan, and Perry A. Peterson, former cashier, has been named vice-president to succeed the late Arthur Zitt. C. E. Staley was re-elected president. Mr. Rogers was also elected a director of the bank, Charles Gorham retiring from the board.

Rushville State Gains $513,216 in Deposits.

The recent statement of the Rushville State Bank of Rushville shows deposits of $841,590. The bank has gained $513,216 in deposits since 1917. George Dyson is president; A. P. Rodewald, John L. Sweeney and C. S. Loring, vice-presidents, and Guy H. Miller, cashier.

F. E. Worrell Is Cashier at Vienna.

F. E. Worrell, who has been county superintendent of schools, has been elected cashier of the First National Bank of Vienna, succeeding D. W. Chapman, who has been made second vice-president. P. T. Chapman is president of the institution.

Statement of State Bank of Burnside.

The State Bank of Burnside now has deposits of $173,576 and resources of $229,088. W. J. Singleton is president; J. H. Pettit, vice-president; F. J. Reu, cashier, and L. E. Dorothy, assistant cashier.

Gauldoni Heads Sesser State Bank.

Charles Gauldoni has been elected president of the Sesser State Bank to succeed J. P. Isom, who has retired after many years of excellent service. O. S. Martel and E. L. Lewis are vice-presidents, and J. W. McGinnis is cashier, with Mrs. J. W. McGinnis assistant cashier.

B. Van R. Moore Heads Moore State Bank, Monticello.

B. Van R. Moore has been elected president of the Moore State Bank of Monticello, succeeding D. M. Moore, who resigned. The new president has been treasurer of the Pepsin Syrup Company and has long been identified with business and banking interests in Monticello. Other officers of the bank are Allen F. Moore, vice-president; R. B. Weddle, cashier, and W. L. Plankenhorn and George P. Martin, assistant cashiers. The Moore State Bank is one of the strongest banks in central Illi-

nois, and has probably the finest building of any Illinois bank located in a city the size of Monticello.

Barrick Is Assistant Cashier.

Linn Barrick has been named assistant cashier of the Byron State Bank, to succeed Henry Hewitt, who resigned. Charles Linn is president of the bank and Ray Barrick, cashier.

A. W. Buck New Cashier at Morris.

A. W. Buck has been elected cashier of the Farmers and Merchants National Bank of Morris, to succeed R. J. McGrath, resigned. O. E. Collins is president of the bank; F. W. Gebhard, vice-president, and F. C. Ferguson, assistant cashier. Mr. McGrath will continue in the insurance business in Morris.

Rakestraw Is President at Wyoming.

Geo. S. Rakestraw has been elected president of the Scott, Walters and Rakestraw Bank of Wyoming, to succeed the late John W. Walters. Arthur J. Walters was elected cashier; Harry E. Rakestraw, vice-president, and Roy D. Rakestraw and Harold W. S. Walters, assistant cashiers. The capital and surplus will be increased to $85,000.

Bank of Galesburg Has Promotions.

Charles E. Johnson, former cashier, was named vice-president of the Bank of Galesburg at the annual meeting. Lawrence D. Johnson was named cashier and elected to the board of directors. L. H. Streedain becomes assistant cashier. C. C. Craig was re-elected president.

Gridley Heads First National, Libertyville.

G. Carroll Gridley was elected president of the First National Bank of Libertyville recently, Benjamin H. Miller becoming chairman of the board. John L. Taylor was re-elected vice-president and William C. Hubbell was advanced to cashier. Harry C. Meyer and Dale S. Collins are assistant cashiers.

Plan New Building For Milton Bank.

The Farmers State Bank of Milton is planning a new bank building to be modern in every respect. It will be located on the southwest corner of the square.

L. C. Campbell Becomes First National Cashier.

L. C. Campbell, for several years vice-president of the First National Bank, Milton, is the new cashier of the bank, following the election of officers by the directors for this year.

Mr. Campbell will take the place heretofore occupied by J. C. Mitchell, who becomes chairman of the board of directors. Both Mr. Mitchell and Mr. Campbell will also continue as vice-presidents.

The complete list of officers for the new year is as follows: President, Shannon Holland; vice-presidents, Joab Goodall and J. C. Mitchell, L. C. Campbell; cashier, L. C. Campbell; assistant cashiers, W. S. Burkhart, Bon E. Mitchell, Sara Fitzgerel and Edith Roberts.

The board of directors is composed of Shannon Holland, Joab Goodall, J. C. Mitchell, George L. Roberts, George A. Wallace, E. T. Aikman, Rolley Holland, W. L. Dunston and L. C. Campbell.

The First National Bank in its report on December 31, 1926, showed deposits of $1,851,451.30, which was an increase over the amount on the same date a year ago. It is one of the strong financial institutions of southern Illinois, as well as one of the oldest.

New Officers At Manufacturers, Rockford.

A. P. Floberg, who has served as cashier of the Manufacturers National

Bank, was elected vice-president recently. H. A. Conklin was promoted to the position of cashier.

Four new assistant cashiers were added to take care of the increasing business of the bank. The assistant cashiers are E. J. Hinz, R. A. Peterson, H. R. Leaman and H. P. Helm.

N. F. Thompson is president of the bank and August P. Floberg and A. R. Floberg, the vice presidents, with H. A. Taylor, vice-president and trust officer.

Three new directors were added to the directorate at the annual meeting of the stockholders. They are E. S. Ekstrom, Fred Peterson and B. A. Wilson.

W. P. Landon Heads Rochelle National Bank.

The controlling interest of the Rochelle National Bank, Rochelle's oldest banking institution, has changed hands, the stock of John B. Hayes having been sold to Attorney W. P. Landon, who succeeds Mr. Hayes as the bank's president.

The Rochelle National Bank will be reorganized as a community bank but will continue to do business without change in the personnel of its officers with the exception of Mr. Hayes.

The following will be retained as directors: Thomas Southworth, chairman of the board; A. B. Sheadle, vice-president; J. A. Herrmann, cashier; Thomas Kelley. The new directors will be Stanley Pierce, of Creston; John Babcock, of Flag Center; William Ravnaas, of Steward; Dexter Stocking, George Schabacker, Charles Collier, Ben Berve and W. P. Landon, of Rochelle. Two other members will be added to the board later, to represent the factory interests of the city.

Alva L. Shrout With Taylorville National.

Alva L. Shrout, former county treasurer, has been named vice-president of and director of the Taylorville National Bank. T. L. Long is president of the institution, and F. C. Achenbach, cashier.

Phil Mitchell Retires At State, Rock Island.

Phil Mitchell has retired as president of the State Bank of Rock Island, which position he has held since the bank's organization in 1905. He has been identified with Rock Island banks for 65 years. I. S. White, former vice-president, has been named president. B. D. Connelly is vice-president; K. T. Anderson, cashier, and C. F. Channon and B. J. Mitchell, assistant cashiers.

First State Reopens For Business at Stronghurst.

The First State Bank of Stronghurst has reopened. Stockholders provided $100,000 so that the bank could continue business.

Judge Newhall On Board at Aurora.

Judge John K. Newhall has been elected a director of the Old Second National Bank of Aurora. William George is president; Harry J. Cooper, vice-president; R. H. Robinson, cashier, and George A. Seargeant, James W. Dunlop and Emily A. Hurd, assistant cashiers.

New Bank Formed At New Lenox.

The newly organized New Lenox State Bank has named Fred A. Francis as president; Harry W. Storm, vice-president; Henry J. Schluntz, secretary, and Ceward W. Batson, cashier. The bank is capitalized at $25,000, with $5,000 surplus.

Lincoln Bank Has Birthday Party.

A huge Birthday cake with 40 candles burned in the lobby of the American National Bank of Lincoln during the 40th birthday party of the bank recently. The party also served as a housewarming for the enlarged building, and was attended by hundreds of customers and friends. The officers are: W. F. Longan, president; Robert Schuster, vice-president, and W. H.

Berger, cashier. Directors are: J. T. Tabke, chairman; Adam Denger, Robert Schuster, F. W. Longan, J. D. G. Hill and August Baker.

Up-Town Bank Consolidation.

E. C. Hart, president of the Fidelity Trust & Savings Bank, of Chicago, has announced that effective November 1st, the Fidelity Trust & Savings Bank absorbs the business of the North Shore Trust & Savings Bank, which organization has been in existence about five years. The rapid growth of the Fidelity Trust & Savings Bank, established six years ago, will be further augmented by an increase in deposits of $1,000,000 bringing total deposits, according to the last call, up to $6,434,907.55 and total assets in excess of $7,000,000. Mr. E. C. Dose, cashier of the North Shore Trust & Savings, will be associated with the Fidelity Trust and Messrs. Rudolph Lederer, I. B. Perlman and David Saul Klafter will be added to the board of directors of that institution.

F. L. Schneider Has Resigned.

Fred L. Schneider, cashier of the Legris Trust and Savings Bank, Kankakee, Ill., who was connected with the bank since it was founded, first as assistant cashier, has resigned. His successor has not been appointed.

New Bank In Chicago.

The Edison Park State Savings Bank, Chicago, Illinois, has been opened for business with a paid-in capital of $200,000.00 and surplus of $30,000.00.

O. A. Christensen, president of the new bank, is also president of the Capitol State Savings Bank and of the North Town Savings Bank and is a director of the Cook County Bankers' Association.

W. C. Gorden and W. C. McLennan are vice-presidents. Mr. McLennan is a realtor and Mr. Gorden is also in the real estate business.

E. J. Zuehls, cashier, has had 14 years of banking experience, four years of which were spent acting as bank examiner in the State Auditor's office.

R. F. Deppe is assistant cashier.

The Peoples State Bank of Auburn, Ill., which opened for business on August 22, 1926, had total resources in excess of $93,000 at the close of business on December 31. The bank is capitalized at $25,000. Officers are: A. C. Moffet, president; J. F. Hummel, vice-president; C. F. Seales, cashier, and R. R. Smith, assistant cashier.

Insurance Premium Savings Club Is Devised

A new savings plan, known as the insurance premium savings club, for holders of insurance policies and answering the problem of keeping premiums paid up by distributing the total amount of the annual premiums over a period of fifty weeks, has been originated and copyrighted by W. E. Burwell, cashier of the Rockford National Bank. It is meeting with approval from underwriters and insurance companies all over the country.

Of particular appeal to the policy holder under the new plan is the fact that besides being able to meet his premium at the beginning of the year without financial embarrassment, he is offered 3 per cent interest on all deposits made in the club, as well as the 6 per cent cut which most insurance companies allow on annually paid premiums.

This savings club service is available to anyone desiring to pay their insurance premiums annually, and as many premiums as the holder wishes may be combined in the savings plan. Dates upon which the premiums of all policies are due could be arranged so that they would fall together, the total premium divided by 50 and the result will be the amount of the weekly payments by the policy holder.

First National, E. St. Louis, Will Enlarge Building

Dr. J. F. Reid has been re-elected chairman of the board of directors of the First National Bank, East St. Louis, which plans to observe its sixty-second year by erecting a building which will give the institution three times the space it has at present.

Work upon wrecking the buildings that adjoin the present bank building will begin in March. The present building, which is comparatively new, will not be wrecked, but will be improved. The approximate cost of the addition and renovation will be $500,000.

A. C. Johnson has been re-elected president of the bank and given the following staff of officers: A. W. Baltz, W. K. Cannady and J. J. Halpin, vice-presidents; R. F. Reader, cashier; C. G. Rogers, L. A. Pfeiffer and H. W. Chitty, assistant cashiers.

The directors of the bank are. A. W. Baltz, G. W. Brichler, W. K. Cannaday, P. T. Chapman, A. C. Johnson, E. C. Kramer, Charles F. Marker, Dr. J. F. Reid, J. W. Rendleman, Dr. J. Clark Waddell and A. S. Vien.

"ROLL of HONOR" BANKS IN ILLINOIS

It is an honor to be listed among the Honor Roll Banks of Illinois. It indicates that the bank has Surplus and Undivided Profits equal to or greater than its capital!

Such distinction is accorded to the banks listed on this page. By careful banking and sound management they have achieved this enviable position.

These banks will be especially glad to handle any collections, special credit reports or other business in their communities which you may entrust to them.

Correspondence is invited.

City	Bank	Capital	Surplus and Profits
Abington	First National	$ 75,000	$ 175,000
Alexander	Alexander State	25,000	50,000
Assumption	Illinois State	25,000	65,000
Beardstown	First State	100,000	180,000
Berwick	Farmers State	30,000	35,000
Bloomington	American State	100,000	336,000
Bloomington	Corn Belt State	100,000	255,000
Canton	Canton National	125,000	175,000
Chapin	Chapin State	25,000	56,000
Chicago	Central Mfg. District	500,000	670,000
Chicago	Cont. & Com. Tr. & Svg.	5,000,000	11,377,000
Chicago	Drovers Tr. and Svg.	250,000	517,000
Chicago	First Tr. and Svg.	6,250,000	10,534,000
Chicago	First National	12,500,000	17,956,000
Chicago	Foreman National	4,000,000	4,588,000
Chicago	Harris Tr. and Svg.	3,000,000	4,874,000
Chicago	Illinois Merchants	15,000,000	35,231,000
Chicago	Northern Trust Co.	2,000,000	5,347,000
Chicago	State Bank of Chicago	2,500,000	6,563,000
Chicago	Union Trust Company	3,000,000	3,923,000
De Kalb	First National	100,000	160,000
Dixon	City National	100,000	200,000
Flora	First National	50,000	75,000
Freeport	First National	150,000	430,000
Grand Ridge	First National	25,000	33,000
Greenfield	Farmers State	25,000	30,000
Joliet	First National	400,000	600,000
Joliet	Joliet National	150,000	650,000
Joliet	Joliet Trust and Savings Bank	100,000	119,633
La Salle	La Salle National Bank	200,000	330,000
Murphysboro	City National	50,000	62,000
Mt. Vernon	Third National	125,000	200,000
New Athens	State Bank of New Athens	25,000	45,000
Rushville	Rushville State	100,000	105,000
Tiskilwa	First State	25,000	30,000
Urbana	First National	50,000	60,000
Warren	State Bank	75,000	95,000

PERSONAL NOTES OF ILLINOIS BANKERS

Henry B. Wernsing, president of the First National Bank, Effingham, is candidate without opposition for re-election as mayor, having already served four years as mayor.

James E. Loye, has been elected vice-president of the Chatham State Bank, Chicago, Ill.

George M. Hayes has retired as president of the Altrui State Savings Bank, Chicago, and has been succeeded by Newton Jenkins. Julius F. Szatlowski has been elected vice-president.

Miss Ila M. Hunter has been elected assistant cashier of the Aurora Trust & Savings Bank, Aurora, Ill.

H. A. Champion, cashier of the Lake City State Bank, Lovington, Ill., died recently.

Earl D. Amsler has been elected first vice-president and cashier of the First National Bank, Grand Ridge, Ill. He succeeds George L. Dearth who has been cashier of the bank for the past ten years.

C. H. Backus has resigned as president of the State Bank of Hampshire, Ill. Chas. S. Backus has been elected president; Alex Reid, vice-president; C. W. Johnson, cashier, and F. C. Peterson, assistant cashier.

Alfred C. Smith, cashier of the First National Bank, Marengo, Ill., has been elected vice-president of the American National Bank, Woodstock, Ill.

E. I. Gutel is the newly elected cashier of the Yorkville National Bank, Yorkville, Ill.

L. D. Smith has been promoted from assistant cashier to vice-president of the Second Security Bank, Chicago. He has charge of the real estate loan department.

Ogden P. Bourland, president of the National Bank of Pontiac, Ill., died recently.

James J. McGrath, vice-president of the Merchants and Farmers Trust & Savings Bank, Ottawa, Ill., died recently.

R. W. Miller has been elected to succeed the late L. R. Phillips as president of the Henry National Bank.

Mr. E. C. Dose has been elected cashier of the Fidelity Trust and Savings Bank, Chicago, succeeding Mr. T. J. Nihill, resigned.

F. Guy Hitt has been elected president of the First National Bank of Ziegler. He retains his directorship at the First National Bank of Christopher.

Harold Miller has been elected assistant cashier of the First National Bank of Earlville. He has been serving the bank as teller.

Arnold Valter has been made assistant cashier of the Gallatin County Bank, Ridgeway, succeeding W. B. Phillips.

M. E. Graff has resigned as cashier of the First National Bank of Plymouth to join the staff of a bank at LeRoy, Ill.

E. D. Amsler of Chicago has become cashier of the First National Bank of Grand Ridge, succeeding George Dearth who resigned because of ill health.

John L. Hamilton of Columbus, Ohio, but formerly of Danville, died last month following an illness of four months. He founded the Citizens State Bank of Watseka, the Hoopstown National Bank, the American Bank and Trust Company of Danville, the Commercial Trust and Savings of Danville

and several others. He was president of the Illinois Bankers' association in 1900, and the American Bankers association in 1905 6.

A. J. Busscher has been elected president of the Proviso State Bank, Maywood, succeeding George A. Hart, who becomes chairman of the board. Mr. Buscher has been cashier of the Citizens State Bank of Melrose Park and will retain his office of director in that bank.

R. O. Clarida has been added to the board of directors of the Citizens Trust and Banking company of Marion, succeeding E. N. Rice, resigned.

"Pasky" Flaminio has become assistant cashier of the First National Bank of Desplaines. He was formerly with the Toluca State bank.

E. B. Kundtson, president of the First National Bank of Wilmette, was elected vice-president of the Wilmette Chamber of Commerce at the annual meeting.

John Schwinn has been elected to the board of the Farmers and Mechanics State Bank of Averyville, to fill the vacancy caused by the death of his brother William Schwinn.

Miss Hazel Gudgell has been appointed assistant cashier of the Farmers State Bank of Hooppole, succeeding N. R. Jacobsen who has moved to Walnut, to become associated with the Walnut Lumber Co.

Glendon Weir has been made assistant cashier of the Sandwich State Bank, Sandwich, succeeding Miss Virginia Brady, resigned.

Stock Yards Banks Make Fine Statement.

The Stock Yards National Bank of Chicago now has deposits of $18,777,100 and its affiliated institution, the Stock Yards Trust and Savings Bank, has deposits of $10,366,800. Resources of the combined banks are $32,252,900. Officers and directors include:

Stock Yards National Bank—S. T. Kiddoo, president; Charles N. Stanton, vice-president; G. F. Emery, vice-president; B. I. Peterson, vice-president; M. D. Goldberg, vice-president; D. R. Kendall, cashier; A. W. Axtell, assistant cashier; H. E. Herrick, assistant cashier; J. J. Staiger, assistant cashier; A. S. Bagnall, assistant cashier.

Directors—Arthur G. Leonard, president Union Stock Yards and Transit Company; Louis F. Swift, president Swift & Co.; F. Edson White, president Armour & Co.; M. A. Traylor, president First National Bank, Chicago; Thomas E. Wilson, president Wilson & Co.; H. E. Poronto, president United States Cold Storage Company; S. T. Kiddoo, president the Stock Yards National Bank; Eugene V. R. Thayer, capitalist; Charles N. Stanton, president the Stock Yards Trust and Savings Bank; G. F. Emery, vice-president the Stock Yards National Bank.

The Stock Yards Trust and Savings Bank:

Officers—Charles N. Stanton, president; S. T. Kiddoo, vice-president; Arthur G. Leonard, vice-president; H. I. Tiffany, vice-president; J. T. Mangan, vice-president and cashier; Roy M. Zehr, assistant cashier; James Burgess, assistant cashier; Joseph G. Porter, trust officer.

Directors—Arthur G. Leonard, president Union Stock Yards and Transit Company; M. A. Traylor, president First National Bank, Chicago; Charles H. Swift, vice-president Swift & Co.; Thornhill Broome, president Midland Warehouse and Transfer Company; S. T. Kiddoo, president Stock Yards National Bank; Charles N. Stanton, president the Stock Yards Trust and Savings Bank; Arthur Meeker, vice-president Armour & Co.; Clyde H. Schryver, president Chicago Merchandise and Equipment Company; G. F. Emery, vice-president the Stock Yards National Bank; H. I. Tiffany, vice-president Stock Yards Trust and Savings Bank.

NEWS AND NOTES OF GROUP FOUR

By W. M. Givler,

Secretary Group Four, Naperville, Ill.

The banks outside Cook County, belonging to Group Four, are nearly all located in towns or cities through which passes one of the several hard roads radiating from Chicago. That territory bounded on the north by the state line, on the south by the Kankakee River, and on the east and west by Lake Michigan and the Fox River, respectively, seems to be destined to be taken out of agriculture and dairying and subdivided into city lots; painted sticks now appearing where crops and herds hitherto evidenced pastoral life.

The writer remembers that a similar subdividing orgy took place between the years 1890 and 1895. Trees planted thirty years or longer ago now mark the boundaries of what were designed to be city blocks, but are still unimproved. Somebody may have owned these blocks and lots since the World's Fair, held in 1893, hoping each year that the boundaries of Chicago would push out and create a market, and thus fulfill the vision created by the "realtor" in the mind of the purchaser.

Hope history does not repeat itself. I just bought 26 lots thirty miles from the loop.

I read with great personal interest that health boards in Wisconsin cities, towns and villages are preparing to administer to school children tablets containing iodine. This might be a proper movement for bankers in Group Four to encourage in each community. Spent three days at the Clinic at Rochester last week. Many others besides the writer might have been spared much discomfort had the benefits of preventive medicines been recognized earlier in our lives. One resolution was made early in the year 1927—that I would never be guilty of "Speaking of Operations." Irving Cobb covered that subject nicely for all time.

The item "Other Real Estate" does not appear to be over large in recent published statements of banks in Group Four. During the past few days I have had occasion to note statements of banks in the northwest and have also been told that "Real Estate and Building" and "Other Real Estate" accounts are noticeably large.

Our group officers are stressing the importance of all projects advocated by the state association. Town Guard programs, however, are receiving major attention because of the fact that all roads lead to Chicago, making possible a quick and complete getaway by the bank bandit.

Last week an officer of one of the largest western money loaning agencies, which specializes in farm loans, asked me to answer the following questions:

"In the event of a general infestation of the corn borer what would be the probable extent of the crop loss?"

"Would the remainder of the crop be good quality corn?"

"What is your personal opinion as to the effect of such infestation on land values?"

"Would not the probable increase in price of corn due to any decrease in crop compensate the farmer to an extent that would possibly keep land values at least more or less as they are at present?"

The above questions are pertinent and the reader may guess the burden of my reply, which was largely colored by what I said and heard on two inspection trips into the European corn borer infested areas of Ohio, Michigan and Ontario in 1925-1926. The writer believes in miracles, and he hopes the evidences of destruction to the corn crop in the present infested areas will not be seen in the corn growing states west of Ohio and Michigan. Our entomologists and quarantine offices will need the help of every agency to keep the pest under control when it reaches the Mississippi Valley.

Southern Illinois Banks Are Unusually Prosperous

By B. G. GULLEDGE

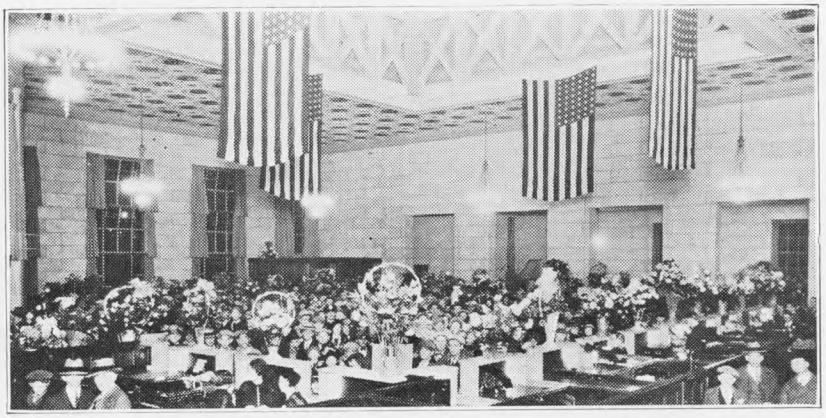
Marion State & Savings Bank, Marion, Ill., Secretary Group Ten, I. B. A

The banks of Southern Illinois (especially those in the coal belt), are now enjoying a period of prosperity that is reminiscent of the World War period. This revival of the "good old days" is very welcome, too, because the country is just emerging from nearly three years of depression caused by the inactivity of the coal mining industry upon which a goodly number of counties in Southern Illinois are dependent in varying degrees. This industry has been very active of recent months and has been conductive to a very marked increase in deposits. This is most noticeable in the savings departments of the different banks, many of which claim that these departments are now greater than ever in their history.

The present mining agreement expires the 31st of March of this year and needless to say, not only the banks but business in general is looking forward with much uncertainty as to the outcome of the coming conference between the miners and operators. In my opinion, this feeling of uncertainty is having much to do with the increase in bank deposits. The business and working men are both laying up a cash reserve to fall back upon in the event of a strike or a shutdown. The banks in turn are being more conservative in making loans in their own communities and are turning more toward investment paper of a good character, a fair yield and a ready market in the event their reserve should warrant sale.

The banks located in the Fruit Belt of Group 10 (the south fourteen counties in Illinois), are also in good condition due to the fact that the counties had a bumper season and while the

Twenty Thousand Attend Bank Opening



Scene in the New Pullman Trust and Savings Bank on Opening Day

A record crowd attended the opening of the new home of the Pullman Trust and Savings Bank, Chicago, the lobby of which is shown in the above picture. The building is one of the finest in the South end. E. F. Bryant is president of the bank, Donald R. Bryant, vice-president, E. G. Sweeney, cashier, P. E. Pearson, secretary and A. E. Price, assistant secretary. The bank has deposits of more than six million.

price on the market was not so high as usual, the yield was most abundant and tended to overcome a lowered price by quantity shipments. Southern Illinois is one of the biggest fruit producing districts in the country, unexcelled for its apples and peaches, and a continual increase in orchard acreage is bringing in greater revenue each year. This tends to increase very greatly the wealth of this district and heretofore small banks are becoming outstanding institutions of their kind.

The increasing money wealth of the banks in Group 10 is also tending more and more to develop the small town banker into a real wide-awake-to-the-opportunities-of-Southern-Illinois, co-operative human from the old secretive, suspicious and afraid-to-co-operate type. He is looking around and picking up many of the mannerisms and customs of his city cousins in conducting his institution. In fact, very few of the last mentioned type are now to be found in Group 10. What I write here is best verified by the fact that many of the counties are developing and operating Credit Bureaus, adopting a system of service charges, operating under the Town-Guard System for protection from bandits and are co-operating in many other ways for their mutual benefit.

Many are they who would be surprised from already formed opinions of an undeveloped, backwoods type of country if they would only treat themselves to a tour of the Southern end of Illinois and much greater would be their surprise if they could be shown the yet undeveloped wealth of this district lying in wait for those seeking an opportunity.

What Do You Want?

—tell us and we will help you find it. We have created this new classified ad department as a free service to subscribers. If you have something to buy or something to sell, or if you want anything, you can make it known to the bankers in the Mid-Continent territory without cost. If you are not a subscriber, your check for $3 will pay for a year's subscription and entitle you to free use of the want ad columns.

Position Wanted by assistant cashier who desires better opportunity for advancement. Twenty-eight years of age. Four years' experience as assistant cashier. Best of references. Address V. B. M., The Mid-Continent Banker—7.

Bank for Sale: Small inland town, Southern Illinois, 600 population. Capital stock, $15,000. Surplus, $9,000. Undivided profits will be $4,000 by March 1st. Deposits and loans average around $60,000. Net earnings last year were 20%. Cashier's salary, $2,400 per year. Small bank, but a money maker. Good reasons for sale. New management can increase business. All paper guaranteed. Price, $200 per share, cash. If size, town, bank, location and price don't interest, please do not make inquiries, as these details should be enough information for party wanting to buy a bank. Address No. 1000, care Mid-Continent Banker.

Position Wanted as assistant cashier in medium size bank by young man twenty-eight years old. College graduate, four years banking experience. Also enrolled with the LaSalle Extension University, Chicago, in Law. Address V-12, M. C. B.—7.

Position Wanted as cashier in good country bank or as assistant cashier in larger bank by married man, 15 years' experience. Now employed. Desire better opportunity for advancement. Best of references. Address No. 1010, The Mid-Continent Banker.

Bank Control Wanted: Country banker desires to purchase control of good bank in town of not less than 1,000; American community in Central Illinois preferred. All communications confidential. Address No. 1011, The Mid-Continent Banker.

Interest in Bank Wanted: Would like to purchase controlling interest in a good bank in a town of 2,000 to 4,000 or to purchase a minority stock interest carrying with it an official position. I have had sixteen years' experience in a state bank. Now with National Bank with resources of $1,000,000, for three years as cashier and active manager. Address No. 105, The Mid-Continent Banker—1.

Position Wanted in bank by young man. Opportunity for advancement desired. No banking experience but good business education. Two years' college. Future prospects will be considered more than large salary to start. Best references. Can invest. Address L. E. T., The Mid-Continent Banker—6.

Wanted: Excellent opportunity for banker favorably known in Missouri, Kansas and Oklahoma, or all three states with progressive Kansas City bank, well thought of throughout that territory. Would want man capable of organizing and supervising country bank department and one able to bring considerable business to bank with him. Future would depend entirely upon growth and success of department. Address No. 112, care The Mid-Continent Banker, 408 Olive Street, St. Louis.

Banker, age 36, at present receiving a salary of $230 per month as cashier of a national bank in an Illinois town of 4,000, desires to make change where there will be greater opportunity for advancement. Prefers position in growing bank in a town of from 5,000 to 15,000 population. Total footings of bank of which he is now cashier have increased from $160,000 to $350,000 in past four years. Best of references and more detailed information furnished on request. Address A. F. B., c-o Mid-Continent Banker.

A Good Opening: Will consider sale of $10,000 stock in good Arkansas bank to active banker. Bank is twenty years old and has a capital of $50,000. Deposits average $350,000. Paying dividends since organization. Sale to carry active management at salary of $3,000. Would expect purchaser to take over modern dwelling in town with lights, water, sewerage and on paved highway. Excellent school; four churches. Address M. J. T., c-o Mid-Continent Banker.

Banker, married, age 36, university graduate. Over fifteen years' experience in banking, the past ten years as cashier and only active officer of good sized country bank, has sold interest in present bank and desires to change. Splendid record as a business builder and good on credits. Prefers county seat town or city. Best references. Can invest. Address J. A. B., c-o Mid-Continent Banker.

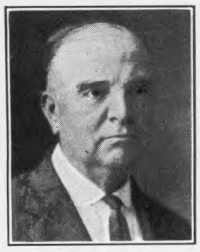
Bank Interest for Sale: Want to sell interest carrying position of cashier with salary of $2,400. Stock holdings, $6,000. Bank in first-class condition, good, well-organized business. City of 1,200 population, fertile farming community. Would not sell except to experienced man. Address No. 2010, care Mid-Continent Banker.

For Sale: Controlling interest in successful National Bank with $100,000 capital and $900,000 totals. Located in good town of 7,500 population in good section of Illinois. All investments and loans guaranteed. One or two official positions go with stock. Do not answer unless you have the capital, age and experience to manage a good, going bank. Address I. E. S., Mid-Continent Banker—11.

Fixtures for Sale: Marble and bronze screen surrounding Lobby, 72x20 feet. Ten cages with thirteen wickets and other equipment. Special selected English vein Italian marble. Very attractive. Also several sets of money chests. Available at once. Removal to new building necessitates sale. Inquiries solicited. Price very reasonable. Address Commercial National Bank, Peoria, Ill.

Save Money—Buy These: Burroughs bookkeeping machine (practically new). flat-top oak desk, Underwood typewriter No. 5, swinging desk stand for typewriter, office chair, a Writerpress duplicating machine with full equipment of type, stand, trays, furniture, etc. Address A. H. Hicks, Altamont, Ill.—4.

Kentucky



R. E. Turley
President

OFFICERS: KENTUCKY BANKERS ASSOCIATION: President, R. E. Turley, Richmond; Secretary, Harry G. Smith, 300 Louisville National Bank Bldg., Louisville; Treasurer, J. W. Hardaway, Shepherdsville.
GROUP CHAIRMEN AND VICE-PRESIDENTS: I—J. D. Russell, Owensboro; II—M. W. Tucker, Campbellsville; III—Matthews Hall, Shelbyville; IV—C. K. Thomas, Paris; V—Jno. M. Yost, Pikeville; VI—L. F. Brashear, Hazard; VII—R. P. Taylor, Winchester.

Harry G. Smith,
Secretary

Two Walton Banks Merge.

The Walton Bank & Trust Company and the Walton Equitable Bank of Walton, Ky., have been merged and a charter has been granted to the combined institution under the name of the Walton-Equitable Bank and Trust Company, with capital of $50,000 00 and surplus and undivided profits of $79,000.00. R. C. Green is president of the bank; J. D. Mayhugh, first vice-president; R. B. Brown, second vice-president; Sleet West, cashier, and Mrs. Hattie Metcalfe and C. D. Benson, assistant cashiers.

New Bank At Helier.

The Bank of Helier, Ky., has been opened for business with capital of $20,000.00. E. L. Bailey is president; Albert Bartley, vice-president; Basil Bartley, vice-president, and J. E. Hellier, cashier.

Two Burlington Banks Consolidate.

The Peoples Deposit Bank and the Boone County Deposit Bank of Burlington, Ky., have consolidated and the business in the future will be conducted under the name of the Peoples Deposit Bank. Total resources of the two banks on December 31 was $1,296,299, according to a statement issued by the officials of the banks.

Elect Two Assistant Cashiers.

John L. Hanes and K. B. Posey have been elected assistant cashiers of the Citizens National Bank, Bowling Green, Ky., succeeding M. J. Hanley and Jones E. Mercer.

Abner V. C. Grant, 60, president of the First National Bank, Ludlow, Ky., died recently.

Chris D. Russell has resigned as assistant cashier of the Farmers and Traders Bank, Maysville, Ky.

John C. Worsham has been elected president of the Ohio Valley Bank and Trust Company, Prestonburg, Ky., succeeding B. G. Witt, who has resigned.

W. S. Vanderen, cashier of the Harrison Deposit Bank, Cynthiana, Ky., died recently.

Buren Martin has been elected vice-president of the First National Bank, Greenville, Ky., succeeding C. E. Martin.

R. D. Jeter has succeeded G. W. Hill as cashier of the First National Bank, Russell Springs, Ky., and A. V. Luttrell has been elected assistant cashier to succeed Lucy B. Oaks.

First National, Louisville, Has Fine New Home

The First National Bank of Louisville, the oldest national bank in the South, and the Kentucky Title Trust Company are now located in the first wing of their new $1,000,000 bank building.

When completed, the new building will be "L" shaped with entrances on Market street, Fifth street and Court place. The Fifth street side of the building will be three stories high; the Market street side, two stories high. The Market street building is 48x120 feet, and the Fifth street building will be 82x140 feet when completed. There will be a total of 65,000 square feet of floor space.

The exterior of the building, both at the Market and Fifth street entrances, will be finished in brick and Georgia white marble. The interior is finished with ivory color plaster walls and solid American walnut. No marble is used in the interior finishing and the result is exceptionally pleasing. It gives an atmosphere of hominess that is very pleasing.

Another feature of the interior is the absence of cages. The walnut woodwork extends from the floor to counter height down both sides of the lobby, and the counters are topped with a low bronze railing. Behind the counters the space is entirely free from any kind of cage work. The floors, throughout, are finished in terrazzo and rubber tile.

The Kentucky Tile Company and the Kentucky Title Trust Company occupy the second floors of the buildings, and the third floor of the Fifth street building is given over to the director's room and president's offices. There will be also a gymnasium and a dining room for the bank's employes. The vault department in the basement will be finished in ivory woodwork and there will be three vaults.

Total resources of the First National Bank and the Kentucky Title Trust Company are now in excess of $33,238,000, and total deposits are more than $17,500,000.

During the six years ending June 30, 1926, the First National Bank had an increase of more than 159 per cent in deposits and an increase of more

than 224 per cent in surplus, profits and reserve earned.

During this same period the Kentucky Title Trust Company had an increase of 125 per cent in deposits and an increase of more than 394 per cent in surplus, profits and reserve earned.

Davis Plans Another Big Baseball Party

Arch B. Davis, vice-president of the Citizens Union National Bank, Louisville, promises to break his own record again for the biggest baseball box party at the opening game of the 1927 season at Parkway Field, on April 12. He has reserved a block of 961 seats for this occasion.

Four years ago, Mr. Davis broke all records for box parties at an athletic event when he gave a party to his banker friends from Kentucky, Indiana and Tennessee, and each succeeding year he has broken his own record and this time he hopes to eclipse all of his previous records.

When the final game of the 1926 season was over, Mr. Davis made application to the Louisville club for 1,000 seats, and he has just learned that he has been allotted 961 seats.

On the opening day of the 1926 season here, 703 bankers were guests of Mr. Davis at a luncheon and at Parkway Field. On the night before the game, Mr. Davis entertained his guests at a smoker and vaudeville and this year he also will provide entertainment other than the luncheon and ball game.

J. E. Huhn Heads New Bank.

John E. Huhn, first vice-president of the Liberty Insurance Bank, Louisville, Ky., was elected president of the Highland Liberty Bank, which was opened at Bardstown road and Bonnycastle avenue, November 20th, Robert G. Bickel, assistant cashier of the Liberty Insurance Bank, was named cashier of the new bank.

Directors elected were: Mr. Huhn, Henry Almstedt, O. H. Wathen, Fred Forcht, J. H. Horn, Ed. J. Reiss and H. E. Russman.

Moffett Elected Director of National Park Bank

George M. Moffett has been elected a director of the National Park Bank of New York City. Mr. Moffett is vice-president and a director of the Corn Products Refining Company and is also a director of the Fidelity International Trust Company and of the Standard Insurance Company.

Louisville Bond House in Fine New Building

Interior New Home, J. J. B. Hilliard & Son, Louisville

The bond and investment firm of J. J. B. Hillard & Son, founded in Louisville in 1882 by J. J. B. Hillard and now operated by his two sons, Isaac Hilliard and Edward H. Hilliard, with Andrew J. Howard and Howard O. Hughes, is now located in its new building at 419 West Jefferson street, Louisville.

The building, owned by members of the firm, has been said to be the finest in the South housing a bond and investment company. It is five stories in height, and the first floor is occupied by the Hilliard establishment. The other floors are to be rented out for office use.

The facade of the building, finished in white stone and dark metal trimmings, attracts passers-by because of its picturesque design. Tall Gothic windows with stone and metal tracery give the building the appearance of an Old World cathedral. Grilled doors guard the entrance on the right.

The interior combines utility and ornateness. The details of construction provide at once for accurate and swift transaction of business, ample room and light for employes and service and comfort for clients.

Offices of members of the firm and of salesmen extend from the front of the building half to the rear of the first floor. Above the "cages," which extend from the offices toward the back of the first floor, a skylight has been placed to provide natural light throughout the working day. At the rear of the first floor is the customers' room, equipped with a "Trans-Lux" machine to record sales of the New York Stock Exchange.

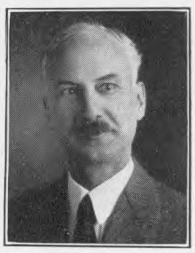
Lighting fixtures and carpeting, of up-to-date design, lend a comfortable atmosphere to the firm's business home.

J. J. B. Hillard originally entered into the investment business in 1872 as a member of the firm of A. D. Hunt & Co.

A. D. Hunt & Co. was dissolved in 1882, and J. J. B. Hilliard operated the firm under his own name until 1892. In that year Byron Hilliard became a partner, and the firm name was changed to J. J. B. Hilliard & Son. Mr. Hilliard died in 1901, and in 1902 Isaac Hilliard became a partner. Edward H. Hilliard became a partner in 1906. Andrew J. Howard became a partner in 1920. Byron Hilliard died in 1922. In the same year Morgan O. Hughes became associated with the firm.

The firm deals exclusively in investment securities, and it is a member of the New York Stock Exchange. The New York correspondents of the firm are Walker Brothers, and Clark, Dodge & Co.

Indiana



H. C. Rothert
President

OFFICERS INDIANA BANKERS ASSOCIATION: Hugo C. Rothers, Huntingburg, President; C. O. Holmes, Gary, Vice-President; Forba McDaniel, Indianapolis, Secretary; Jos. W. Springer, Elizabethtown, Treasurer; Jones, Hammond & Buschmann, Indianapolis, Counsel.

GROUP CHAIRMEN: I—Rollo N. Walter, LaGrange; II—J. G. Wallick, Elkhart; III—E. S. Goodrich, Winchester; IV—F. D. Thompson, Edinburg; V—C. C. Newlin, Terre Haute; VI—Walter Hungerford, Shelbyville; VII—W. M. Wells, Scottsburg; VIII—A. J. Wedeking, Dale.

Forba McDaniel,
Secretary

M. Mayer
Now President.

M. Mayer has been elected president of the First National Bank, Covington, Ind., succeeding W. W. Layton. David S. Ferguson was elected vice-president; J. E. Romine, cashier, and Lee Philpott, assistant cashier. Mr. Layton, who had been at the head of the institution for a number of years, is now in Florida, where he has large interests.

H. L. Huddleston
Elected President.

At a meeting of the stockholders of the Burlington State Bank, Burlington, Ind., H. L. Huddleston, cashier of the bank for the past twelve years, was elected president to fill the vacancy caused by the death of W. T. Hindman. Miss Nell Everman, for many years assistant cashier, was elected cashier.

New Bank
At Indianapolis.

The Inland Bank and Trust Company and the Inland Investment Company, Indianapolis, Ind., have been organized with a capitalization of $250,000. Leonard G. Wild is president. The bank and trust company will include a general banking department, a real estate department, an insurance department, a trust service and a safe deposit department. The investment company will handle a complete and diversified line of investment offerings, specializing in high grade Indiana securities.

F. B. Rowley
Now President.

Frank B. Rowley, postmaster of Angola, Ind., has been elected president of the Angola Bank & Trust Company. He succeeded D. R. Best, who resigned because of ill health. Mrs. Josie Wickwire is now vice-president of the bank and Claude Douglass, secretary.

South Bend Bank
Elects New Officers.

Adam Hunsberger, formerly vice-president of the Franklin Trust Company, South Bend, Ind., has been elected president of that institution to succeed M. S. Caldwell. Harvey Rostiser has been elected secretary and William Freeman has been re-elected treasurer. Mr. Caldwell, first president of the trust company, which was founded about sixteen months ago, resigned because of the pressure of other duties.

C. P. Packer, Jr.,
Elected President.

John R. Farovid has been elected chairman of the board of directors of the Citizens Trust and Savings Bank, Hammond, Ind., and Charles P. Packer, Jr., formerly vice-president and secretary, has succeeded Mr. Farovid as president of the bank.

Twenty-three years ago, following his graduation from high school, Mr. Packer started his business career as a messenger boy in the Corn Exchange National Bank of Chicago. Since then he has followed the banking business very closely, working upwards through the ranks in the Illinois Trust and Savings Bank until 1913, when he became affiliated with the Citizens Trust and Savings Bank as cashier. A few years later he was promoted to the position of vice-president and secretary, which position he held until his recent appointment as president.

C. B. Enlow, formerly vice-president, has been elected president of the National City Bank, Evansville, Ind., succeeding Francis J. Reitz. S. Wallace Cook is now vice-president and Sterling J. Perry, assistant cashier.

Luther F. Pence has succeeded Sanford H. Ketiner as president of the Anderson Trust Company, Anderson, Ind.

Carl A. Ploch has been elected vice-president of the Farmers Trust Co., Indianapolis, Ind. Mr. Ploch was formerly vice-president of the Washington Bank & Trust Co., and has been succeeded there by Delmar G. Patrick, assistant secretary.

Wm. M. Ratcliff has resigned after thirteen years of active service as president of the Citizens State Bank, Kingman, Ind.

P. S. Hodges, treasurer of the Anderson Trust Company, Anderson, Ind., has resigned to accept a position with the J. F. Wild Bank in Indianapolis.

The Waynetown State Bank has purchased the Farmers and Merchants Bank, Waynetown, Ind.

Charles P. Mulvihill, assistant cashier of the Citizens National Bank of Peru, Ind., has resigned.

Otto C. Klein has been elected cashier of the Mount Vernon National Bank & Trust Company, Mount Vernon, Ind., succeeding C. F. Hoover.

The American National Bank, Rushville, Ind., has total resources of $1,063,995.14, with deposits of $848,959.84, according to their recent statement.

Edward Woodward has resigned as cashier of the First National Bank, Martinsville, Ind. He has been succeeded by John S. Whitaker, former county treasurer.

James Hyatt has succeeded B. J. Castner as cashier of the New Marion Bank, Marion, Ind.

Tennessee Notes

R. B. Broster
Elected Cashier.

Roy B. Broster, formerly assistant cashier, has been elected cashier of the First National Bank, Clarksville, Tenn. He succeeds M. A. Bland, who is now vice-president of the bank.

Gainesboro Bank
Installs New Vault.

The Bank of Gainesboro, Tenn., has completed its new vault which is said to be one of the best pieces of vault equipment between Nashville and Knoxville. New safe and deposit boxes were also installed.

J. W. Pearson
Elected President.

J. W. Pearson has been elected president of the Gates Banking and Trust Company, Gates, Tenn., succeeding R. J. Moore. M. A. Whitaker was elected a director succeeding F. B. Bradford.

F. L. Underwood has been elected vice-president of the Hamilton National Bank, Chattanooga, Tenn. Mr. Underwood also remains as vice-president and trust officer of the Hamilton Trust and Savings Bank, Chattanooga.

Sam L. Barger has been elected assistant cashier of the Bank of Hollow Rock, Tenn. Mr. Barger was formerly assistant cashier of the Atwood Banking Company.

John H. Raines has succeeded the late J. J. R. Adams as vice-president of the Merchants State Bank, Humboldt, Tenn.

The First State Bank, Collierville, Tenn., has changed its name to the Citizens Bank.

W. H. Kittrell, assistant cashier of the Commerce-Union Bank, Murfreesboro, Tenn., has resigned to accept the assistant cashiership of the Farmers and Merchants Bank, Mount Pleasant, Tenn.

T. A. Pope has been elected president of the First National Bank, to succeed S. H. Blackburn, who resigned. J. B. Lee and W. L. Kelly are the new vice-presidents, and E. A. Lee has been re-elected cashier.

John T. Staples has succeeded A. C. Wiley as vice-president of the City National Bank, Rockwood, Tenn.

Clarence Enoch Chandler has been elected cashier of the Farmers Bank, Sharon, Tenn., to succeed J. W. Taylor, who has resigned.

The Cannon County Banking Company, Woodbury, Tenn., has been changed from a state to a national bank. S. B. Hawkins has been elected president succeeding Dr. J. F. Adams.

Arlie Hitt, formerly of Shelbyville, Tenn., has been elected assistant cashier of the Traders National Bank, Tullahoma, Tenn., to succeed Stanley Cortner, who has resigned.

V. S. Parsons, active vice-president of the Citizens Bank, Shelbyville, Tenn., died recently.

Paul M. Davis has succeeded P. D. Houston as president of the American National Bank, Nashville, Tenn.

R. M. Chambliss, president of the First State Bank of Brownsville, Tenn., has been elected president of the Chamber of Commerce, Brownsville.

The Citizens Bank, Shelbyville, Tenn., has increased its capital stock from $25,000 to $50,000.

The American Bank & Trust Co., Johnson City, Tenn., has been chartered with capital of $30,000.

C. E. Castle has been elected cashier of the Jackson Bank & Trust Co., Jackson, Tenn.

James W. Dorton, president of the First National Bank and the Cumberland Bank & Trust Company of Crossville, Tenn., died recently.

The First National Bank of Smithville, Tenn., has been organized with capital stock of $30,000.

Arkansas Convention to Be Held in Little Rock

Announcement has been made that the second series of Arkansas Group meetings will be held from March 8 to March 17; the state convention is to be held Wednesday and Thursday, April 27-28, at the Marion Hotel in Little Rock.

The special car for the second series of group meetings will leave the Missouri Pacific station, Little Rock, at 2:30 a. m., Tuesday, March 15, and returning will reach Little Rock at 2:15 a. m., Friday, March 18.

Group Five will meet at Benton-Bauxite, March 8; Group Two at Batesville, March 15; Group One at Jonesboro, March 16, and Group Seven at Monticello, March 17.

Arkansas Notes

Lake Village Banks Consolidate.

The Chicot Trust Company, Lake Village, Ark., has assumed all business formerly handled by Chicot Bank & Trust Company, having purchased all of its assets. The capital stock is $50,000; surplus $10,000, and undivided profits, $40,000, fully paid. Officers of the new bank are: A. B. Banks, president; J. B. Simms, vice-president; M. E. Rosensweig, vice-president; D. S. Clark, cashier and secretary.

Hudspeth Purchases Harrison Bank.

All the stock of the Farmers & Merchants Bank, Harrison, Ark., has been purchased by A. T. Hudspeth, who has assumed charge of the institution. He is vice-president of the Citizens National Bank of Harrison, is extensively interested in other banks in that part of Arkansas and a member of the board of directors of American Southern Trust Company, Little Rock, Ark.

Webster is Now Vice-President.

J. B. Webster has been elected vice-president and trust officer of the American Southern Trust Company, Little Rock, Ark. B. M. Eagle has been elected vice-president, and R. L. Bradley and James Keatts, assistant secretaries.

Dr. A. R. Bradley Is Now President.

Dr. A. R. Bradley, vice president of the First National Bank, Morrilton, Ark. has been elected president to succeed W. O. Scroggin, who has resigned. E. T. Parette has been elected vice-president.

Emmet Morris Elected President.

Emmet Morris has succeeded Gordon N. Peay as president of W. B. Worthen Co., Bankers, Little Rock, Ark. Steve Garwood is vice-president of the bank; James H. Penick, cashier, and B. M. Lamar, assistant cashier.

B. A. Lynch, formerly vice-president of the Farmers Bank & Trust Co., Blytheville, Ark., has succeeded R. E. Lee Wilson as president of the bank.

W. V. Moye and Chas. B. Dozier have been elected assistant cashiers of the Lee County National Bank, Marianna, Ark.

E. H. Hearnsberger of Fordyce is now cashier of the Bank of Banks, Ark. Wilmot Routh, former cashier of this bank, is now cashier of the Leola First State Bank at Leola.

Bryan M. Eagle has been elected assistant vice-president of the American Southern Trust Company, Little Rock, Ark.

Boyce Coe of Newport, Ark., has accepted the position of cashier of the Bank of Tupelo, Ark., succeeding J. F. Coffman, who resigned to become cashier of the Bank of Keo.

William S. Little, note teller, has been promoted to the position of assistant cashier of the Faulkner County Bank & Trust Company, Conway, Ark., succeeding Ben T. Laney, who has resigned.

M. J. Hickey has been elected cashier of the Bank of Russellville, Arkansas.

W. N. Nabors of Keo has been elected cashier of the Hot Springs County Bank, Hot Springs, Arkansas, succeeding John Ault.

The Bank of Hoxie, Ark., has increased its capital stock from $10,000 to $25,000.

Walter E. Taylor, vice-president of the Central Bank, Little Rock, Ark., has been appointed state bank commissioner to succeed Loid Rainwater, who has resigned.

R. H. Trice is the new assistant cashier of the First National Bank, Stuttgart, Ark.

William S. Little, note teller at the Faulkner County Bank and Trust Co., Conway, Ark., has been elected assistant cashier to succeed Ben T. Laney, who has resigned.

Louisiana

Travis Oliver, President

OFFICERS LOUISIANA BANKERS ASSOCIATION: President — Travis Oliver, Monroe; Vice-President—W. P. Connell, Baton Rouge; Secretary—J. C. Barry, Lafayette; Treasurer — W. J. Mitchell, New Orleans.

EXECUTIVE COMMITTEE: L. O. Broussard, Chairman, Abbeville; Leon Haas, Opelousas; A. W. Watson, Natchitoches, G. F. Provost, Mansfield: W. P. O'Neal, New Orleans; T. J. Labbe, St. Martinville; Travis Oliver, Monroe; W. D. Haas, Alexandria.

GROUP CHAIRMEN: "A" J. P. Sealy, Shreveport; "B" Jas. A. Christian, Pineville; "C" E. E. Soulier, Lafayette; "D" E. G. Davis, Baton Rouge.

J. C. Barry, Sec'y

Walter Jacobs Elected Cashier.

Walter B. Jacobs has been promoted to the position of cashier of the First National Bank, Shreveport, La., succeeding W. L. Young, who is now vice-president of the bank. H. C. Teacle, former auditor, has succeeded Mr. Jacobs as assistant cashier.

Col. J. Bryan Ardis has been elected honorary chairman of the boards of the First National Bank and of the City Savings Bank and Trust Company, Shreveport, La.

Charles Collins, formerly assistant cashier of the Canal Bank and Trust Company, New Orleans, Louisiana, has been promoted to assistant vice-president of the bank.

The Hammond State Bank, Hammond, La., has purchased the assets of the First State Bank and Trust Company.

Sidney J. White has been added to the directorate of the Whitney-Central National Bank, New Orleans, La., and B. C. McClellan to the board of the Whitney Central Trust & Savings Bank.

B. F. O'Neal, prominent Shreveport realtor, and C. M. Bennett, vice-president of the Louisiana Oil Refining Corporation, have been chosen directors of the Continental Bank and Trust Company, Shreveport, La.

The First State Bank and Trust Company of Leesville and the Exchange State Bank, Leesville, La., have been merged under the name of the First State Bank and Trust Company.

R. E. Gover Has Resigned.

R. E. Gover, assistant cashier of the Hopkins county State bank, Dawson Springs, Ky., for the past three years, has resigned to accept a position with the state banking department.

Pawnee County Bankers Organize.

The Pawnee County Bankers Association has been organized and the following officers elected: Frank Hudson, president, Pawnee; O. V. Mullendore, vice-president, Cleveland; S. Thornton, secretary, Pawnee; R. S. Jarrell, treasurer, Ralston.

The recent statement of condition of the People's Trust and Savings Company of Chillicothe, Mo., shows total resources of more than $650,000, with deposits of more than $475,000. A. T. Weatherby is president, and V. J. Gladieux is secretary.

Mississippi Notes

Jackson Bank Has Group Insurance Plan.

By expanding its group insurance program, the Merchants Bank and Trust Company, of Jackson, Miss., has enabled its employes to increase their protection by $51,000, bringing the total amount of life insurance in force to $162,000. In addition to the actual protection established, the group plan also provides participating employes with the advantages of a visiting nurse service.

Insurance under both the additional plan and the original contract, in force since 1921, is being underwritten by the Metropolitan Life Insurance Company. The original plan gave each employee $500 life insurance. This amount is increased $100 a year until a maximum of $1,000 is reached. The entire cost of the original insurance is being borne by the bank. The additional plan, however, is arranged on a contributory basis providing for the payment of premiums jointly by the employer and employes. Each of the latter receives $1,000 additional insurance.

If total and permanent disability oc-

curs before an employee reaches age 60 he will be paid in full amount of his insurance in monthly installments. Premiums will be waived by the insurance company during the disability period.

Besides the visiting nurse service the Metropolitan Life periodically distributes pamphlets on disease prevention and health conservation.

Two Tunica Banks Merge.

The Citizens Bank and the Planters Bank of Tunica, Miss., have merged and the latter has taken over all the accounts of the former institution. The Citizens Bank has a capital of $75,000.00 and a surplus of $15,000.00.

J. T. Thomas Now President.

J. T. Thomas has been elected president of the Bank of Houston, Miss., which is a branch of the Grenada bank. H. B. Abernathy has been elected vice-president; B. C. Adams, cashier, and A. M. Spencer, assistant cashier.

Herman Moore Elected Cashier.

Herman Moore has been elected cashier of the Planters Bank & Trust Company, Ruleville, Miss., succeeding M. W. Cooper.

C. G. Callicott Is Dead.

C. G. Callicott, vice-president of the Bank of Clarksdale, Miss., died recently.

Two Hernando Banks Consolidate.

The DeSoto County Bank and the Hernando Bank, Hernando, Miss., have been merged. J. W. Barbee was president of the DeSoto County Bank and R. P. Cooke, president of the Hernando Bank.

Plan New Bank Building.

The Bank of Lucedale, Miss., is making plans for the erection of a new brick building for banking quarters.

Oklahoma Notes

Two Davis Banks Consolidate.

The City National Bank and the Oklahoma State Bank of Davis, Okla., have been consolidated under the name of the City National Bank. O. M. Woodward, formerly cashier of the Oklahoma State Bank, is cashier of the new bank; H. S. Emerson is president; W. A. Geren, vice-president, and R. O. Richardson, assistant cashier. This leaves but two banks in Davis, the City National and the First National. The First National Bank is capitalized at $50,000.00, with resources of $400,000.00.

F. D. Lucas Now President.

W. H. Lothman has sold his stock in the Guaranty State Bank, Weatherford, Okla., and has resigned from active interest in the bank. F. D. Lucas becomes president and active manager, and the new board of directors will consist of Albert Eaton, A. L. Bishop, F. D. Lucas and Mrs. F. D. Lucas.

F. R. Peterson Elected Cashier.

F. R. Peterson, national bank examiner and experienced banker, has become active vice-president and cashier, as well as director, in the Citizens National Bank of Okmulgee, Okla. He succeeds Crittenden Smith as vice-president, and succeeds L. W. McLean as cashier of the bank.

R. A. Smith Now President.

W. T. Litten has retired as president of the American National Bank, Pryor, Okla., and has been succeeded by R. A. Smith. Mrs. Kate Sutton of Cleveland, and R. G. Webb, have retired as members of the board of directors. The new officers of the bank are: R. A. Smith, president; J. W. Shutt, vice-president, and W. H. McCollough, cashier.

Chas. W. Layton has been elected vice president of the First National Bank, Kingfisher, Okla., to succeed R. J. Angleman.

Aubrey Brock has been promoted to the position of assistant cashier of the State National Bank, Idabel, Okla.

A. G. Blauner has retired from the presidency of the Drumright State Bank, Drumright, Okla., and has been succeeded by Jack Beesley.

Marquis S. Morris, assistant cashier of the First National Bank, El Reno, Okla., is now vice-president of the institution.

R. D. Wilbor, former treasurer of the Oklahoma Cotton Growers' Association, and for the last year in charge of the new business and country banks

department, has been elected a vice-president of the American National Bank, Oklahoma City, Okla.

E. A. Buckley, president of the Farmers National Bank, Cordell, Okla., has sold his interest in that institution to A. H. and A. E. Symcox. A. H. Symcox is the new president of the bank.

Chester Gates has resigned as assistant cashier of the Drumright State Bank, Drumright, Okla., to become assistant cashier of the First State Bank, Seminole, Okla.

The Bank of Commerce, Jenks, Okla., has been organized with M. A. Steel as president; R. V. Downey, vice-president, and R. K. Grain, cashier.

C. J. Novak has resigned as cashier of the First National Bank of Hinton, Okla.

Miss May Schofield has been elected assistant cashier of the Security National Bank, Lawton, Okla., succeeding W. J. Thompson, who resigned.

Kansas Notes

Cherryvale Bank Elects New Officers.

W. L. Dillman has been elected president of the Montgomery County National Bank, Cherryvale, Kansas, succeeding Lee Carson, who resigned. Charles Wright was chosen vice-president, and S. J. Howard retained as cashier.

Sedgwick County Bankers Elect Officers.

Standish Hall, vice-president of the Union National Bank, Wichita, Kansas, is the newly elected president of the Sedgwick County Bankers Association. R. J. McKee, cashier of the State Bank of Clearwater, is the new vice-president; J. J. Butterfield, cashier of the Farmers and Merchants State Bank of Derby, is treasurer, and C. W. Ebnother, manager of the Wichita Clearing House Association, is secretary.

Eureka Bank Elects New Officers.

At a meeting of the board of directors of the Citizens National Bank of Eureka, Kansas, Allen E. Green, cashier, was elected acting vice-president, and Joseph A. Fuller of Eureka was elected cashier. H. F. Rockhill, who has been active vice-president, announced his retirement some time ago. He will remain a vice-president of the bank, but will devote his time to personal business affairs.

W. W. Pollock, Pres.

Missouri Bank News

OFFICERS MISSOURI BANKERS ASSOCIATION: President, W. W. Pollock, Mexico; Vice-President, Edward Buder, St. Louis; Secretary, W. F. Keyser, Sedalia; Treasurer, E. B. Jacobs, Carthage.

GROUP CHAIRMEN: 1—W. C. Brown, Macon; 2—O. H. Moberly, Harris; 3—G. L. Wilfley, Maryville; 4—W. H. Erwin, Urich; 5—C. A. Eaton, St. Louis; 6—Henry Stocks, Malden; 7—C. W. Moody, Springfield; 8—W. H. Waters, Jr., Jasper.

GROUP SECRETARIES: 1—Gus Delaney, Hurdland; 2—W. E. Todd, Brookfield; 3—R. W. Holt, Craig; 4—F. W. Pendleton, Independence; 5—A. A. Speer, Jefferson City; 6—G. U. Shelby, Charleston; 7—C. H. White, Seymour; 8—E. C. Williams, Noel.

W. F. Keyser, Secretary

Lee Meyer Is Dead.

On February 5th, Lee Meyer, vice-president of the Farmers & Merchants Bank, Linneus, Mo., since 1892, died after a week's illness with pneumonia. Mr. Meyer has been interested in the National Bank of Commerce, St. Louis, Central States Life Insurance Company, Rice-Stix Dry Goods Co., and other business institutions for many years.

Roy Nelson Now President.

On account of failing health, D. D. Hamilton has resigned as president of the Citizens Bank of Marshfield, Mo., and has sold his stock in the bank to Roy Nelson. Mr. Hamilton had been connected with the bank since it was organized in 1896 and was its president for the past fourteen years. Roy Nelson succeeds Mr. Hamilton as president; B. F. Julian is vice-president; Chas. F. Ellis, cashier, and W. B. Miller and G. W. Dailey, assistant cashiers.

D. T. B. Duemler Now President.

G. E. Cox, who has been president of the Citizens State Bank, Seneca, Mo., for some time, has sold his interests in the bank. B. W. Buzzard is now chairman of the board; D. T. B. Duemler, president; W. A. Cox, cashier, and M. O. Plummer, assistant cashier.

Two Bernie Banks Consolidate.

The Bernie State Bank and the Bank of Bernie, Mo., have been consolidated under the name of the State Bank of Bernie. The new institution has combined assets of $300,000.00. E. S. Jeffress is president and M. L. Piatt, cashier.

S. W. Ornduff Elected President.

S. W. Ornduff has been elected president of the Joplin State Bank, Joplin, Mo., to succeed J. W. Freeman, who resigned. L. B. Cook is vice-president; L. C. Jones, secretary, and J. W. Jones, cashier of the bank.

St. Louis Bank Promotes Officers.

J. L. Rehme, formerly vice-president and cashier of the Lafayette-South Side Bank, St. Louis, Mo., has been elected vice-president of the bank. Wm. J. Jones, formerly assistant cashier and auditor, and George Hunsche also have been elected vice-presidents. O. L. Kupferer, formerly assistant cashier, has been promoted to the position of cashier.

Bremen Bank To Have New Home.

The Bremen Bank, St. Louis, has awarded contract for a new $260,000.00 one-story, fire-proof stone building on the southeast corner of Broadway and Mallinckrodt streets. The classical architectural plans call for a portico of Bedford stone behind a row of Bedford stone columns.

The public lobby, 22x80 feet, with a ceiling 26 feet in the clear, will have Tennessee marble floors, laid on a bias, and fourteen tellers' cages. The railings of these cages are to be of Tavernelle marble with Bottoceno marble panels, while the upper parts will consist of cast bronze cornices and pilasters, filled in with acid etched plate glass. The lobby will have no pillars.

The three vaults, for safe deposits, money and books, will occupy a space 44x26 feet. The safe deposit section, designed to accommodate 3,800 boxes, and the money compartment will be protected by two burglar-proof doors, each 15 inches thick.

Allen Riley Elected Cashier.

At the annual meeting of the stockholders of the Kearney Commercial Bank, Kearney, Mo., Allen Riley was elected cashier to fill the vacancy caused by the death of George Riley, and Charles Riley, who had been with the bank since the first of December, was made assistant cashier. Conrad Hessel was elected to the board of directors to succeed George Riley. James Greenfield was re-elected president.

Horace Dunn Elected President.

After serving continuously for thirty-nine and a half years as president and vice president, respectively, of the Harrison County Bank, Bethany, Mo., John L. Cole and Andrew Cumming have resigned their offices and are turning over their duties as directors to their sons, W. C. Cole and A. S. Cumming. The two sons were elected to the board of directors at the annual meeting of stockholders. Horace Dunn is now president of the bank and A. S. Cumming, vice-president.

Newton-McDonald Counties Elect Officers.

E. C. Williams, president of the Bank of Noel, Noel, Mo., and secretary of Group Eight of the Missouri Bankers Association, proves that bankers of Newton and McDonald Counties are interested in their association by reporting that sixty-two of them drove distances of from ten to eighteen miles through a storm to attend a recent meeting of their association.

The association is only two years old, but it has accomplished many things. The bankers are working with the extension department of the University of Missouri, and most of the banks are financing the shipping in of lime, and are getting the farmers to use it on their fields.

At the January meeting, held at Neosho, J. E. Garm, vice-president of the Joplin National Bank, spoke on credit bureaus and county organizations. J. F. Johnston, president of the Bank of Neosho, was elected president of the association at this meeting. E. L. Mahan, cashier of the Bank of Neosho, was elected vice-president; E. C. Williams, president of the Bank of Noel, second vice-president; O. A. Tandy, cashier of the Farmers Bank of Anderson, treasurer, and L. P. Kelley, cashier of the Neosho Savings Bank, secretary.

There never has been a bank failure in either Newton or McDonald Counties since the organization of the association, and only one failure in history.

Jasper County Bankers Elect.

Lee A. Daugherty of the Webb City Bank, was elected president of the Jasper County Bankers' Association at its annual meeting held at the Connor Hotel in Joplin, Mo. H. M. Boggess of Carthage was elected first vice-president; H. A. Richardson, Joplin, second vice-president; G. E. Hough, Webb City, secretary, and W. C. Burch, Carterville, treasurer.

Edward Grubb, Jr., Now Trust Officer.

At the annual election of officers of the St. Louis Union Trust Company, Edward G. Grubb, Jr., was promoted from assistant trust officer to trust officer, and Warren McGinnis was promoted from assistant trust officer to counsel. William G. Frazier was advanced to assistant trust officer.

Chicago Members Hear Dale Graham.

Dale Graham, advertising manager, Mississippi Valley Trust Company, St. Louis, was the principal speaker before a recent meeting of the Chicago members of the Financial Advertisers' Association. His subject was "Peaches and Lemons from the Garden of Financial Advertising." Following Mr. Graham, five Chicagoans gave talks of two minutes each on the same subject.

Heaton Bank Elects Officers.

At the recent annual meeting of the stockholders of the Heaton Bank, Craig, Mo., the old board of directors was reelected, with the exception of W. R. Erwin. Mr. Erwin having sold his stock to R. W. Holt, was succeeded on the board by F. S. Holt. The present board is as follows: Andy Haer, R. W. Holt, F. S. Holt, R. C. Ball and Richard T. Nauman. Miss Gladys Kee was promoted to assistant cashier, making the officer personnel as follows: R. W. Holt, president; R. C. Ball, vice-president; Richard T. Nauman, cashier, and Gladys Kee, assistant cashier.

G. L. Wilfley In California.

G. L. Wilfley, president of the Farmers Trust Company of Maryville, and chairman of Group Three of the Missouri Bankers Association, is traveling with Mrs. Wilfley in California. In his absence, R. W. Holt, secretary of Group Three acted as the group's representative at the recent meeting of the Council of Administration held at Sedalia.

Shelby Comments On Cotton Situation.

A. J. Drinkwater has been elected director of the Charleston-Mississippi County Bank of Charleston, Mo., to succeed the late E. L. Brown, Sr., who was former president of the bank. Other officers and directors were reelected. Paul B. Moore is chairman of the board; Scott Alexander, president; E. P. Deal, vice-president; Geo. U. Shelby, vice-president and cashier; G. N. White and E. E. Grojean, assistant cashiers. Mr. Shelby is secretary of Group Six of the Missouri Bankers Association. "This group," he says, "is essentially different from other groups in the state in that a large portion of it is adapted to cotton growing. While the depressed cotton market, though sharply felt, will leave its mark on the affected areas, yet there seems to be growing out of the situation plans and systems for the future that will ultimately give much strength to this territory."

Salem Bank Has Good Growth.

The First National Bank of Salem, Missouri, has made a splendid record during the past two years. In 1925, a 10 per cent dividend was paid and 20 per cent was added to surplus. During 1926, a new addition was added to the bank; this included a ladies' rest room, a directors' room, consultation room and two new filing vaults. The bank also purchased a new electric posting machine and a number of new safety deposit boxes. An extra bookkeeper was employed and several other improvements were made. In addition the bank paid a 10 per cent dividend during 1926 and added about 12 per cent to surplus.

Blair Is Now Mortgage Loan Officer.

Samuel B. Blair, formerly assistant trust officer of the Mississippi Valley Trust Company of St. Louis, has been named mortgage loan officer of that institution. In this capacity Mr. Blair will have charge of the investigation and making of loans on large properties in St. Louis and other cities.

C. C. Burnes, vice-president of the Burnes National Bank, St. Joseph, is making an extended trip with his mother to Havana and South American cities.

J. D. Freund has been elected president of the First National Bank, Brookfield, Mo., succeeding Walton E. Todd, and H. W. Craig has succeeded Mr. Freund as cashier.

"ROLL of HONOR" BANKS in MISSOURI

It is an honor to be listed among the Honor Roll banks. It indicates that the bank has surplus and undivided profits equal to or greater than its capital. Such distinction is accorded to the banks listed on this page. By careful management and sound banking they have achieved this enviable position.

The banks will be especially glad to handle any collections, special credit reports or other business in their communities which you may entrust to them. Correspondence is invited.

City	Bank	Capital	Surplus and Profits
Agency	Farmers Bank	$ 10,000	$ 10,000
Augusta	Bank of Augusta	20,000	26,000
Bigelow	Bank of Bigelow	10,000	12,000
Buffalo	O'Bannon Banking Co.	25,000	31,667
Cameron	First National	50,000	55,000
Columbia	Boone County Trust Co	75,000	200,000
Concordia	Concordia Savings	50,000	52,000
Dalton	Bank of Dalton	10,000	20,000
Everton	Bank of Everton	25,000	55,000
Farmington	Bank of Farmington	50,000	125,000
Gilman City	Gilman Bank	25,000	30,000
Hardin	Bank of Hardin	75,000	87,000
Hayti	Bank of Hayti	20,000	26,471.82
Ironton	Iron County Bank	10,000	21,000
Joplin	Miners Bank	100,000	175,000
Kansas City	First National	1,000,000	3,470,000
Lebanon	State Bank	30,000	35,000
Maitland	Peoples Bank	20,000	35,000
Neosho	First National	50,000	85,000
Odessa	Bank of Odessa	50,000	75,000
Perry	Peoples Bank	25,000	50,000
Raymore	Bank of Raymore	10,000	27,000
St. Joseph	First Trust Co	100,000	143,334
St. Louis	Jefferson Bank	200,000	252,000
St. Louis	Mercantile Trust Co	3,000,000	8,096,642
Sedalia	Citizens National	100,000	290,000
South Gifford	Bank of Gifford	10,000	14,900
Sullivan	Bank of Sullivan	10,000	82,000
Steelville	First National	25,000	30,000
Stover	Stover Bank	15,000	22,000
Tarkio	Farmers Bank	20,000	32,000
Troy	Peoples Bank	50,000	115,000
Union	Bank of Union	15,000	42,000
Walker	Farmers Bank	10,000	12,000
Wellston	First National	100,000	146,900
Windsor	Citizens Bank	40,000	60,000

Missouri Notes

A. M. Riffe has been elected a director of the Bank of Orrick, Mo., in place of Thos. Gooch. Arch Kirkham has been elected vice-president of the institution.

Miss Winifred Haines has been elected assistant cashier of the First National Bank, Kansas City, Mo.

D. D. Hitt has resigned his position as assistant cashier of the Bank of Rockville, Mo.

J. Roger Verts has resigned as assistant cashier of the Bank of Meadville, Mo.

At the annual stockholders' meeting at the Citizens Bank, Liberty, Mo., E. H. Norton was promoted to vice-president; W. C. Crawford was made cashier, and R. D. Hicklin, assistant cashier.

J. H. Clawson has resigned as assistant cashier of the Citizens State Bank of Trenton, Mo.

Henry C. Hyslop, former recorder of deeds, has been elected cashier of the Advance Exchange Bank, Bloomfield, Mo.

The First State Bank of Plano, Mo., and the Plano State Bank have been consolidated under the name of the First State Bank of Plano with capital of $50,000.00 and surplus of $50,000.00.

W. J. Althouse, who is the principal stockholder in the Turney Bank, Turney, Mo., has been elected president, and his daughter, Mrs. Zola Wolfe, has been elected cashier.

J. Frank Dearing has resigned as cashier of the Citizens State Bank, Browning, Mo., and has accepted a position as supervisor of the Standard Savings and Loan Association of Kansas City.

The Texas County State Bank of Houston, Mo., has been organized with capital of $30,000.00 and surplus of $6,000.00.

The Farmers Bank of Quitman, Mo., has moved into its new building which was erected at a cost of approximately $4,000.00.

The Bank of Maplewood, Mo., has increased its capital from $50,000.00 to $100,000.00.

John P. Meyer, assistant cashier of the Twelfth Street National Bank, St. Louis, has been appointed state bank examiner for the St. Louis district.

R. B. Berger, 61, president of the Farmers Bank of Middleton, Mo., died recently.

L. M. Starbuck has been elected president of the Peoples Bank, Queen City, Mo.

J. C. Blackwell has resigned as cashier of the First National Bank, Blackwell, Mo.

F. X. Von Strobel has been elected assistant cashier of the Southern Commercial and Savings Bank, St. Louis.

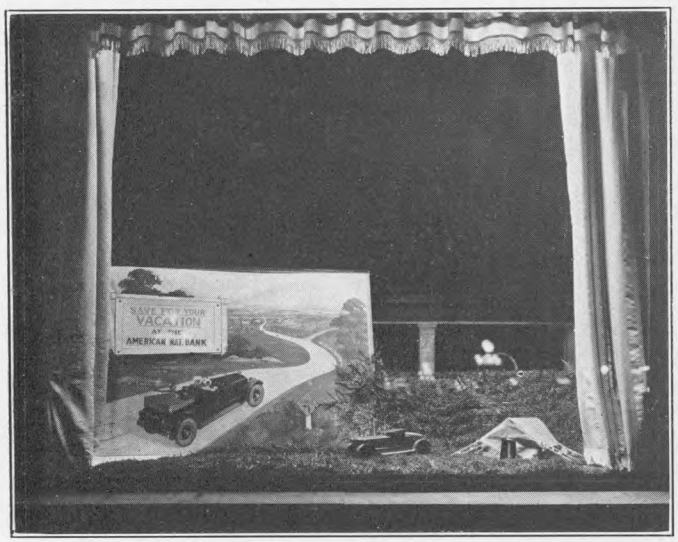
T. I. Johnson has resigned as vice-president of the Monticello Trust Company. Mr. Johnson is also cashier of the LaGrange Savings Bank, LaGrange, Mo.

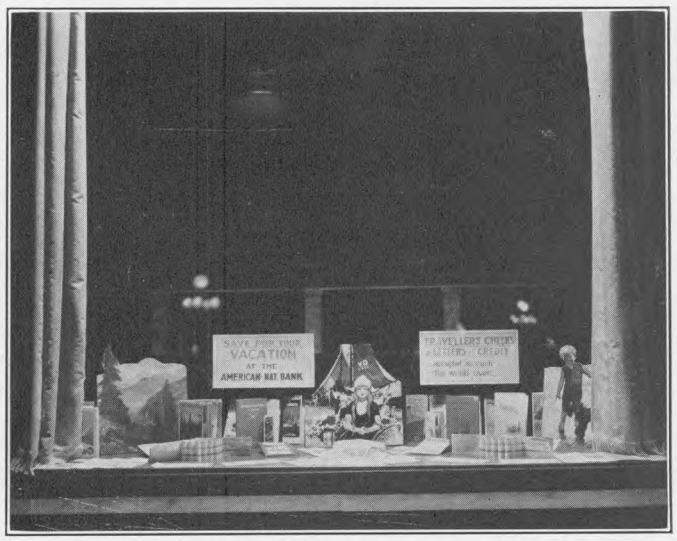
J. T. Dodds, formerly vice-president, has been elected president of the Mound City Trust Company, St. Louis. John C. Tobin is the new vice-president.

S. P. Darr has been elected cashier of the Bank of Browning, Mo., to succeed J. Frank Dearing, who has resigned. Mrs. Marjorie Mairs has been chosen assistant cashier.

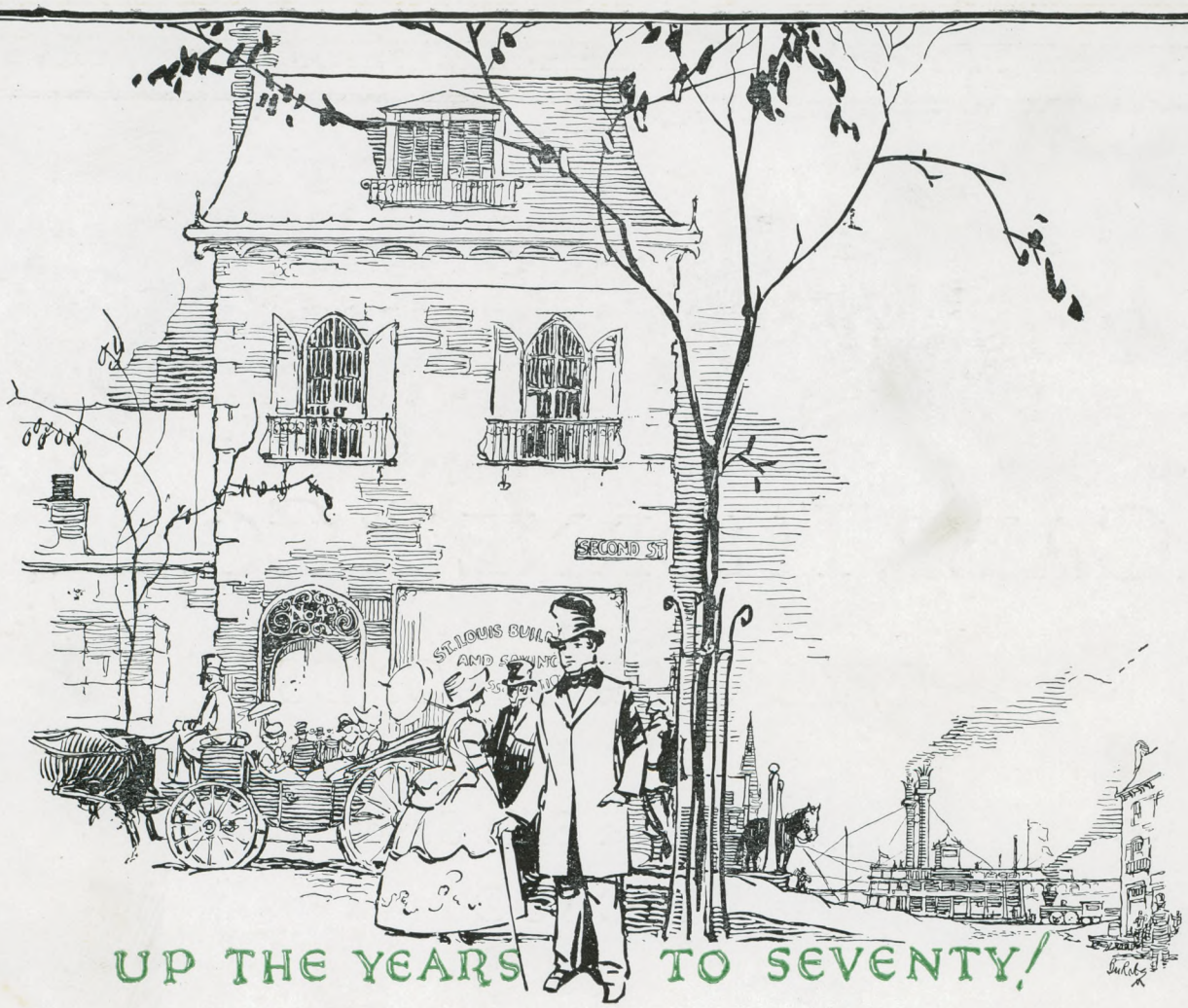
F. W. Peters has succeeded Chas. C. Kunz as vice-president of the Lindell Trust Company, St. Louis, Mo.

Two Effective Window Displays





Both of these windows used by the American National Bank of Lincoln, Illinois, are excellent examples of the "Save for a Definite Purpose" idea that is meeting with deserved success wherever used. Instead of harping the word "SAVE," these windows show the results of saving. They depict something that the average individual wants and anticipates with pleasure—saving is brought out as a means to an end and the negative idea of denying luxuries in order to have a savings account is mitigated. N. E. Hodnett, advertising manager of the bank, says that the average cost of his windows, exclusive of materials that he uses all of the time, is less than $5. That is a small price to pay for any kind of advertising. It is especially small when one stops to consider that department stores figure the advertising value of their windows in terms of hundreds and sometimes in terms of thousands of dollars, and that banks are coming to the conclusion that department stores reached years ago.



UP THE YEARS TO SEVENTY!

Away back in St. Louis' yesterdays, when life and industry hugged the river ··· picturesque packets dotted the levee ····· the resplendent family barouche bounced along corduroy Olive·· the immortal Jenny Lind sang to the beavered and crinolined elite ··· when "that new fangled contraption", the railroad, was pushing back the western fringe of our civilization ···

1857

"MILESTONES OF COMMERCE"

Charter granted February 14, 1857.

Name at that time, St. Louis Building and Savings Association.

Opened for business. July 6, 1857.

Changed name to "Bank of Commerce," Nov 3, 1868. Word "National" was added Dec. 14, 1889.

1927

In those brave, trying days, *a bank destined to become great* had its beginning ··an institution that for three score years and ten has exerted a powerful and steadying influence on the growth of St. Louis and the vast Southwest, whose development it parallels ····· a bank that, while wearing the "silver livery of advised age" progressively looks forward to even more worthy service to the city and its citizens who *"Grow with Commerce"*

National Bank of Commerce in St. Louis

with which is affiliated the Federal Commerce Trust Company