MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

MARCH, 1971

Insurance and Investment Issue

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Q What's the news about Jay Casey, and what does it mean to my bank?

A Jay C. Casey now heads a new Industrial Development Department at Liberty, returning to the bank after 3 years as Director of Industrial Development for the State of Oklahoma. His activities will provide help in four direct ways important to Correspondent Banks. If you'd like to know what these aids are — and put Jay to work for your community's growth, contact your man in the correspondent banking department at your Liberty.

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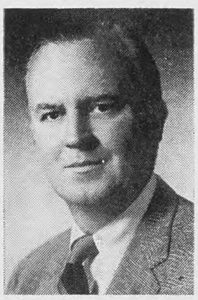
Major Reorganization Of Domestic Banking Units Made at Chase Manhattan

NEW YORK—Chase Manhattan Bank last month announced a major reorganization of its domestic banking structure along customer rather than geographic lines. In addition, the bank announced formation of a new human resources department, under which virtually all of the bank's personnel and personnel-planning functions will be consolidated. The latter department is under the direction of William B. Bateman, newly elected executive vice president.


BATEMAN


BERGFORD


McMAHON


OGDEN


SCHELL

Under the reorganization, the bank's customers in the continental U. S. will be served by three banking departments, each with its own marketing and support staff. The departments—personal, corporate and institutional banking—will report to John B. M. Place, vice chairman.

The institutional banking department, headed by Thomas W. McMahon Jr., executive vice president, is responsible for serving the needs of commercial correspondent banks, savings institutions, insurance and finance firms, church groups and various state and municipal government agencies. Mr. McMahon formerly headed the

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

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FEATURES

DEPARTMENTS

STATE NEWS

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THE BANKING SCENE

By Dr. Lewis E. Davids
Hill Professor of Bank Management
University of Missouri

Apathetic Bank Supervision

"FOR IT is you, the regulated, who suffer most from inefficient, overly restrictive and apathetic supervision" are the fighting words of a man who should know what he is saying . . . C. W. Culley, president of the Conference of State Bank Supervisors (formerly National Association of Supervisors of State Banks).

For a commercial banker to have used such strongly critical phrases would be to incur the wrath of the public and politicians not only on himself but on his bank as well. But C. W. "Bill" Culley used those and similar adverse terms to describe to bankers and supervisors attending the recent CSBS district meetings why a revolution in bank supervision is needed.

Why is bank supervision so castigated? And more important, what can be done about the defects in bank supervision, especially at the state level?

Here are some of the contributing reasons: In 1968 some 15 state bank supervisors made $15,000 per year or less. In the same year, chief examiners in 12 of our 50 states received $12,000 per year or less. The lowest-paid chief examiner received only $8,940. Fringe benefits were comparably low, but just imagine what senior examiners and junior examiners in those states received. Obviously, few college-trained people are or will be motivated by such salaries.

It is true that job satisfaction probably is more important than strictly and solely financial remuneration, but at the salaries mentioned above, it is difficult to recruit new staff members and even to retain a staff once it is trained.

For many of my banking students at the University of Missouri, I recommend that bank supervision is one of the best ways to learn banking and to advance more rapidly in the commercial banking field. I suggest to a number of them that they consider working as examiners prior to entering commercial banking. My bank supervisory friends do not particularly like the latter part of my suggestion, but I point out to them that if the bank supervisory job proves challenging and reasonably financially competitive, labor turnover could be reduced. Yet the fact is that at the state bank examiner level, there is on the whole a higher than desirable staff turnover.

Increasingly as I counsel my banking students on employment opportunities and career development, there is a noticeable reluctance on the part of students to choose jobs such as examiners that call for extensive travel and periods away from home. Part of this reluctance is logical—today at least one fifth of undergraduates are married and—within a short period after graduation—this ratio shows a dramatic increase. They frankly recognize that such travel puts a severe strain on their family lives. Paradoxically, another factor has been that bank salaries, especially in larger banks, have shown dramatic increases. In some large cities, bank salaries actually are higher than those in other white-collar jobs. This has tended to stimulate the separation rate of low-paid state bank examiners and, similarly, makes initial entry into the supervisory force less desirable. Thus, bank supervisors are whipsawed on both sides.

In a recent survey of state banking departments, more than half (28) reported that they needed additional examiners—"to effectively perform the basic task of examining banking institutions, not to mention the many other largely unrelated supervisory functions." In fact, only 15 state banking departments, or less than one in three, indicated they had a sufficient number of examiners to perform their statutory functions.

A number of bankers and supervisors with whom I have discussed the situation pointed out that over half the banks in our nation are automated, but the proportion of bank examiners who are objectively judged as highly skilled in computer program examination is very low.

This is partly a function of salary scheduling in a new field, compounded by the fact that a definitive "book" on examinations of automated banks still has to be written. It's simply because, with each new generation of computers, additional expensive and time-consuming training in examinations are necessary.

Bill Culley is known to be enthusiastic about the long-range possibilities of using these same computers to perform financial statement and other call-report-ratio analysis, regression analysis, analysis of co-variance and other statistical tools of the operations research field to convert bank "examinations" into "inspections."

This area in which the FDIC has sponsored research truly is one of the great potentials of bank supervision, but we are still very much in the embryonic state. Further, most of the individual state banking departments or their Conference of State Bank Supervisors lack the sizable financial resources to fund that type of expensive research. Such computer statisticians command substantially greater salaries than most state chief examiners, and the cost of using computers can be quite staggering. Most of the graduate schools of banking have learned from introducing bank simulation "games" with computers into their curriculums.

Conclusion: With local municipalities and state governments facing increased resistance to further tax increases from their constituents, it is difficult to increase the funds allocated to banking departments without making comparable increases in other departments of the states. Yet there is a ray of hope—banks have on the whole experienced fine earnings in recent years. State banks typically pay for their examinations. It is penny wise and pound foolish to pay for "apathetic and inef-

(Continued on page 54)

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CORPORATE NEWS ROUNDUP

News of Firms Serving Banks


NEWHARD

• **Newhard, Cook & Co.** Harry W. Newhard has been named managing partner of Newhard, Cook & Co., St. Louis brokerage firm. He succeeds his father, Chapin S. Newhard, who continues as senior partner.

Harry Newhard is a graduate of Brown University and served as a Navy aviator.

• **Cherokee National Life.** This company, formerly known as Cherokee Credit Life Insurance Co., has now extended its interests into the ordinary, annuity and pension markets. The company, headquartered in Macon, Ga., continues to offer credit life to banks, but the new name, the company announces, is more descriptive of its broadened services.

• **Mobile Americana Corp.** This St. Paul-based firm has promoted three members of its indemnity division, including Gary P. Mills, J. William Miller and Arvid Rued. Messrs. Mills and Miller were named regional vice presidents and Mr. Rued was named marketing vice president. Mr. Miller directs the firm's southern region, including Illinois, Missouri, Kansas, Oklahoma and Arkansas. Mr. Rued has over-all responsibility for marketing the firm's indemnity program to commercial banks and other financial institutions. The firm operates a state bank in Minneapolis and four mobile home parks.

• **Kohlmeyer & Co.** Merrill D. Freeman has been named manager of the municipal bond department for the New York area of Kohlmeyer & Co., New Orleans. Mr. Freeman was formerly a general partner at Salomon Brothers, which he joined in 1928. He also was associated with John Nuveen & Co.


FREEMAN

• **Eastman Kodak Co.** The decision to produce products and services for bank surveillance purposes recently was made by Eastman Kodak Co., Rochester, N. Y. Kodak will now be offering products, including Kodak 250 and Kodak 400 surveillance films, designed to meet the needs of this particular market.

Kodak dealers will survey banks for photographic needs, install camera systems and will sell, process, inspect and store film. Dealers also will make selected prints on a request basis and provide general photographic service.

The Kodak 250 film is capable of rapid processing to a negative. It also can be reversal-processed to produce a high-quality image suitable for projection. The Kodak 400 film is especially designed for processing in high-speed film processing machines, an important factor when a quick view of a holdup suspect is needed.

• **Mosler.** Timelocks that provide an "extra degree of security" to practically any security container are now being offered by Mosler Co., Hamilton, O.

The Mosler 1010 Universal Timelock provides protection against unauthorized entry and after-hours kidnapping. Once the Universal Timelock has been set (any period up to 120 hours), the container cannot be opened until the time period has elapsed.

The Mosler 1090 Do-All Timelock offers the same features and also provides protection against early-morning ambush and hold-up attack. It has a 20- or 30-minute delay period, beginning when the correct combination has been dialed, before the lock will open. A hold-up man or kidnapper cannot afford to wait that long.

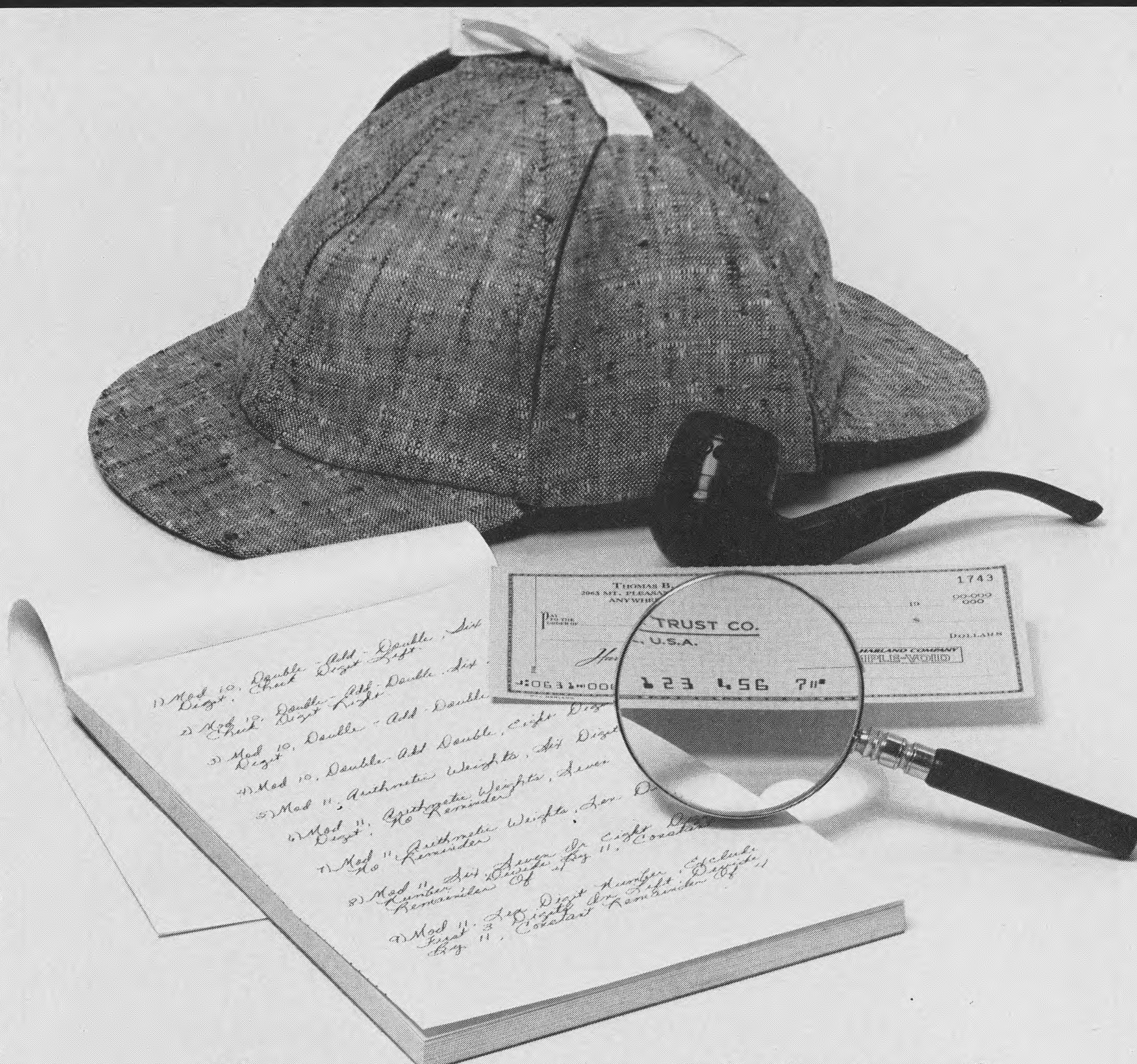
• **Financial Counselors, Inc.** Reuben Lambert Jr. has joined Financial Counselors, Inc., Austin, as a bank representative. He will be responsible primarily for the Dallas-Fort Worth area and also will call on banks throughout Texas, Oklahoma and Missouri. Previously, Mr. Lambert was president, Cove State, Copperas Cove, Tex.


LAMBERT

Bobby J. Glass also has joined Financial Counselors, Inc., as an area representative in southeast Texas. Mr. Glass formerly was a district manager for Universal CIT Credit Corp. He had been with that firm since 1956.

• **Bank Building Corp.** Major changes in the architectural and engineering operations of Bank Building Corp., St. Louis, recently were made and several men were promoted to newly created positions.

Those promoted were: K. James Ferguson, interior design director; Charles F. Jost, executive architect; E. Mahlon Pluth, architectural design director; Henry M. Grich Jr., manager of construction document services; and Harold J. Schrei, manager of engineering services.



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PEOPLE

• HAROLD F. KARANDJEFF, president, American National, Granite City, Ill., will become administrative director of the Bank Administration Institute when WINSLOW E. PIKE retires in June. In this post, Mr. Karandjeff will be No. 2 man on BAI's staff, reporting to F. BYERS MILLER, executive director.


DAVIS


KARANDJEFF

• JOE H. DAVIS, executive vice president, First National, Memphis, has been endorsed for ABA treasurer in 1971-73 by the Nevada Bankers Association. Mr. Davis' candidacy for the ABA post was announced last year.

• CARL F. WENTE, 81, former president, Bank of America, died February 1. At the time of his death, he was honorary chairman of the bank and served on various bank committees.

• K. A. RANDALL, former FDIC chairman, last month was elected chairman and president of the Foundation for Full Service Banks. He succeeded R. D. KNIGHT JR., president, United Banks of Colorado, Inc., Denver. Mr. Randall is vice chairman, United Virginia Bankshares, Inc., Richmond. B. FINLEY VINSON, chairman, First National, Little Rock, was elected to a three-year term as an Eighth Federal Reserve District trustee. Elected to three-year terms as trustees-at-large were DONALD E. LASATER, chairman, Mercantile Trust, St. Louis; and FRANK A. PLUMMER, chairman and president, First National, Montgomery, Ala.

Bank of Commonwealth Auction Held

As the result of extraordinary court proceedings, the way was opened last month for New York City's Chase Manhattan Bank to formally take control of Detroit's Bank of the Commonwealth. On February 19 at a public auction, Chase bought approximately 39% of the outstanding common shares and about 21% of the outstanding preferred shares of the bank in Detroit for $5.4 million.

Earlier, Chase had announced that it would "reduce to ownership" the collateral shares it held in Bank of the Commonwealth by holding an auction. The shares secured two now-defaulted loans totaling $20 million to partnerships of Donald H. Parsons and his associates. As collateral for the loans, the Donald H. Parsons Group pledged shares of the bank in Detroit amounting to about 39% of the total outstanding. The two partnerships tried to block the auction by filing for bankruptcy under Chapter 11 of the Bankruptcy Act and obtained a temporary restraining order under that filing. A federal court order was issued to prevent the auction, but that order was lifted, and the auction was held.

After the auction, a Chase official said that the amount of his bank's bid will not settle the $20-million loan. No decision has been made to obtain a deficiency judgment against the partnerships as of press time for the approximately $15.6 million still owed.

Omnibus Banking Bill on Horizon

Representative Wright Patman (D.,Tex.), chairman, House Banking and Currency Committee, is working on an omnibus banking bill, and his committee is expected to hold public hearings on it this spring.

The Patman package would:

• Prohibit interlocking management ties among competing financial institutions.

• Limit to 10% the holdings of a bank trust department in any one company.

• Ban commercial banks from agreements whereby they receive an equity interest in an enterprise in return for providing financing.

• Halt the practice of using brokers to obtain deposits.

• Stop financial institutions from offering premiums to get deposits.

Wage-Price Controls Coming?

A call for a total freeze on all incomes—corporate, public and individual—was called for early last month by ABA Vice President Allen P. Stults. Later in the month, Federal Reserve Board Chairman Arthur F. Burns said the nation may have to consider wage-price controls to stabilize the economy. However, Mr. Burns added, the idea frightens him, and he told the Joint Economic Committee that he still favors other means than wage-price controls to fight inflation.

Mr. Stults, chairman, American National, Chicago, also suggested deep slashes in non-productive federal spending to hold rising prices in check while balancing the national budget both domestically and internationally.

Speaking at his bank's annual stockholders' meeting, Mr. Stults reported that he views the present national economic situation as "worse than a year ago."

Discipline and Stimulation In the 1971 Credit Markets

By HENRY KAUFMAN, Economist, Salomon Brothers, New York City

CREDIT MARKETS will provide a rare blend of discipline and stimulation in 1971 and thereby make an important contribution to renewed but orderly economic expansion. This blend is the result of the lingering consequences of the 1970 credit crisis and of the substantial unwinding of a good many of the tensions in last year's credit markets.

This year will not create the spellbinding and traumatic financial events of 1970. We will, nevertheless, monitor the financial trend this year with much more than the fleeting glances that are usually cast at money and capital markets in the early stages of an economic expansion.

The 1970 backdrop. We begin 1971 with a credit market backdrop which in many ways is quite different from previous postwar periods when we moved from economic contraction to expansion. For the first time in the postwar period, business activity is about to recover following the most acute stringencies, distortions and upheavals in our credit markets since the 1930s. Let me list eight developments illustrating the unusual aspects in the credit markets last year.

1. We experienced the first postwar solvency crisis in 1970. It was highlighted by the Penn Central bankruptcy, which probably did more to break the back of economic euphoria than any other economic or financial event.

2. There were difficult moments in the commercial paper market as illiquidity among some issuers threatened a massive contraction in this market.

3. Thereafter came an extraordinary preference for liquidity and quality by investors, which resulted in an unwillingness to commit funds long and resulted in the widest yield spreads between high- and medium-rated issues since the early 1940s. This shift to quality investments, combined with a reduced inflow of funds to key financial institutions, particularly in the first half of 1970, sharply curtailed the access of lower-rated borrowers to funds.

4. The preference for quality investments also contributed to the virtual elimination of the private placement market. As a result, a record new volume of marketable corporate debt instruments reached the market, largely from high-grade issuers, and an unusually small volume of nonmarketable debt was financed.

5. In response to the acute illiquidity, business raised a record volume of long-term funds and an unusually small volume of new short-term funds.

6. In the first half of 1970, in spite of the recession and lower short-term interest rates, long-term interest rates rose to the highest yields in a century. In the second half, long-term bonds turned in the best rally in the postwar period with the price advance largely limited to issues of high quality.

7. Individual investors did the unusual by pouring a large volume of savings into deposit institutions and —at the same time—by again committing a large volume in fixed income securities directly.

8. The spectacular rally in bonds defied the popular notion that large credit demand is synonymous with higher interest rates. During the second half of 1970, U. S. Treasury needs were large, corporate bond offerings were at record pace and bonds turned in a record rally.

Credit flows. It would seem reasonable to suggest that, with perhaps a little delay, the financial scene may soon revert to a typical credit market in the first year of an economic expansion. If so, the volume of mortgage financing will expand sharply. Corporate bond offerings will moderate. The private placement market will be partly rehabilitated. The good inflow of funds to deposit institutions will con-

According to Mr. Kaufman . . .

- Commercial banks will experience substantial money availability
- They will enlarge their role in credit markets
- A low in interest rates will be reached around mid-1971
- Lending policies of banks will be liberalized to ease liquidity problems of marginal business
- The challenge of substantial loan repayments from business cannot be solved by banks
- Banks will enhance their market standing in mortgage financing

tinue for a good part of the year. *Commercial banks will experience a large increase in earnings assets.* Individuals will taper off their direct purchases of fixed-income securities. These are the events which usually tend to suggest a return to traditional or normal credit-market conditions. This, however, is not entirely so in 1971. There are important differences from the past.

This time the decline in external financing by business will be much less than cyclical. While bond financing in 1971 will be less than in 1970, the net new issuance of stock should surpass last year's record volume, an unusual event so early in an economic expansion. Thus, the total long-term market financing by business will be high for the second consecutive year. *An ameliorating development for the liquidity problems of marginal business will be some liberalization of lending policies by banks and the funding of business loans through term-loan extensions.*

Catch-up Financing

In the municipal market, a good part of this year's volume will be catch-up financing. For example, state and local governments have not moved as vigorously to fund a good part of their short-term debt as have business corporations, and it is debatable whether municipalities will do so in 1971, except when compelled by legal requirements. Some may well be trapped by the inducement to stay short because short-term financing costs are well below long-term rates. While such financing decisions do hold down municipal costs temporarily, they curtail future financing flexibility and ultimately raise the cost of debt service.

The market will continue to provide the municipalities the opportunity to fund. *Commercial banks, the largest investors in municipalities, will experience substantial money availability.*

Another unusual feature of this year's credit markets is likely to be continued relatively large direct-market purchases of fixed-income securities by individual investors and, concurrently, *a continued good inflow of funds to savings institutions.* Continued direct purchases by individuals, while at a smaller scale than in 1970, will probably be due to the somewhat higher yields which will still be available on long-market instruments over the return on savings accounts. In part, it will also reflect the high degree to which individuals have been sensitized to gauging investment alternatives.

The challenges and opportunities confronting commercial banks, the chief lending institutions in the United States, will be of a different sort. *The immediate challenge of substantial loan repayments from high-grade business corporations cannot really be solved by the commercial banks.* Corporations will continue to push hard to restructure their liabilities. The cost of bank financing is not a major factor in the corporate financing decision at present. It is the quest for corporate financial flexibility that is the overriding consideration. As economic activity expands, the ability of corporations to improve liquidity will diminish, working capital requirements will increase and the demand for bank loans will pick up again. We are already seeing a somewhat improved business loan trend thus far this year.

A far more fundamental challenge confronting commercial banks in 1971 concerns new market initiatives, if any, which banks intend to undertake as a result of their new freedom from the Regulation Q ceiling on shorter time deposits. There are strong expectations that monetary authorities will not use the "Q" ceiling as a disciplining measure the next time restraint is required. Consequently, this is why I have felt for some time that *commercial banks are now in a position to attract a larger portion of the funds which are channeled through our financial system and thereby to enlarge their role in our credit markets.*

Funds Employment

How the banks will employ these additional funds will have far-reaching implications. Banks already play an important role in the financing of business, consumer credit and of state and local governments. *It would seem that the next thrust by banks will be to enhance their market standing in mortgage financing.* This would not only strengthen the market position of the banks, but it would also enhance their political base. The combination of large bank participation in the financing of municipalities and of housing will go a long way toward lessening political hostility toward commercial banking. It will also accelerate efforts by other financial institutions to diversify and will lead to the ultimate absorption of many such institutions into the commercial banking system because of their inability to achieve the asset and liability flexibility enjoyed by commercial banks.

If commercial banks do not enlarge their role in the mortgage market voluntarily, the consequences are likely to be selective credit measures during the next period of restraint. This is because some may claim that along with an enlarged role in our financial system goes the responsibility to finance national and social priorities.

By the next period of restraint, commercial banks will have sufficiently increased their share of money inflows and the share of others will have sufficiently decreased to force the Federal Reserve to act in a non-traditional way. Thus, the way in which banks respond to the absence of the Regulation Q impediment this year will give us ample warning concerning the monetary policy approaches during future periods of restraint.

Monetary policy. In the meantime, less startling decisions will have to be made by the Fed this year which, nevertheless, will have an important impact on our credit markets. Lately, the market has been much comforted by the recent policy mix. Fed policy objectives seem to be aimed at achieving a disciplined expansion in the monetary aggregates and maintaining a receptive money market, with the latter the overriding consideration. Professional market participants are well aware of this policy priority and they will certainly respond unfavorably if the money market objective loses its priority.

Such a change may happen by actual Fed decision or inadvertently. For example, a sluggish monetary expansion may well induce the Fed to push harder to achieve a money supply expansion target of 6% or more. This effort may achieve the desired target for the quarter but may also contribute to a much larger than expected money supply expansion subsequently. This is because the Fed's intensified effort to expand the money supply may well occur just when the fundamental drive for economic expansion is strengthening, resulting soon thereafter in a new and larger demand for money above official projections. This sequence of events leading to a too rapid expansion in the money supply as economic activity picks up would lead market participants to turn cautious in anticipation of a move by the Fed to return to a disciplined expansion in the aggregates. If so, the Fed may try to mute the market's unfavorable anticipations by continued purchases of longer-dated governments. These purchases may well have to be exceptionally large if cautious markets are to remain receptive.

(Continued on page 28)

A special report by
WILLIAM A. HAWK
Assistant Vice President
Government Bond Division
Harris Trust
Chicago

The Government Bond Situation Calls for a Cautious Stance

THE CLEAREST VIEW of the current structure of money-market rates can be obtained from perspective of the business cycle from which the United States has recently emerged.

The Johnson Administration operated under the erroneous conviction in 1966 that the American taxpayer could afford to pay for the Vietnam war while supporting a vast social spending program, without serious economic consequences. Something was lost in the translation of this conviction to reality. As the facts became clear, the "guns and butter" budgets of fiscal 1967 and 1968 were floated on a massive sea of deficit spending. In time, repercussions in the economy proved to be highly disruptive and adversely affected everyone in the United States, not to mention the contribution of the deficits to the U. S.'s weakened currency position abroad, with all the potential problems that implies.

In short, massive deficit spending and monetary expansion during this period caused the economy to rapidly overheat. This precipitated the credit crunch of 1969, as demand for credit skyrocketed. Subsequent to this, financial intermediaries lost deposits rapidly as a wave of buying and optimism continued to push utilization of the capacity of the nation and its credit resources to their limits. Inflation mounted and became an overriding concern by the time Richard Nixon moved into the White House. The job to be accomplished was clear. He would have to slow the real rate of growth of the economy through the only means available short of wage and price controls, which would be restricting credit. In so far as possible, he would also slow the rate of growth in federal spending, while trying to unwind the Vietnam war.

In response to the needs of the economy, the Fed slowly brought the growth in money supply to a halt and then moved to reduce the supply in absolute terms. This action, coupled with an economy that was steaming ahead full speed, impacted on money rates in a highly predictable way. Interest rates went through the ceiling. Six-month Treasury bills peaked at a yield of 8.101% on the auction of December 29, 1969. Banks and savings associations lost deposits at an alarming rate, as individuals and businesses withdrew money and pumped it directly into fixed-income securities that carried record-high yields. Money-center banks were forced to borrow from the Eurodollar market to supplement this drain on deposits. One-bank holding companies sold unsecured short-term discount notes for the same purpose. Bank borrowings at the Fed rose rapidly and excess reserves fell.

In short, the money tap dried up. As a result, the construction industry was brought to a virtual halt, along with the mortgage industry. Penn Central collapsed in bankruptcy as credit sources closed down. Chrysler Corp. successfully fought a run on its credit arm. Consumers, motivated by inflationary psychology, continued buying everything in sight for a period of time and inflationary psychology proved stubborn to break.

During this period of monetary restraint, the Treasury was forced to do the major part of its financing in the short-term market, particularly in Treasury bills. In the past fiscal year the bill market was expanded $9.3 billion (excluding tax anticipation bills). Greater deterioration in the bill market through the 8% level was prevented by aggressive market buying by the Fed ($3.3 billion) and foreign accounts ($6.9 billion). The problem was compounded further during this period as dealers demonstrated speculative excesses and contributed to volatile movements in short-term rates.

In review, the history of this business cycle and its related interest-rate cycle started with the Johnson Administration's massive deficits at full employment, which resulted in an overheated economy. This in turn spun off the highest interest rates of record. The downside phase of this business cycle was represented by severely restricting credit and a slowing of the economy, which brought about a roaring bull market rally.

So here we are with short-term money rates back where they started, prior to the wildest roller coaster ride in the history of bond prices. In the process, money managers have come to understand their economic function, which has proven to be uncomfortably involved with the simple matter of self-preservation. Those who were nimble fared well.

In order to judge the near-term

course of bill rates, it is necessary to make some generalized observations, as well as consider a few specific facts.

We can be reasonably certain at this time that the economy troughed in December, if not actually November, completing the business cycle described above. We are now in the first phase of a new cycle, where recovery is becoming clearly evident as increases in various GNP components are reported. An increase in demand for credit, therefore, lies on the horizon, with great probability of higher yields on Treasury bills as a result.

Historically, short-term interest rates have bottomed out shortly after the trough in the business cycle. Since rates typically over-react in rising and falling markets, the possibility exists that short-term rates may have fallen below the point at which they may eventually stabilize for a period of time.

In the recession of 1961, short-term rates bottomed out, coincidentally, with the business cycle, then stabilized only ¼ to ⅜ point above these highs for the next 30 months. It is important to note that it took four years for the economy to work out of that recession, starting from a base of 75% capacity. Today, the economy is starting its recovery phase in the business cycle from about the same relative base, but it has every prospect of recovering more rapidly than in the case of the former recession. There is reason to believe that the recovery may come more rapidly and in greater magnitude than realized.

The political objectives of the Administration, as well as the social needs of the nation, will probably mean continued economic stimulus by President Nixon. A change in psychology is evident in the recent bill rally in stocks and sharp increase in retail spending after mid-December. Momentum will be added by increased auto production and strike-hedge steel purchases. So the upside risk may be limited in terms of further increase in debt securities prices. It may also be limited in terms of time. In the final quarter of 1971 the economy could be in a strong recovery period. Markets may well anticipate this by at least one or two quarters.

The present 3.60%-3.75% level in the bill market now challenges the equilibrium of the international money market as indicated by the following rate comparisons:

	3 Mo. Bill	Prime Rate	Discount Rate
United States	3.60	5¾	4¾
Great Britain	3.73	8	7
Canada	3.56	6¾	5¾
Germany	—	9	6

It is obvious that the Fed does not want to promote a flow of rate-sensitive money from the U. S. to foreign investments by allowing our short-term rates to decline further. In fact, anticipated Fed policy implies a firming of short-term rates, while promoting a decline in yield in longer-term maturities, producing a better environment for capital markets.

Mr. Nixon has made it quite clear that he does, indeed, plan to move the economy forward. Paul McCracken, chairman of the Council of Economic Advisers, has put himself on record in advocating at least a 7% rate of growth in the money supply. This rate of growth could accelerate the recovery of the economy. Latest reports on economic indicators point to an increase in the real rate of growth in the GNP. If this increase materializes, signs of increasing demand for credit will shortly appear and bill yields will start to rise.

Congress has been asked to approve a debt ceiling extension of $40 billion. In anticipation of this, Paul Volcker, undersecretary for monetary affairs, has announced that the Treasury will need between $6 to $12 billion of new money from early March to early April. The first installment of the Treasury's financing was raised through a bill of strip offering on February 18. The bill market will be under pressure from the impact of this total package of required financing.

The recent decline in the prime rate to 5¾% and in the discount rate to 4¾% was fully discounted in advance and the market reacted only slightly to the change. The market is not sensitive to these particular signals at this time. Technical and economic factors carry more weight in this market.

In review, all of the signs point to a new phase of the business cycle, with an increasing rate of real growth, renewed demand for credit and a slowing of funds into the money market. This is not to say that short-term yields will "fall out of bed" tomorrow morning, but they have probably bottomed out, and the downside risk in price is considerably greater than the upside risk. On the other hand, bond prices would appear to have a little room to move up.

Good timing has always been of inestimable value in making profitable moves in the market. A correct, professional outlook on the structure of a market is of no help when a purchase or sale is improperly timed. If nothing else, then, the message carried here is one of caution from this point forward. The fat has been taken from the market. • •

Kansas Bank Offers Capital Notes to Finance Medical Students' Education

A BANK in Kansas City, Kan., is trying to make more funds available for medical students at the University of Kansas through the sale of two subordinated capital note issues.

The bank serves the university's Medical Center, where there are about 500 students and about the same number of interns, nurses and residents. According to T. M. Higgins Jr., president, Twin City State, there are now 325 student loans—totaling approximately $425,000—on the books of the bank, which has assets of $20 million. These loans represent about a fifth of the bank's total loan portfolio, exclusive of real estate and installment loans.

Twin City State is offering $250,000 of seven-year, 6% capital notes for sale and an equal amount of 6¼% notes due in 1981. Mr. Higgins said maturities of the two issues "coincide with the expected repayment period of the student loans."

Sale of the capital notes, currently awaiting clearance from federal and state regulatory agencies, will allow the bank to more than double the amount of student loans now outstanding, said Mr. Higgins. He added that he expects a portion of the notes to be purchased by senior doctors and others affiliated with the Medical Center, so that individual funds can be channeled to the guaranteed student loans.

Student loans—although guaranteed by the federal government under the 1965 Education Act—"are very non-liquid assets, since the students don't begin payment until nine months after graduation, and even this payment is deferred if they enter the service or continue their education," said Mr. Higgins. He believes the federal government should arrange a secondary market for these loans. He pointed out that the continual granting of these loans over a period of years will result in too large a percentage of a bank's loan portfolio being non-liquid, and there must be some way to convert the loans to cash should the bank have a substantial need for cash. • •

WILLIAM R. GRISSOM

Vice President
Bond Trading Department
Union Planters National
Memphis

SAYS:

Municipals Still Good Investment Despite Low-Yield Levels

IS YOUR bank's interest in municipal bonds shrinking because yields on such issues today are nowhere near the high levels of 1969 and the first three quarters of 1970?

If so, it is not alone. But is a decision to resist the current yields of municipals the proper one to make?

The "bond buyer's" index during the last week of May, 1970, was 7.12%. From that point on, with some fluctuations, a low point of 5.33% was reached during the second week of December, 1970. The yield is down even more as this is written.

While it would appear that present yields on municipal bonds are extremely low, the fact is that the current interest level is still considerably higher than was experienced as recently as 1968 and the first part of 1969. It would not be unreasonable to assume that the yield on municipals will go down even further during the first half of this year.

Because rates were so abnormally high in the latter part of 1969 and the first three quarters of 1970, many portfolio managers are reluctant to purchase bonds at current market levels, thinking that interest rates will probably turn higher later his year. The feeling is quite prevalent that interest rates will remain at current levels or decline even further for the first half of this year and then will trend upward again.

It is my personal opinion that this probably won't happen. My reasoning is threefold: I don't believe that the Nixon Administration is satisfied with the rate of growth of the economy; I don't believe that business activity will increase as fast as some of the Administration's economists are predicting; I don't believe there will be a substantial reduction in the national unemployment rate.

For these reasons, I believe it would be advantageous for the bank portfolio manager to invest funds at this time in municipal bonds rather than keep large amounts of money in the federal funds market and other extremely short-term money market instuments.

There is no doubt in my mind that a large number of municipal issues will continue to come to the market place. A major reason for the large supply of municipals that has been coming to market in recent months, and the supply that will be coming in the months ahead, is, of course, the decline in interest rates. Heretofore, many states and local governments could not issue bonds during the period of high interest rates, due to legal rate limitations.

It is my opinion that every portfolio manager should be aware of the trend municipals have followed during the past 10 years and how to benefit from this trend. Ever since 1960, the total number of municipal issues has been gradually declining, while the total dollar volume of these bonds has been rapidly expanding.

To the alert portfolio manager, this means he now can buy from larger issues, a factor in his favor, for it usually improves the marketability of the bonds.

Another favorable factor is that a substantial amount of high-quality issues has been coming to market. This is the first time in years the portfolio manager has had a selection of a large number of high-quality "Aaa" and "Aa" state bonds from which to choose for his bank's investment account.

Many banks have an extremely high degree of liquidity and in numerous cases are underinvested. These banks, usually the smaller ones, are selling large amounts of federal funds on a day-to-day basis at relatively low interest rates.

Now it is certainly true that some banks have invested more heavily in municipal bonds than have others. But the majority of these banks have restricted purchases to bonds with short maturities; that is, one, two or three years. This large demand for extremely short-term bonds results in a yield curve in which the rate of return in the short-term area is extremely low. For example, recent issues of one-year Urban Renewal Project notes have sold as low as 2.20%.

This movement into short-term maturities by these banks may be based on the large amount of deposits they recently have acquired and which are considered "hot money" that will not be on deposit for a long period of time. To some extent this may be true.

But let's look deeper into the subject. Because of the expansionary policies of the Fed, these deposits are more than likely to remain at relatively high levels, or go even higher.

This changes the investment approach, especially for smaller banks. It is my opinion that such banks should consider going into longer-term municipals with at least a portion of their available money in 10- to 15-year maturities.

Our philosophy at Union Planters has been to stay relatively short in our government bond portfolio and to increase the average maturity of our municipals. Our purpose, of course, is to capture the higher yields available on the longer-term municipal bonds. I might add that a number of banks are planning their portfolios with 35% invested in governments and government agencies and about 65% in municipals.

At Union Planters we believe that a bank doesn't really sacrifice liquidity to any great extent by buying municipals instead of governments as long as purchases are restricted to high-quality issues. The municipal bond industry has grown tremendously and there is usually a ready market for high-quality municipals. The trading market for municipal bonds is one of the broadest over-the-counter markets and this provides the bank portfolio manager the opportunity to sell his bonds with little trouble, if the need arises.

Proper management of a bank's bond portfolio is highly important and I would like to submit five guidelines that should be followed in the purchase of municipals:

1. In order to achieve marketability, make most purchases from fairly large issues. Purchases from issues of not less than $5 million would be desirable.

2. Buy only rated bonds or non-rated bonds in your particular area. Union Planters limits most of its purchases to Moody's "Aa" or "Aaa" issues.

3. Buy in as large blocks as possible, consistent with the size of your bank. Limit purchases to blocks of $50,000, or more, of any one single maturity in any one issue.

4. Avoid purchase of odd lots or small blocks. Such purchases not only add tremendously to the bookkeeping chore but decrease the marketability of the portfolio.

5. Buy those issues that are eligible to be pledged as security for public funds.

Under the new tax laws there is no advantage to a bank to buy low-coupon, deep-discount issues, since the appreciation is no longer a capital gain but is considered ordinary income. As a matter of fact, many banks have weeded out low-coupon issues from their portfolios and replaced them with high coupons in order to receive the maximum tax-free advantage.

Last year Union Planters automated its investment account. The system worked so superbly for us that we developed what we call "Union Planters' investment portfolio and accounting service." We offer this service to banks throughout the Mid-South.

Current market valuation for every security in a bank's portfolio is produced by our computer, together with a total inventory listing. Tedious and expensive manual accounting is cut down to entering transactions and making a few general ledger entries each month.

Our system performs the accounting functions for government bonds, municipals, government agencies, corporate bonds, broker loans, federal funds sold, commercial paper and banker acceptances. It also records both taxable and tax-exempt investments, accrues interest, amortizes premiums, accretes discount and determines market valuation through a pricing grid.

Other large banks throughout the Mississippi Valley and the Southwest offer a similar type service.

These days a portfolio manager has to move fast. He has to have precise, up-to-the-moment information about his securities. With a computerized investment system, the smaller bank's portfolio manager can make vital decisions with full information at his fingertips. • •

'Tonebank' Response System Begins On-Line Operation At Fourth Nat'l, Wichita

WICHITA—"Tonebank" has come to Fourth National here, adding a totally new voice to the language of the bank's computer information system.

Tonebank is an audio response service designed primarily to enable time-savings for tellers, depositors and correspondent banks.

The system, linked to bank departments by 200 telephone stations, gives instant response on account balances, date and amount of last deposit and whether any "holds" or discontinuances have been placed on accounts. The system replaces a time-consuming manual look-up procedure and is handling more than 100 inquiries in peak business hours.

To insure confidentiality of bank information, the computer replies only to questions accompanied by authenticating codes known only to authorized bank personnel.

The system was introduced at the Wichita Home Show for Living late in January by Jordan L. Haines, bank president, and Ray E. Brooks, assistant vice president in the data processing division.

Fourth Nat'l teller (l.) demonstrates use of "Tonebank" audio response system. BankAmericard operator (r.) uses TV display unit supplement to system to service credit customer's request for account verification.

Three New York Appointments

NEW YORK—Bank of New York has announced the appointments of Harold J. Beach to vice president, Douglas W. Duval to assistant vice president and Donald P. DeLuca to assistant treasurer.

Mr. Beach joined the bank in January, 1970, as a deputy comptroller; Mr. Duval, formerly assistant treasurer, went there in 1953 and Mr. DeLuca in 1969.

OUTLOOK

for the

Federal Funds Market

By JAY N. WOODWORTH, Assistant Vice President and Economist, Chemical Bank, New York City

OVER THE PAST five years, financial markets in the U. S. have been characterized by rapid change. Much of the change in the structure of our financial markets can be attributed to the rapid evolution of financial institutions.

The federal funds market, for example, is the market through which individual commercial banks adjust their reserve positions by borrowing excess reserves from other banks. It is not surprising, therefore, that the evolution of the banking industry has had a tremendous impact on the development and structure of the federal funds market.

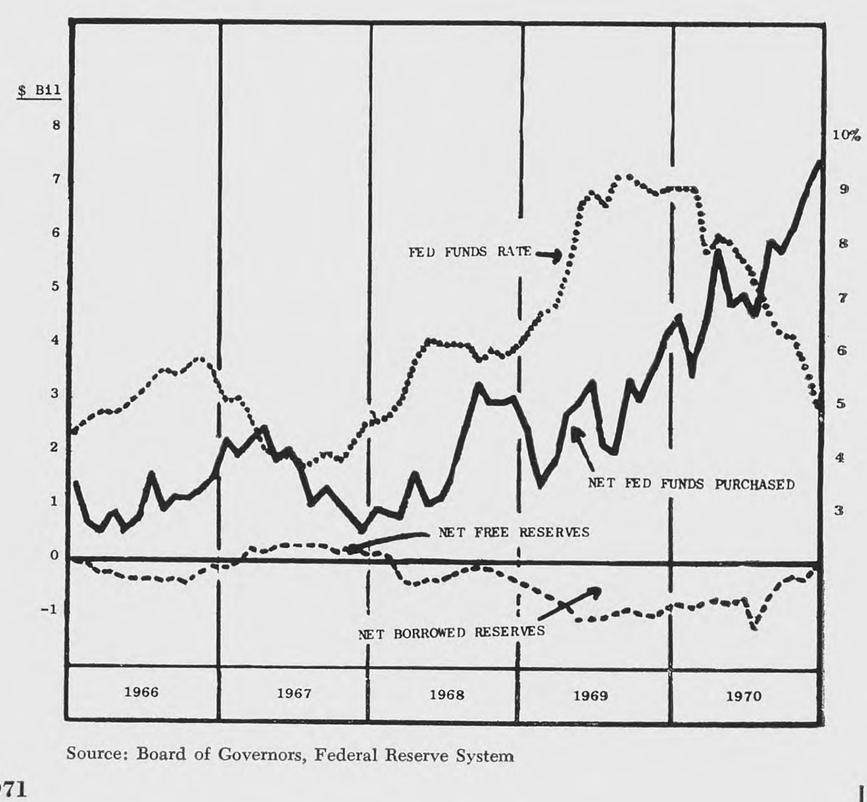
The growth of the federal funds market over the past five years, in terms of both dollar volume and number of banks participating, has been colossal. The growth has been derived essentially from two sources. On the supply side, an increasing number of banks—predominantly small banks outside money-market centers—have found it profitable to loan their idle balances to larger city banks. It is the development of our correspondent bank network which has been primarily responsible for enabling smaller country banks to participate in the federal funds market.

On the demand side, probably the most important factor has been the development of the concept of "liability management" by commercial banks. To an ever-increasing extent, banks have come to look to a wide variety of non-deposit sources of funds, not only for reserve purposes, but also for supporting additional loans and investments. Large city banks, for example, typically have been net purchasers of federal funds throughout the 1960s. What is important, however, is that, beginning in 1968, the growth in the magnitude of net borrowings of the large banks in the federal funds market has been phenomenal. In 1967, net federal funds purchased by the 46 large commercial banks that make up the Federal Reserve Board sample reached a peak monthly average of approximately $2.5 billion. In December, 1970, net federal funds borrowed by the same group of banks was nearly $7.5 billion. It is clear, therefore, that over the last three years, larger banks have come to regard the federal funds market as a permanent source of funds.

The development of non-deposit sources of funds by commercial banks over the last five years was precipitated, to a large extent, by the severe pressures placed on large money-market banks during the 1966 and 1969-1970 tight money periods—especially the latter. As Federal Reserve policy pushed interest rates through the Regulation Q ceilings on time deposits, there occurred tremendous run-offs in negotiable CDs, posing a particular problem for large money-market banks. These banks were, therefore, obliged to develop and tap new sources of funds through such vehicles as Eurodollars and commercial paper.

On a day-to-day basis, the interest rate on 24-hour federal funds is by far the most volatile of money-market rates. This, of course, stems from the day-to-day nature of the operations of bank reserve positions. On average, however, the federal funds rate tends to move together with other money market rates. As might be expected, there is a close relationship between the reserve position of Federal Reserve System member banks and the federal funds rate.

As shown on the attached graph, net free reserves reached a peak in mid-1967, coinciding with the low point for the federal funds rate for



Source: Board of Governors, Federal Reserve System the 1966-70 period. At this point there began the steep cyclical upswing in interest rates, with the federal funds rate moving from less than 4% to more than 9% in mid-1969. Over the same period, reserves moved from a net free position to a net borrowed figure of over $1 billion.

The two rates with which the federal funds rate is most often compared are the discount rate and the market yield on three-month Treasury bills. Before 1966, the discount rate served as an effective ceiling for the federal funds rate. This stemmed from the fact that banks purchased funds to cover reserve deficiencies and would use the Federal Reserve discount window as a substitute if the federal funds rate tended to rise above the discount rate. During the "credit crunch" of 1966, however, banks were forced to bid aggressively for funds in order to satisfy soaring loan demand, and the federal funds rate was pushed through the discount rate for an extended period for the first time. Again, in 1968, the federal funds rate moved above the discount rate, with the spread reaching a peak of over 300 basis points in 1969.

The relationship between the federal funds rate and the Treasury bill rate is particularly important. Banks with reserve deficiencies have the option of selling Treasury bills or purchasing federal funds. Similarly, banks with free reserves may invest in Treasury bills or sell federal funds. An analysis of the Treasury bill holdings by the large weekly reporting commercial banks over the last five years shows that these banks are consistently net buyers of Treasury bills when the yield advantage of bills over federal funds is improving, and net sellers when the spread is deteriorating. Similar results are obtained on examination of the net federal funds purchased by large banks in the Federal Reserve sample. During the last five years, net federal funds purchased reached lows of approximately $500 million in early 1966 and late 1967. These were the only two periods when the rate on Treasury bills exceeded the federal funds rate.

In mid-1969, the rate on federal funds reached a yield advantage over the Treasury bill rate of more than 200 basis points. This tremendous premium elicited billions of dollars from smaller country banks into the federal funds market. The funds were needed by large banks at this time due to the Federal Reserve amendment to Regulation D, which removed the advantage of the float created through overnight Eurodollar borrowing. In addition, the Federal Reserve subsequently closed off the expansion of Eurodollars by imposing reserve requirements against foreign branch borrowings in excess of a given base. From August, 1969, to August, 1970, net federal funds purchased by the 46 large commercial banks doubled. At this point the Federal Reserve made another move to cut off non-deposit sources of borrowing by instituting reserve requirements on bank holding-company commercial paper. From August to December, net federal funds purchased rose by over $1.5 billion to nearly $9.5 billion.

In early 1970, the Federal Reserve moved toward an ease in monetary policy. As is the case with other money market rates, the federal funds rate has fallen by more than 50% from its 1969 high. With the Administration's obvious concern over stimulating the economy, we can expect monetary policy to continue to be highly accommodative, at least through the first half of 1971. The generous addition of reserves to the system, coupled with a softened loan demand, has enabled commercial banks to contract their short-term borrowings, and this paydown of short-term debt should continue. It is likely, therefore, that we will see some decline in the daily volume of net federal funds purchased.

The federal funds rate has, once again, dropped below the discount rate, and, as long as money remains easy, this relationship should hold. However, as the economy heats up, loan demand will strengthen and rates should begin to rise.

In the long run, the federal funds market will serve as an important source of funds for larger banks. We can, therefore, expect to see the federal funds rate again moving above both the discount rate and the Treasury bill rate. As money becomes tighter, this premium will be necessary to coax a larger volume of federal funds out of smaller country banks.

ABA Marketing/Savings Div. To Hold National Conference March 21-24 at Dallas Hilton

The marketing/savings division of the American Bankers Association will hold its national conference March 21-24 at the Statler Hilton in Dallas. "Marketing: How Many Dimensions?" is the theme of the conference.

Early-morning eye-opener sessions will have two speakers and a question-and-answer period. Included in the subjects for discussion are "Savings in the '70s," "Growing Opportunities in Correspondent Banking" and "Bank Marketing: The Challenge of Consumerism."

General sessions later in the morning will feature talks by guest speakers. Their discussions will concern the various dimensions of profitable marketing—economic, sociological, regulatory and competitive.

Afternoon shirtsleeve workshop sessions will concern "The Liberated Woman as Customer," "How to Succeed in the Youth Market" and "Congress Is Looking at Charge Cards."

Several topics of special interest to small banks will be included in the various sessions. Some of these topics are "Advantages of Not Being Big," "Selling the Suburban Bank's Service in the Shadow of the Downtown Bank" and "What Our Competitors Can Teach Us."

Mercantile Nat'l, Dallas, Plans Two New Buildings In $10-Million Expansion

DALLAS—Mercantile National has begun construction on two new buildings in its $10-million expansion program, which began last March and is expected to be completed by next December.

Excavation is underway for the new eight-story Mercantile Jackson Building, which will double present drive-in facilities. The street level of the building will house a drive-in banking area with 11 teller islands. The seven upper levels of the building will provide parking for 800 cars.

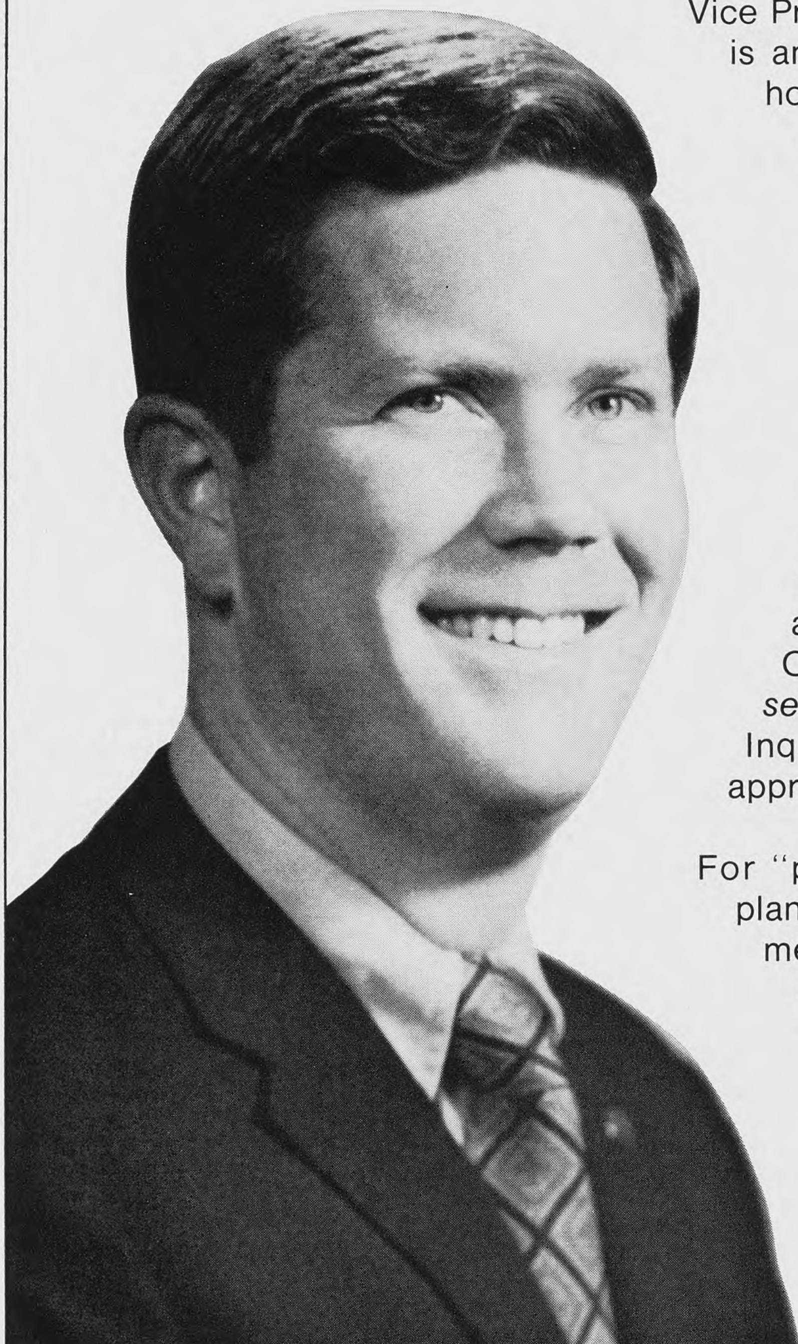
Steel work also is nearing completion on a new five-story office and banking services building. The street level of the new building will accommodate retail shops opening on arcades connecting with the other Mercantile buildings.

A reception lobby will lead to spacious second-floor galleries and the bank's new executive wing. Enlarged quarters also will be provided in the new addition for credit, data processing and Master Charge departments. Engineered for future expansion to 15 stories, the new building will round out a full block of banking for Mercantile.

When completed, the two new Mercantile buildings will add about 140,000 square feet of usable space and 250,000 of parking to the downtown area. The total accommodations in the Mercantile buildings will be more than 1,400,000 square feet of floor space.

Mercantile National's building program also includes expansion plans for an underground mall, which will connect all the bank's buildings.

Robert III Security Officer



Vice President Robert M. Rainey III is an expert on "security." Oklahoma bankers have long recognized Rob as an authority on Municipal Bonds. He heads National Bank of Tulsa's new Municipal Bond Department. Rob's ability and knowledge brings full confidence, efficiency and accuracy to still another NBT service to the community. The department specializes in municipal money, dealing in primary and secondary offerings in Oklahoma bonds as well as *selected* general market names. Inquiries for bids, offerings, and appraisals are invited.

For "personal security," a well-planned municipal bonds investment program should be a part of a balanced portfolio. Contact Rob Rainey and let Pacesetter Experience help you plan the best way to maximize tax-free revenue.

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Institutional Bond Market Expansion Predicted for Coming Decade

By THOMAS J. KENNY
President
B. C. Ziegler & Co.
West Bend, Wis.

PRIVATE, non-profit hospitals are the issuers of most of the securities that comprise the institutional bond market today, and during the past two years these institutions faced the same problems as did proprietary corporations.

KENNY

"Do we borrow now to build, or do we wait until interest rates ease?" was the question faced by the management of many such hospitals as they watched money costs climb to new highs. Most of the hospitals our firm deals with took the attitude that it was better to borrow and build now, even at higher interest rates, because increasing building costs would offset any savings that might accrue from a softening of rates. Other hospitals, faced with demand for new or expanded facilities that could not be delayed, had little alternative but to enter the money market when capital funds were the most expensive.

Institutional bonds, particularly those underwritten by B. C. Ziegler & Co., have had, over the years, perhaps the most outstanding record of safety and prompt payment of any single type of corporate bond issue. In the 58 years in which we have been underwriting such bonds, no bondholder has lost a penny of principal.

Institutional bonds, while often considered as part of the general corporate bond market, are a unique type of security. While general corporate bonds are issued by proprietary corporations organized for various purposes, almost all institutional bonds are issued by non-profit corporations; usually private, charitable hospitals, but occasionally schools, colleges, churches, nursing and retirement homes.

When a hospital must borrow money for a building program (and there are very few private hospitals that are able to avoid incurring debt when expanding), they often use debt securities as the borrowing vehicle—as do industrial corporations, utilities and government agencies. However, hospitals are seldom known outside the communities they serve.

Investors in Van Nuys, Calif., or Buffalo, N. Y., would probably be equally familiar with a large industrial firm that issues corporate bonds; but these same people are unlikely to be familiar with institutional bonds issued by a major hospital in Miami. Thus the reputation of the underwriter becomes very important, and investors often buy institutional bonds, not because they know the issuer, but because they are familiar with the underwriter.

Estimates place the 1970 institutional bond market at between $250 and $300 million, an obvious indication that institutional bonds are but a fraction of the multi-billion corporate bond market.

In 1970, our bond sales amounted to $172 million, including 75 new issues totaling $165 million. Seventy-three of the loans our company underwrote in 1970 were made to hospitals, one to a church and one to a college.

The 1970 volume was sharply up from 1969 when our bond sales totaled $124 million and included $106 million of loans for 68 hospitals.

Demand for capital funds by private hospitals held at a high level throughout 1970. This was expected in view of the tremendous burdens placed upon our health-care system and the accompanying demand for expanded and updated hospitals and nursing homes. Estimates indicate that the health-care industry will expend between two and three billion dollars for new facilities in 1971, comparable to the 1970 pace.

Investor demand for institutional bonds also held at a high level throughout 1970. Disintermediation and withdrawal of funds from the equity market built up the demand. Investors were also attracted to institutional bonds throughout the year because of the availability of record high interest returns.

In late 1969 we marketed our first bonds with a rate as high as 9%. By June of 1970 the top rate had edged up to 9½%. Later in the year rates began to taper off as the money supply was expanded.

Normally there is generally a spread of not less than one-half of 1% between hospital bonds and the highest, rated corporate bonds. However, during 1970 when corporates were reaching new high levels, the spread became narrower.

Undoubtedly, our underwriting total could have been much higher during 1970 if our company had not been as selective in making loans. Our loan pol-

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icy has consistently been conservative. We believe that a well-managed hospital is a credit-worthy hospital and one that we welcome as a borrower.

The majority of institutional loans are secured by first mortgages. The principal and perhaps only value of a first mortgage is that mortgage security meets statutory requirements affecting certain types of investors.

Our company usually will not make a loan that exceeds 50% of the value of the completed project, although on occasion and under unusual circumstances we will go higher. As a minimum requirement, the institution whose underwriting we handle should generate an average net income after depreciation of at least one and one-quarter times the maximum annual interest charge on the loan. The primary criterion in evaluating a hospital loan is the hospital's income record.

We are far more interested in the historic income performance of a hospital than we are in income projections, which often are not a valid indication of a hospital's ability to repay a loan.

By early February of 1971 rates on hospital bonds had slipped to 6½% for short-term maturities and to 8% for longer-term maturities. We anticipate an upward movement in top rates before the end of 1971, but it is possible that before that we will see a further slippage of all rates, especially at the low end.

The demand by hospitals for capital funds is expected to continue at a high level through most of this decade. While hospitals that contemplate expansion programs can expect to obtain part of the funds from government grants, they must almost always be prepared to borrow at least part of the construction cost from an external source.

Our backlog of loan commitments is at an all-time high, as is investor demand for our institutional bonds. We anticipate this will continue throughout 1971.

It is likely that in the next few years some hospitals that borrowed when rates were at a peak will want to consider refinancing if rates drop precipitously. Most of our issues have a call protection of from only three to five years. We do not expect any immediate rash of refinancing, but the ability to refinance could well prove to be a vehicle that will enable hospitals to lower patient costs within the next few years.

At the start of 1970 maturities on our issues were from one to 10 years. Late in the year, however, maturities were extended to 15 years, which better enables a hospital to average out its debt service. In this day and age of rapidly changing medical technology, a hospital should plan to retire its debt in 15 years. If it cannot, it may well end up with an obsolete facility.

Prior to the historic high-interest levels, our issues almost always had a maturity of 15 years. This was based on experience. When the rates went up, the maturities were shortened only to improve marketability of the bonds.

We anticipate that the 15-year serial maturities will hold through 1971, unless, of course, there are further significant changes in the money supply.

Individual investors continued throughout 1970 to be the principal purchasers of institutional bonds. During the late 1960s, and into the first half of 1970, insurance and pension funds, and other institutional investors (theretofore substantial purchasers of hospital bonds) became limited purchasers because they had been able to purchase high-yielding private placement loans, and also because of their emphasis on equities. However, late in 1970, these investors began to increase their institutional bond holdings, undoubtedly because of the availability of funds combined with a reduction in higher-yielding loan demand.

We also observed an increasing interest among banks as large buyers of these bonds. Most banks placed these bonds in their trust fund accounts, pen-

(Continued on page 32)

The Outlook For Commercial Paper

By ROBERT G. WILSON, Partner

Goldman, Sachs & Co.
New York City

WHILE COMMERCIAL paper is one of the oldest instruments of corporate finance used in this country, the changes in the market in recent years—indeed, in the last 12 months—have been extensive. Naturally, these changes reflect, to some extent, the economic and financial climate of the country.

The rapid rise in the use of commercial paper during the recent period of economic expansion created renewed interest in the nature of the instrument itself. Commercial paper is simply the short-term non-secured promissory note of a corporate issuer. Commercial paper offers qualified companies a reasonably priced means of raising large sums of cash to cover periodical, seasonal or other operating needs. For buyers it offers an opportunity to earn interest at a reasonable rate of return for a short period of time.

During the expansion, many companies were growing at so rapid a rate that their need for working capital frequently outran internally generated cash flows. Commercial paper was often used to fill these cash needs. At the same time, the abundance of cash held by many other companies and institutional investors combined with the ready availability of commercial paper to substantially increase total market outstandings. Total outstanding commercial paper went from about $5 billion in 1960 to about $40 billion at its peak in 1969. The growth was, of course, accelerated by sometimes scarce and often more costly bank credit.

In this growth, two other factors emerged. The first was that some companies selling commercial paper increased their leverage, which left them susceptible to a sudden drop in earnings. During the spring of 1970, this was compounded by an unstable bond market.

The second factor was that these accelerated economic conditions lulled many a commercial paper buyer into a false sense of security. Because commercial paper failures since 1929 have been virtually miniscule, it was easy for buyers to forget that buying commercial paper is an investment. As with any other investment, the responsibility for evaluating the quality of an investment remains with the buyer—the investor.

Thus it was that the sudden default of the Penn Central Transportation Co., some of whose paper was held by the most sophisticated investors in the financial community, was so profound a shock.

And yet, such is the utility of commercial paper as a corporate finance instrument that the market recovered quite rapidly.

Realistically, many changes in the commercial paper market since June, 1970, stemmed from the impact of the Penn Central default. But, at the same time it becomes difficult to differentiate between changes in the market caused by the Penn Central default itself and those caused by circumstances in the total economy that contributed to its failure. The economy was, after all, in the throes of a persistent cost-push inflation, a restrictive Federal Reserve policy and a bank liquidity squeeze, all of which contributed to a credit availability problem. It becomes reasonable to speculate, then, that even if there had been no Penn Central default, the commercial paper market would still have altered.

Since June, 1970, we have seen at least two significant events in the money market. The first is the suspension of Regulation Q in the 30- to 89-day range. The second is the reduction in all short-term rates—a process that has continued for some time now. It had been expected that commercial paper, as a result, would have found a significant competitor for investor funds in commercial banks.

And yet, following a brief drop in outstandings in the summer of 1970, there has been a steady recovery and a drive to a new level of outstandings. In other words, those internal factors which would seem to have acted to restrict the market apparently have been overcome by the basic appeal of commercial paper.

The most obvious reason for this is the price of money. For credit-worthy companies with businesses that demand large sums of cash for operating needs, commercial paper is still, under most circumstances, the most reasonable approach. By the same token, for large companies and institutional investors having a temporary cash surplus, commercial paper is still one of the bests ways to invest cash over the short term.

Predominantly, changes in the market in recent months have been as much a reflection of a post-credit crunch caution as of credit needs. This is seen primarily in the criteria now used by the purchasers of commercial paper.

Out of a sense of innate caution, as well as prudence, buyers are learning to look at commercial paper somewhat differently than they had in the past. There is less emphasis on reaching for the added eighth of a point on the investment, and greater emphasis on newly formed and more rigid credit standards. Buyers' new credit standards place greater reliance on bond ratings, independent commercial paper ratings, earnings trends, bank line support to cover commercial paper outstandings and cash flow analysis.

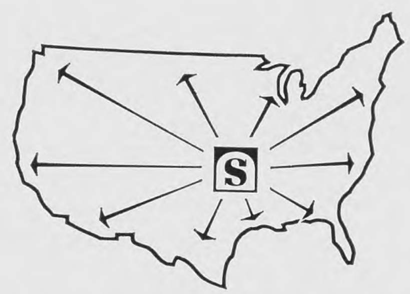
The new standards in the market have resulted in the single most important recent change—tiered pricing. In the past, investors usually did not differentiate between a triple B name and a triple A name of similar maturities. This is no longer the case. As a result, on any one day there is as much as 100 basis points differential between a triple A note for five to 10 days and a 180-day note of a lesser-known name.

Needless to say, no commercial paper dealer will knowingly market the notes of a company that he does not feel is credit worthy. The responsibility for making the investment remains, of course, with the purchaser.

This, in summary, is the nature of the commercial paper market as it exists today, and will probably exist in the foreseeable future. For the credit-worthy company with short-term cash needs, it would appear that commercial paper rates will remain sufficiently competitive to bank rates to warrant continued issuance of commercial paper as a source of short-term financing.

For the investor with a desire to invest surplus cash on a short-term basis, it appears that commercial paper will continue to be a logical instrument.

The significant changes in the commercial paper market are in the area of more diligent investigation by the investor of the quality of the paper issued and the development of a tiered pricing system. Beyond that, there seems every likelihood that the commercial paper market will continue to grow at a pace consistent with the recovery and the expansion of the economy. • •



Commercial Paper May Be the Answer to Excess Liquidity

By DONALD G. REID

President
Ashwell & Co.
Chicago

"CHARLIE, have you been reading the economists' reports?" asked one country banker of his companion last August as they walked down the midway at the county fair.

"Sure have," he replied. "But they can't seem to agree on the direction of interest rates."

"Tell you what," countered the first, "let's blow 50¢ and see what the fortune teller here has to say."

Moments later they were seated before a slightly bedraggled woman in a carnival booth and the banker asked, "Madam, how do you see interest rates in six months?"

She leaned over the smudged crystal ball in front of her and replied, "I see 90-day bills just over 4%, CDs of major New York banks well under 5%, directly issued commercial paper at 4½% and the prime at 6%."

"What?" the banker thundered. "Prime is 8%, direct commercial paper is yielding over prime, loan demand has never been stronger, earnings will set an all-time record. You must be dreaming!"

With a faraway look in her eyes, she said, "Perhaps, but the Fed's attitude can change quite a bit in six months."

Well, here we are, six months later. Prime is at 6%, bills are yielding just over 4%, federal funds are going begging, direct commercial paper yields are at a three-year low, and still the downward pressure continues. Loan demand is lagging at money-center banks and country bankers are experiencing large surpluses of short-term funds. Requests of their city correspondents for loan participations are met with the answer, "We need the loans ourselves."

In a climate like this, what does the country banker do to keep his short-term funds profitably invested and still maintain the flexibility to service his local demand if money begins to tighten again later in the year?

Many are returning to dealer commercial paper as an investment vehicle.

They are doing so for many reasons. Yields, while lower than a few months ago, are still quite competitive with other short-term investments, maturities can be tailored to meet known requirements such as maturing CDs, loss experience has been excellent when compared to the magnitude of the market and denominations can usually be obtained that meet the legal lending limits of the bank.

In most cases, certain well-known industrial companies will issue commercial paper notes as small as $50,000. In addition, these firms are currently paying up to 5½% for 90-day maturities.

With competition requiring caution in the reduction of savings interest rates, commercial paper can serve as a useful tool in covering the rates currently being paid on new accounts.

Since commercial paper is designed to be a temporary investment, it can provide bankers with a profitable and safe haven for short-term funds in this period of slack loan demand and high rates on savings, while still offering maturities that will insure that funds will be available to meet any increase in loan demand.

And who knows what the fortune teller may be telling Charlie and his friend next August? • •

Credit Markets

(Continued from page 14)

The new flexible discount rate posture of the Fed may also be a thorn in the side of the financial market if the Fed really intends to pursue such a policy in 1971. It is easy to say now that such a posture has been adopted because money rates have been declining. It is a more difficult decision to implement when money rates are firming. Regardless of the expansionary trend in the monetary aggregates, the first increase in the discount rate following a series of reductions will be widely publicized and accepted as a shift to restraint.

It is unlikely that the Fed will want to transmit this kind of a message in the initial period of firming of money rates. It is also unlikely that it will want to bring the discount rate in close alignment to sensitive market rates in the more advanced stages of rising rates when other means are available for policing access to the discount window. A two-way flexible discount rate policy will only come about when the entire discount window mechanism has been overhauled.

Investment implications. What do these recent and prospective credit and monetary developments in 1971 suggest for the trend in interest rates? In a word, I feel that most of the rally in bonds and decline in interest rates is behind us, that the low in interest rates will be reached in the first quarter of this year, that the bond market will move into a trading range for a while, and that rates will be moderately higher by year end. This is because the spectacular decline in interest rates since mid-1970 has been fueled by powerful forces that will soon lose much of their momentum.

Most of the bond market rally has occurred while the economy has been contracting. Thus substantial savings could be allocated for liquidity building, restructuring balance sheets, and —together with ample new funds from the Fed—pushing interest rates down. With an improvement in economic activity underway, the bond market must now demonstrate its ability to perform with a larger element of economic growth, which will have to be financed and which will slow down the attempt to improve balance-sheet liquidity.

In addition, the technical position of the credit markets has deteriorated since the rally began in mid-1970. At that time, trading positions in the street and in portfolios of financial institutions were small. They are now substantial. This is not unusual but is typical of market rallies.

Enlarged trading positions do not necessarily mean the end of a bond market rally. They do suggest, however, that the market has to labor harder in order to carve out substantial additional price gains. In addition, they complicate the task of monetary policy. With large trading positions overhanging the market, the Fed may well have to purchase a substantial volume of governments in the coming months if it wants to maintain receptive market conditions.

It is also important to recognize that trading positions are a volatile component of market expectations and psychology. With trading positions large at present, the general consensus view on interest rates is that there will be additional declines in yields and that *the low in interest rates will be reached around mid-year or even in the second half of 1971.*

The consensus cannot be that the low in yields will be reached very soon because otherwise trading positions would be starting to unwind now. However, an early defection from the consensus of some trading accounts will tend to prevent the market from achieving additional meaningful gains and dampen expectations, at least somewhat. Within time, the erosion of favorable bond market expectations may even change the market's attitude toward Fed operations. During the past half-year, substantial Fed purchases were generally viewed as an effort to reinforce the fundamental downward trend. As this year progresses, continued large Fed purchases of governments will at some point in time be interpreted by the market as a sign of market weakness. This is why I feel that continued Fed stimulative measures will soon tend to stabilize the market and not lower interest rates.

In looking at the investment situation in a broad context, the credit backdrop is much improved over the start of 1969 and 1970, but it is certainly not as good as it was in early 1961, the start of the last major economic expansion. At that time, financial institutions had an ample supply of funds; borrowers generally had exceedingly good balance sheets; the level of interest rates was moderate; the wage and price structure was stable. The main difference between the peak of the credit crisis in 1970 and now is the larger availability of funds and not the vast balance sheet improvements among major borrowers. In addition, interest rates have declined substantially and are more of a stimulant today than a year ago, but are far less stimulative than the moderate rates of a decade ago. Moreover, nagging inflation is a deterrent now while price stability in the early 1960s was a stimulant. • •

Riley Retires in February From Bank in Detroit

RILEY

DETROIT—Joel Kell Riley, vice president in the national division of the U. S. banking department at Manufacturers National, retired at the end of February.

Mr. Riley entered banking in 1930 at the United Savings Bank here and went to Manufacturers National in 1952. He holds a doctorate in law from the University of Michigan and served as a special lecturer in real estate finance at that university and also at the School of Banking at the University of Wisconsin.

Reception area of Stern Brothers' new quarters features fabrics and paint in subdued green tones.

Stern Brothers & Co. Moves First Time in 53 Years

FOR THE FIRST TIME in 53 years, the Kansas City-based investment banking firm of Stern Brothers & Co. has changed its address—from 1009 Baltimore to 9 West 10th Street.

In terms of location, the move was just around the corner. However, the logistics made the move big—many persons and all their furniture and office equipment were gathered from three levels at the Baltimore building and taken to the fourth floor of the Rothschild Building on West 10th.

The entire floor of the Rothschild Building was remodeled, giving the firm 15,500 square feet of space—40% more area than it had before. The offices have a street-level foyer used exclusively as an entrance to Stern Brothers. Twenty-one private offices have been refurbished with grass cloths and imported fabrics. There are specialized work areas, including a municipal bond trading room. Desks and other items are of contemporary design, and many wall areas are highlighted by paintings from the collection of President Richard Stern, an avid collector and recognized connoisseur of fine art.

The entire reception and office area is carpeted, which enhances appearance and helps control noise. In the bookkeeping room, the clatter of machines is absorbed by floor-to-ceiling carpeting on two walls.

Stern Brothers, not being essentially a retail firm, has grown quietly and steadily, but the growth has gone largely unnoticed by passersby and neighbors in downtown Kansas City. The firm has left its mark unmistakably, though, on the investment banking community.

The firm was established in 1917 by three brothers, Sigmund, Morris and Henry Stern, who moved to Kansas City from Sioux City, Ia., at the turn of the century to deal in Kansas and Texas farm land. Capitalization has grown from \$300,000 to more than \$15 million without the benefit of any mergers. Now, capitalize-wise, the firm is the largest investment banking com-

Sales area (shown here) and other departments have contemporary-styled desks and other furniture. Paintings from collection of President Richard Stern hang throughout new quarters.

Richard Stern, pres., Stern Brothers & Co., stands in front of portrait of his father, late Sigmund Stern, who founded firm with his brothers, Morris and Henry, in 1917. Portrait hangs in board room of company's new quarters.

Among members of top-echelon staff at Stern Brothers are John Fogarty (l.), v.p., who heads municipal buying department; and Russell E. Siefert, exec. v.p. Stern Brothers' recent move was first since its founding 53 years ago. Firm has three branches.

Bill T. Wall is v.p. of Stern Brothers and sales mgr. and syndicate mgr. Firm moved around corner in Kansas City—from 1009 Baltimore to 9 West 10th Street. Its quarters in Rothschild Building provide 40% more space than it had in old location.

pany between Chicago and the West Coast.

For the first 20 years, Stern Brothers & Co. was essentially a bond house, dealing in government and municipal securities. Eventually, the company became involved in some major Kansas City building projects, including the Title & Trust Building and the old Commonwealth Hotel, now called the Kansas Citian.

In the 30s, Stern Brothers rescued some firms that might otherwise have disappeared as a result of the depression and its aftereffects.

In 1936, Richard Stern joined his father, Sigmund, and uncles, Morris and Henry, in the firm after graduating from Yale in 1934 and receiving a master's from Harvard in 1936.

The scope of the firm's business has widened considerably during the last 25 years to cover the full spectrum of investment banking—underwriting, distribution and sale of municipal, public utility and industrial bonds and bank, insurance and corporation stocks.

Its Omaha Branch was opened in 1924 and its Chicago Office shortly after World War II. Since then, branches have been opened in Denver, Albuquerque and the Dallas-Fort Worth area.

Although some aspects of Stern Brothers' business (municipal bonds and corporate issues) range far beyond its branches, when it comes to managing a securities offering, the company limits itself to the area it knows best—the Midwest and Southwest.

Probably the largest municipal financing issue ever managed alone by the firm was a $43-million offering for refunding practically the entire debt of the city of Albuquerque. With other firms, Stern Brothers has taken part in the managing of even larger deals, including $53 million in bonds for the new Kansas City International Airport. Last October, the firm was co-manager with Halsey, Stuart & Co. in underwriting $13 million in revenue bonds for completion of the Harry S Truman Sports Complex.

Stern Brothers engages on a substantial scale in private placement of loans or other means of financing arranged usually through institutional investors. In addition, on a limited scale, the firm provides through its own funds or the funds of other investors semi-venture capital for new businesses or firms in early stages of development.

Richard Stern is the last of the founding family bearing the Stern name, although his sister, Mrs. Judith S. Randal, is a director. Sigmund Stern died in 1955, Morris Stern in 1958 and Henry Stern in 1961.

With Richard Stern in the top echelon are two executive vice presidents, Julian L. Gumbiner, head of the corporate department, and Russell E. Siefert.

There are four vice presidents: John F. Fogarty, who heads the municipal buying department; Earl W. Price, in charge of trading; John W. Olander Jr., head of institutional sales; and Bill T. Wall, sales manager and syndicate manager. Leonard L. Noah is secretary-treasurer. • •

Institutional Bonds

(Continued from page 24)

sion or profit-sharing funds that they administer and also in their own commercial portfolios.

Institutional bonds, because of their serial maturities, provide banks with the short-term securities that money managers are often seeking. Many banks also profitably use their "reserve for bad debts" accounts for investment in institutional bonds.

While some private hospitals today are tempted to turn to revenue bonds or long-term government loans for their capital financing, our firm expects the institutional bond market to play a significant role in assisting health care institutions to keep abreast of their physical needs.

We are suspect of the income projections used to back up some revenue bond issues and FHA loans, and regrettably, we expect there will be some hospitals turning to this financing vehicle that will encounter difficulty in meeting their debt obligations.

When it comes to long-term loans (and here we mean 25 years or more), we believe hospitals will find themselves committed to an inflexible debt situation that will not permit refinancing or add-on debt to meet future expansion or renovation needs. How will it be possible for a hospital to maintain only a status quo for the next 25 years?

Institutional bond underwriting is a specialized field and one in which expertise is gained only by dealing with the many unique situations encountered in non-profit hospitals and other eleemosynary institutions over many years. We have gained this expertise through 58 years in this specialized business, and we fully expect the institutional bond business to continue to grow through this decade. • •

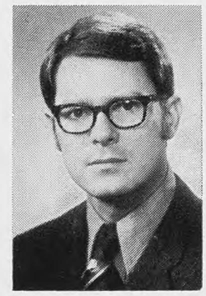
SkyeRise Opening in Minnesota

The formal opening of SkyeRise, multi-level facility for mobile homes, was held recently in Vadnais Heights, Minn., suburb of St. Paul. The project is a joint venture of Mobile Americana Corp., St. Paul, and SkyeRise Terrace, Inc., Marshfield, Wis., originator of the multi-level mobile home concept. Participating in the opening ceremony were: (from l.) F. Paul Hargarten, pres., Mobile Americana; Raymond H. Rivard, Vadnais Heights mayor; and Elmer Frey, pres., SkyeRise Terrace.


MELLIN


BOLDT


FLORY


EANES


CHAMBERS

Basic Marketing Approaches Aired At BMA Regional in New Orleans

BASIC MARKETING approaches was the theme of the 1971 regional conference conducted by the Bank Marketing Association in cooperation with the Louisiana Bankers Association in New Orleans last month. Approximately 200 bankers were in attendance, most from southern states.

The conference was opened by BMA President Edward C. Boldt, senior vice president, Central National, Cleveland, who discussed the first marketing objective—selling management. Mr. Boldt called on bankers to re-examine the traditional marketing efforts and replan them for the needs and wants of tomorrow's public.

Mid-Continent-area bankers appearing on the two-day program included William N. Flory, vice president, Harris Trust, Chicago; Joe B. Eanes, vice president, Groos National, San Antonio; James P. Jett, assistant vice president, Worthen Bank, Little Rock; John V. Egan Jr., second vice president, Continental Illinois National, Chicago; and John Ed Chambers, president, Danville (Ark.) State. Conference chairman was Gilbert M. Mellin, vice president, Whitney National, New Orleans.

Mr. Flory covered three principal points in his luncheon address:

• Bankers should never forget that the customer is king and that bankers exist only to fill customer needs. Banks that intend to grow will anticipate and be prepared to meet the needs of their customers.

• Marketing is not a hit-or-miss activity. To be efficient, marketing must be planned and programed by a pro and supported by management as an essential tool rather than a necessary evil.

• Public relations is basically people relations. For a public relations program to be correct and productive, it must be geared to please the public.


JETT


EGAN

Mr. Eanes discussed methods to motivate a bank's staff to sell services. He explained various types of selling programs and spoke of the results that could be obtained by correctly motivating bank employees. He urged the preparation of sales manuals for use by employees and the preparation of service brochures to explain a bank's services to customers and employees.

Taking the negative side of the subject of advertising giveaways and promotional premiums was James P. Jett. Although Mr. Jett personally favors the use of premiums, he stressed that it pays a banker to be familiar with the disadvantages of premiums in order to avoid the pitfalls these disadvantages could bring to a promotion. He commented on vast storage problems created by certain continuity premiums, the expense of stimulating bank employees to promote a premium and the problems of encouraging employees to be active in cross-selling bank services.

Mr. Egan discussed bank advertising, defining it as a conversation with prospective customers. He described the two types of bank advertising—persuasive and informative—and stated that persuasive advertising leads to new business and informative advertising is useful in establishing an identity for the bank. He cautioned against mixing the two types as an advertisement can accomplish only one thing at a time.

He discussed four basic questions every advertising man should ask himself before publishing a given advertisement:

• Why advertise this product or service?

• How will customers use the product or service?

• Why should a customer go to my bank for this service?

• Is the advertisement interesting and dramatic?

Mr. Egan continued by advising bankers to tie their advertising goals to their marketing goals, to not break advertising promises and to develop an individuality for their bank.

Mr. Chambers concluded the conference by recounting his bank's growth through the use of premiums and other promotional means. He told about his bank's $7 million rise in deposits in a 10-year period and summed up his remarks by saying, "All that has happened is that we have developed a marketing program and put it to work." • •

Parry, Junge, Mobley Promoted At Mercantile Trust Co.

ST. LOUIS—Mercantile Trust has announced the following promotions: Thomas W. Parry Jr., assistant director of public relations and advertising; and Michael A. Junge and Pat Roger Mobley, assistant data processing officers.


PARRY

Mr. Parry joined the bank last December as assistant to Orville R. Goerger, vice president and director of public relations and advertising. Mr. Parry was formerly executive vice president and partner in the public relations counseling firm of Thomas W. Parry & Associates. He holds economics and journalism degrees from the universities of Virginia and Missouri.

Mr. Junge went to Mercantile in 1968 and became a senior analyst last April. Mr. Mobley, with the bank since 1966, has been a senior programer since 1969.

Program Is Announced For Meeting March 29-31 Of Independent Bankers

MINNEAPOLIS—Speakers at the 1971 meeting of the Independent Bankers Association of America March 29-31 will include a specialist in industrial site selection and an authority on the marketing of bank stock. The convention will be held at the Radisson Hotel here.

The program will include talks at morning sessions March 30 and 31 by nationally recognized speakers on topics that affect the future of independent banks.

The keynote speaker, IBAA President Rod L. Parsch (pres., Lapeer County Bank, Lapeer, Mich.), will be followed by Walter Heller, economist; FDIC Director Irvine Sprague, Representative Don Riegle Jr. (Rep., Mich.), a member of the House Committee on Appropriations; Creed H. Reagan, Savannah, Ga., plant site scout for a large firm; and David J. Kirkpatrick, Chicago, specialist in bank stock marketability.

Luncheons for men and women will be held simultaneously at noon March 30, with Arthur J. Holst, humorist and a field official of the National Football League, speaking to the men in the downtown Radisson Hotel, and a summer fashion show planned for the women at the new Radisson South.

Pre-convention sessions of the IBAA's committees will be held March 28 before the convention begins. These committees are federal legislation, government fiscal policy, competing financial institutions, bank study and agriculture and rural America. Two-day sessions of the resolutions committee will begin March 27 and of the executive council March 28.

Social activities will include a get-acquainted buffet breakfast, evening dinners with entertainment, informal sightseeing tours of the Twin Cities and a festive banquet, which will climax the convention.

ABA Moves Offices

The American Bankers Association has opened its new headquarters in Washington, D. C., at 1120 Connecticut Avenue, N. W.

The association occupies three floors of the Bender Building, which is six blocks from the White House.

Chain of One-Man Brokerage Offices Prospers in Small Communities

By E. F. COPELAND
Edward D. Jones & Co.
Longview, Tex.

WHILE a good number of member firms of the New York Stock Exchange were experiencing rough seas in 1970, Edward D. Jones & Co., headquartered in St. Louis, Missouri, was expanding at a rate of one new office per month.

COPELAND

How come? Because of the unique nature of the service supplied by the "Jones Boys," or "country men" as they're known by the firm. Some 150 men in 92 offices, mostly one man operations except for the St. Louis complex, are located in communities that seldom have other brokerage offices. They range, geographically, from my office in Longview to Dan Wilkins' in Big Spring, Tex.; Al Stuvland's in Pendleton, Ore.; Ron Lemond's in Norfolk, Neb.; and John Reed's in Union City, Tenn.

The Jones men have found that there's plenty of business in smaller towns. And there's plenty of opportunity to be of service to residents of these towns. Why? Because these communities are the havens for an increasing number of well-to-do retirees. They are also the location of many banks that are too small to support trust departments. And there are numerous young married couples in these towns who desire to begin building estates.

With little or no competition from other brokerage houses, the Jones men get the business because they offer convenience and personalized service from offices that are not plagued by high priced rent, equipment and staffs.

Jones offices have no stock tickers; quotes come from the St. Louis Main Office over a Teletype machine, which is usually the most impressive piece of equipment in an office. The Teletype is also used to transmit customers' orders to the St. Louis office, which relays them to the New York and other exchanges by phone. Trade confirmations can be received within minutes of placing orders.

The Jones men make themselves readily available to residents in their communities. They are active in civic affairs and through such service become well known in their communities, making contacts that result in sales.

Services available from these one-man offices include financial planning guides for small investors; "Microstat," a technical chart service (both point and figure as well as bar charts) with volume and prices updated weekly on microfilm. For $5 a month an investor or bank can obtain a monthly computer read-out of up to twenty-five stocks, giving cost price, current market value, dividends paid and total portfolio value and performance as related to the Dow-Jones Averages.

Most Jones men deal with local banks, providing services for trust departments and estates, as well as providing technical and fundamental research services for banks that do not have trust departments.

Jones men receive guidance from the home office. One reason the firm did so well in 1970 was that its personnel searched until it found the "correct" investment concept for clients. Interest rates and corporate and municipal bond yields were approaching the highest levels in over 100 years. It was decided that bonds were the place to be in 1970 and that investors who bought them at current yields should do well.

In one 53-hour period recently, from the open on a Wednesday to the close on a Friday, the Jones offices sold more than a million dollars in corporate bonds—mostly to small investors up and down Main Street, USA. The important thing was not an investment bond selling record, but the fact that the Jones men and their clients responded to the investment concept outlined by the home office.

One of the latest investment concepts at Jones is an agreement with Farmland Industries to handle the firm's public offerings of debt securities on an exclusive basis. Farmland is one of the largest farm co-ops in the world, and this hookup will result in big business bringing the long-term investment concept to rural America.

The success of the Jones one-man offices in the face of hard times has been paradoxical. A great deal of the success lies in the fact that the Jones men make their own selection of areas to serve. They want to live where they work and they want to serve their communities well. The men lead enjoyable lives and appreciate their importance in their communities.

Business may not be spectacular all the time, but it is not unusual for a Jones man to handle $250,000 in volume in a month's time or do $50,000 in trust or estate business in one day.

Residents of small towns appreciate having a Jones office at hand. It's all part of the firm's concept of providing investment service to small town bankers and investors who want a piece of Wall Street—on Main Street USA. • •

Underwriters Report on

Directors and Officers Liability Insurance

A compilation of information from various D&O underwriters

AS AN OFFICER and/or director of a bank, you can be held responsible for, among other things, failure to attend meetings; inefficient or lax administration; not exercising diligence, good judgment or good faith in an official capacity; exceeding charter or bylaw authority; failure to disclose vital or material facts to stockholders; conflict of interest; executive compensation; failure to pursue claims against others; incurring income tax penalties; and so on.

Directors and officers are unprotected in this respect by any malpractice insurance or any form of umbrella coverage. Protection is available only if the bank has directors and officers (D&O) liability insurance.

D&O is insurance against executive malpractice. It covers the personal liabilities of directors and officers for damages as well as for the expense of defense of a claim alleging a "wrongful act."

As defined in one policy, a "wrongful act" is "any actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty by the assureds while acting in their individual or collective capacities on any matter, not excluded by the terms and conditions of this policy, claimed against them solely by reason of their being directors or officers of the company." Coverage includes civil and criminal actions.

Who is covered by D&O? The bank is covered to the extent it reimburses the directors or officers pursuant to the indemnity agreement in the bylaws or charter or under common or statutory law.

Individual directors and officers are covered for liability not reimbursed by the company and not subject to the exclusions.

Conditions not covered (generally) by D&O include liability incurred as a result of dishonesty, liability for unjust enrichment, defense of any claim alleging liability for short-swing profits under Section 16(b) of the Securities Exchange Act of 1934 or similar law for profits actually made (only on coverage applicable to individuals); liability for bodily injury or damage to tangible property; fines and penalties imposed by law, or matters which are uninsurable; the first $20,000 of any loss plus 5% of the excess over $20,000 (for banks under $50 million in deposits, this may be $5,000, and some insurance companies will eliminate the 5% participation); claims to the extent recoverable under other insurance policies.

D&O is similar in protection to lawyers' errors and omissions coverage, which, in turn, is comparable to that available for doctors, accountants, architects and insurance agents. The propriety of all liability insurance has been questioned from the inception of each form of coverage. The old standards of this coverage being offensive to public policy, promoting immorality, fraud or illegal activity, encouraging carelessness, etc., have been applied to D&O coverage on a similar basis.

There is general agreement that the basic benefits of D&O far outweigh the arguments. The coverage promotes creative management; it makes the prudent businessman more amenable to the acceptance of directorship; it protects the personal estate of the executive or director, as well as the corporate assets.

What is indemnification? An oversimplified and non-legal definition would be the procedure which permits or requires a corporation to pay the judgments, settlements and defense costs of corporation directors and officers incurred as a result of their business activities.

Why should a bank buy the insurance if an indemnification article or bylaw has been adopted? One reason would be to protect the bank's capital if a substantial payment has to be made under this kind of provision. Another reason would be to protect the individual directors and officers in cases in which the bank may not be permitted to indemnify and in which loss

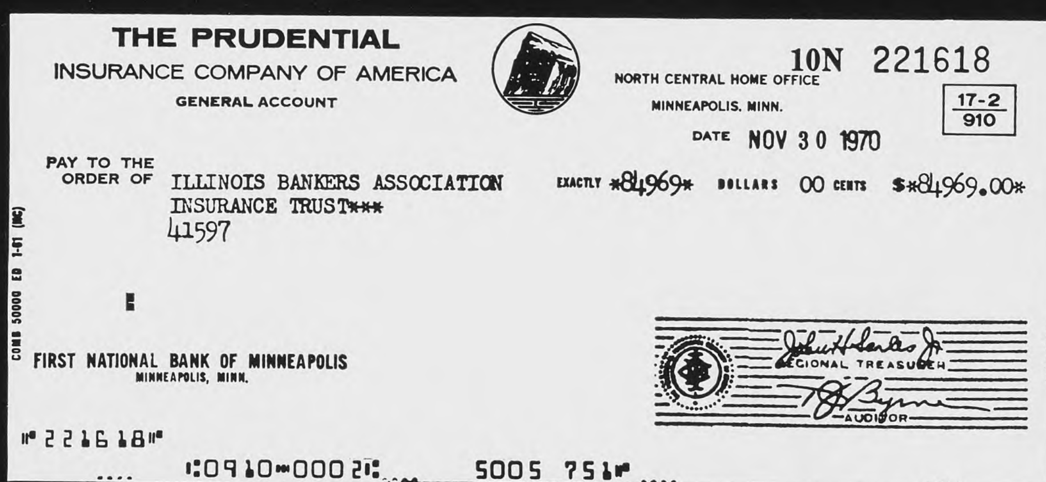
Typical D&O Claims

The majority of claims involving D&O are settled out-of-court. However, a number are currently in various stages of development.

Typical claims include the following:

- Fraud in granting preferential interest rates.
- Commingling of trust fund with general funds depriving borrowers of interest earnings.
- Failure to place funds in escrow.
- Counterclaim by borrower charging fraud in the lending operation and conspiracy with others to acquire plaintiff's assets for nominal costs through foreclosure.
- Fraud in advertising.
- Fraud in being dismissed without cause through mergers in spite of assurances to the contrary.
- Numerous stockholder derivative suits charging self-dealing, special profits and self-perpetuation in power.

How much did you get back on your insurance in 1970?


THE PRUDENTIAL
INSURANCE COMPANY OF AMERICA
GENERAL ACCOUNT

NORTH CENTRAL HOME OFFICE
MINNEAPOLIS, MINN.

10N 221618

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DATE NOV 30 1970

PAY TO THE ORDER OF ILLINOIS BANKERS ASSOCIATION INSURANCE TRUST***
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EXACTLY *84969* DOLLARS 00 CENTS $*84969.00*

FIRST NATIONAL BANK OF MINNEAPOLIS
MINNEAPOLIS, MINN.

REGIONAL TREASURER

AUDITOR

⑈221618⑈ ⑆0910⑉0002⑆ 5005 751⑈

It was recently our pleasure to present the Trustee of the Illinois Bankers Association with a check for $84,969. This represented the dividend payable under the Illinois Bankers Association Group Life and Accidental Death and Dismemberment Plan for the year ended September 1, 1970.

40
PERCENT?

This dividend reflects a return of 40% of the total premium paid in the past year, reducing each participating bank's ultimate cost of life insurance proportionately. These dividends, of course, are not guaranteed, but are based on the experience of all banks under the Plan.

Financial Insurance Service is Administrator for Employee Benefit Programs for both the Illinois and Oklahoma Bankers Associations.

FIS

FINANCIAL INSURANCE SERVICE, INC.
2200 EAST DEVON AVENUE • DES PLAINES, ILLINOIS 60018 • 312/297-4660

would fall to the individuals. It is a well-known fact that the costs of defense on claims against directors and officers can become substantial—running into many hundreds of thousands of dollars. There have been a few instances of claims ranging into the millions of dollars. Even when these are settled out-of-court, as most are, the legal expenses are generally more than the bank can bear without problem.

Where do claims come from? Underwriters would probably say that the variety of claims is limited only by the imagination of many astute attorneys. The more common claims involve disputes over the bank's lending practices and can come from regulatory authorities, aggrieved borrowers, injured third parties, or others. There is a distinct upsurge in the "consumerism" type of complaint or class action. These can come over rates paid to savings depositors, rates charged on loans, loan policies and practically any segment of the banking business which some enterprising attorney or law student would choose to attack. Banks do not seem to be entirely immune from securities law actions or anti-trust matters, and there is certain to be a number of claims filed in connection with one-bank holding company activities.

In the early days there was only one form of D&O available. Actually it was written in two parts with one covering the individual directors and officers liability and the other covering those situations in which the corporation would indemnify those directors and officers. There was a $20,000 deductible and a 5% participation by the assured in loss excess of the deductible. That original policy was designed to pay a loss only after payment had been made by the assured. It also excluded criminal acts.

From 1965 to January 1, 1971, the policy form in use by all markets was essentially the same. The policy is written on a "pay on behalf of" basis, which permits advancement of expenses in drawn out legal actions in which there is a fair presumption a claim will materialize. There is no exclusion on criminal acts as such.

Some forms have rather stringent insurance exclusions. In some instances underwriters are willing to delete or modify these exclusions. The basic exclusions have remained the same and these include dishonesty, insider trading, certain violations of the securities acts, libel or slander, personal profit or advantage or other insurance.

Policy form amendments include the following:

- Bank extension endorsement. Covers bank directors/officers serving on outside boards at the bank's request where the bank does not control nor have equity interests exceeding 10%.
- Delete 5% participation. Available only on limits excess of $1,000,000 and generally limited to the individual directors and officers portions of coverage. The rate is usually 10% of excess coverage premium.
- Include appointed officers. Freely available on some forms which cover "duly-elected" directors and officers.
- Include directors and officers of corporate pension or employee benefit trusts or foundations. Generally limited to those persons who are also either directors or officers of the bank.

Restrictions include:

- Specific or general exclusion on prior litigation.
- Credit-card exclusion. Always used by some underwriters; rarely used by others.
- Merger exclusion. Frequently used by some underwriters.
- One-bank holding company restriction. Used by the principal underwriters of this line to exclude loss resulting from subsequently enacted one-bank holding company restrictions.

Effective January 1, 1971, the principal markets for large banks and corporations reduced potential policy coverage by amending their forms to include costs, charges and expenses within the limit of liability. Previously, the forms offered to pay the costs, charges and expenses in addition to the limit of liability under certain conditions. Most of the small D&O policy forms had this restriction from the start.

The principal underwriters who dictate policy form and rates for over 90% of the coverage placed are considering further restrictions on acquisition/merger situations and also propose to limit the extended discovery feature from the present 12 months to three months. This is the feature which allows the bank some time to discover loss which occurred during the policy term in cases in which the coverage is either cancelled or not renewed. (As this material was being prepared, the underwriters did in fact reduce the term of extended discovery to 90 days. Also announced was a scale of increased deductibles based on the total assets requiring jumbo banks to bear the first $100,000 of loss.)

By early 1970 approximately 150 claims had been reported. One major writer of the coverage has had 24 new claims reported since August, 1970. These figures are for banks and corporations combined. Banks represent about 20% of the risks written, but they have accounted for more than 20% of the claims.

The vast majority of this coverage placed to date has been either directly or indirectly with underwriters at Lloyd's, London. Approximately six modest-to-fair sized U. S. insurance companies appear to be writing this line, but reinsurance of as much as 95% of the risk is placed in London. A few companies are offering small D&O programs to banks with deposits under $100,000,000. These are written with little or no reliance on the London market and were conceived mainly to avoid the high premiums which London underwriters set on financial institutions effective with a June, 1968, rate increase. The small programs are avail-

(Continued on page 47)

Banker-Association Group Insurance Offers Mass Production Savings

By **RICHARD T. HEPWORTH**
President
Financial Insurance Service, Inc.
Des Plaines, Ill.

BANKER-ASSOCIATION group insurance administration—that's a real mouthful! To us it means the opportunity to offer groups of people certain types of insurance through mass merchandising techniques. The concept was designed to provide the best product possible for the best price, considering the needs of those most likely to take advantage of the offer.

HEPWORTH

To appeal to the majority, the product can neither be the solid gold Cadillac nor the sub-compact model, regardless how much it might be discounted from "retail." Certain options and variations should be made available, but kept to a minimum so as to reap the advantages of mass production, and still maintain that personal element.

Association group insurance is generally considered to embrace employee group life (and accidental death and dismemberment) coverage, hospital and major medical benefits, disability income (long or short term), personal accident coverage and pension plans. These coverages protect the employee and dependents and are purchased through the employer in multiple-employer groups.

What are the advantages to the employer? Perhaps the reason most often cited is to take advantage of the economies of mass merchandising and thus obtain more benefits and coverage for each dollar spent. Considered equally important by some is the leveling of costs over the years to an extent not normally available to the average-sized employer. Eliminating much of the detail work by the employer is another important consideration.

The mass purchasing power of a group has a decided advantage over that of an individual employer. Both insurance companies and agents expect to reduce their cost per unit of handling as the total premium volume increases. Often the reduction can be one-half or two-thirds of the total cost of handling and these savings can be used to improve benefits.

The loss experience of the entire group determines such things as dividends, rate increases and benefit changes. The individual employer does not stand alone should his own claims in any year be disastrous. This concept guarantees a stability of rate change (if there is such a thing). In the current economic climate, most insurance rates—and certainly hospital, surgical and major medical rates—are going only one way: up!

In our approach to administration, we try to reduce the work done by either the employer or the insurance company, doing as much of it ourselves as possible. This reduces duplicate handling and provides prompt, efficient service to both at the lowest possible cost.

What factors are necessary to produce the desired result? We believe they are: (1) Good products attractively priced; (2) A genuine demand for the products; (3) A knowledgeable and aggressive insurance company to underwrite the risk; (4) A professional, competent administrator; (5) Solid support by the association; and (6) Personal contact by the administrator with individual employers and employees.

While these may seem obvious, they are not always present to the degree necessary for a plan to run smoothly.

The products must have some appeal to a majority of the members of the group. If you are the president of a bank in Spring Valley, Mo., you're not going to finance the purchase of many snowmobiles, so you won't waste much time developing a snowmobile installment loan program. If you happen to be located in Rhinelander, Wis., however, it's a different matter.

The attitude of the insurance company is extremely important because some are more willing than others to extend themselves if they believe the venture can be profitable. Insurance companies, like people, have their own personalities and some are more aggressive toward certain coverages, while others, which might have been "burned" in the past, are reluctant to innovate.

The administrator is the catalyst; the one who combines all the ingredients together in one pot, stirs them around and—if he is really competent (and perhaps lucky!)—develops a smooth running program that pleases the association, the employers and employees as well as the insurance company.

Full endorsement of any program

by the association itself is an absolute necessity. We believe that if the association has some doubt that the program is sound, it would be better not to endorse the plan at all. Sufficient participation to make the plan profitable to the insurance company can be closely identified to complete support by the association.

It is generally felt that personal solicitation and contact (rather than mail) is one of the most important elements in developing and maintaining a sound program. There is always a need to talk to someone about such insurance plans. Even a sophisticated buyer of insurance wants to discuss his decision and make certain in his own mind that he has made the proper one.

Our organization is dedicated to the concept of personal solicitation wherever possible, while also providng a competent office staff. Although personal contact is more expensive, it can, if done properly, be economical.

We are privileged to offer banks other forms of insurance that are not association group-type coverages. This enables our representative to discuss more than one type of insurance during a personal visit and thus spreads the cost per call.

What are some of the features of individual plans? In employee group life insurance, they might be the availability of higher limits of insurance and lower costs through experience credits and dividends. For hospital-major medical coverages, broader benefits, prompt claim handling and leveling of costs are perhaps the most important factors.

Both broader coverage and lower costs are available through an association group-sponsored long-term disability program. One of the most important points to consider in long term disability is whether the plan is integrated with social security benefits. It may also cover the employer's commitments on pension programs while the employee is disabled.

A group pension program offers the advantage of a single trust agreement and eliminates the necessity of the individual employer drawing up his own trust agreement. The availability of group permanent insurance and guaranteed issue is an important feature.

We feel it is important to identify clearly the types of coverage the association has endorsed. To intimate that the association sponsored a coverage that it did not would be disastrous, in our opinion. If we wear our two hats properly, however, we think it is possible to provide additional service to the members of the association that might not be available otherwise.

What might the future hold? The insurance business has changed considerably in the past 10 years or so and the changes will be greater in the next 10. There has been much talk of federal participation in health insurance and it will certainly come eventually. Just how soon and to what extent is anyone's guess. Associations and administrators, as well as insurance companies, must be prepared and should start planning for this eventuality now.

I don't think we are too far away from a tremendous expansion into other areas of mass marketing of insurance to employees. Currently, many giant employers have facilities to provide such products as automobile insurance for employees with premiums deducted from their paychecks at reduced rates. Whether this type of mass merchandising can be properly adapted to a multiple employer group such as a state banking association remains to be seen. We are presently exploring several ideas for mass marketing.

Many people have asked us about applying mass merchandising techniques to bankers blanket bonds. There is a growing awareness that obtaining such coverage is becoming increasingly difficult and we now and then hear that yet another insurance company has retreated from the active solicitation of bank bond business. Our opinion is that the association group approach is not realistic in today's bond climate. Sometimes, however, we are able to provide the necessary product to one of the member banks that has a serious problem, but on a completely individual bank approach.

Summing it all up, we believe mass merchandising of insurance is now only in its infancy and the status of the small local insurance agent will continue to be affected by developments in the future. • •

Varied Insurance Programs Offered Through MBA

INSURANCE PROGRAMS available to member banks of the Missouri Bankers Association are described in a leaflet distributed to member banks by MBA. The leaflet makes it simple for bankers to learn what types of coverage are available, the name of the administrator, the name of the insurance carrier as well as eligibility requirements and application procedure.

Types of insurance include the following:

• Life and accidental death and dismemberment. Coverage varies from $3,000 to $50,000, depending on salary levels, and includes a double-indemnity clause. Benefits are reduced at age 65 or at retirement.

• Dependent life insurance. Each eligible dependent of employees insured under the MBA group life plan can be insured for up to $1,000, depending on the age of the dependent.

• Health insurance benefits and major medical expense benefits. This is a comprehensive health care protection plan that considers total medical expense, available for each eligible family member. Three plans are available, with a $30,000 major medical benefit applying to all three.

• High-limit accidental death, dismemberment and permanent total disability. Applicants can select coverage from $25,000 to $150,000. Coverage is also available for dependents.

• Salary continuance. Accident benefits include 60% of employee's salary up to $1,200 a month for life. Sickness benefits include 60% of salary up to $1,200, payable for five years or to age 65, followed by 40% of salary up to $800 per month, payable for the next five years or to age 65.

• Personal catastrophe liability. This policy provides an additional $1 million in protection over basic required bodily injury and property damage and covers personal, automobile, watercraft and aircraft liability.

• Felonious assault insurance. This coverage provides $50,000 accidental death and dismemberment protection to all officers and employees for injury during robbery of a bank or while traveling on bank business.

• Pension and retirement insurance, including formal and informal retirement plans, combination keyman (deferred compensation) and profit-sharing. Coverage includes immediate death benefits, guaranteed lifetime income at retirement age, graduated cash vesting, life insurance to provide larger death benefits and guaranteed annuity rate at retirement age under profit-sharing plans and variable annuity. • •

Group Insurance Not a Fringe Benefit But an Acknowledged Way of Life!

By LOIS M. JOHNSON, Scarborough Associates, Inc., Chicago

GROUP INSURANCE is a fringe benefit that has become universal enough to be taken for granted by most people. Yet today, approximately 15% of the nation's financial institutions offer their personnel no group insurance whatsoever.

JOHNSON

You might ask what group insurance consists of, in general terms. An average, complete benefit package of group insurance includes life insurance, short- and long-term disability, accidental death and dismemberment, hospital and surgical, major medical, diagnostic and doctor-visits-in-hospital coverage.

Group insurance in the United States is financed through the broad, competitive network of private health insurance. The scope and continued growth of this coverage stem back to the mid-nineteenth century with the public's demand for coverage against the frequent rail and steamboat accidents prevalent at that time. The first accident insurance company was organized in 1850.

At its outset, the health insurance policy was directed toward replacement of lost income rather than hospital and surgical benefits. Loss of income due to a limited number of diseases—typhoid, scarlet fever, diphtheria, diabetes, etc.—was provided for.

It is interesting to note that changes in economic conditions in the U. S. played a great role in the development of this coverage. In 1929, at the start of the Depression, a whole new concept in health insurance took place. The public became increasingly aware of the rising costs of medical care and hospitals were faced with empty beds and declining revenues. At this time a group of school teachers banded together to make arrangements with a hospital to provide members of the group with hospital care on a pre-payment basis. This was the origin of a reimbursement policy for hospital and surgical care.

During World War II, with the freezing of industrial wages, fringe benefits became a significant element of collective bargaining. Group health insurance became a valuable part of the fringe benefit package.

With the country's economy in full and rapid expansion following World War II, new developments in health insurance came into being—major medical coverage with its much broader benefits and higher limits of protection, and long-term disability coverage.

Since the end of World War II, hospital benefits, spurred by sharp cost increases, have rapidly become more liberal. These benefits have risen from $4 or $5 a day for a hospital room, special hospital benefits from $100 and surgical benefits from $200 to today's benefit averaging $35 per day for a room, $750 for special hospital costs and surgical benefits up to $1,000. At the present time good insurance plans provide a daily benefit equal to the cost of a semi-private room. We have found in many instances this runs as high as $65 or $75 a day, and the cost constantly increases. The American Hospital Association estimates that the hospital cost for maintaining one person for one day will increase to $105 by 1972. In some hospitals today intensive-care rooms run as high as $150 a day!

One would think that, with the many advancements in medicine, costs would go down, but just the opposite is true. These advancements have *added* to hospital costs, for today a large modern hospital may have more than 200 different job classifications—many with highly trained specialists—and each hospital employee is earning more today than ever before.

With increased hospital costs it is easy to understand that the greatest amount of benefits goes toward paying hospital expenses. In 1946 the average expense for a hospital confinement was $85.45, whereas in 1968 it was $515.59 and I am sure it is close to $1,000 today.

As the economy of our country increases, so do benefits!

Loss-of-income (or disability income)

Booklets Inform Bank Personnel of Fringe Benefits

EMPLOYEES often do not fully appreciate the fringe benefits they receive because they don't know much about them. Many are hidden in paychecks, others are forgotten because they are not used often. Thus, it behooves bank management to make an explanation of fringe benefits readily accessible to employees.

National Bank of Commerce (now First National), New Orleans, distributes an employee handbook to new personnel. In the form of a portfolio, the handbook contains a complete rundown of personnel policies and a separate explanatory booklet regarding employee insurance benefits. The latter includes special sections on the following coverages: life, accidental death and dismemberment, hospitalization, workmen's compensation and Medicare program. The hospitalization section is broken down into appropriate categories to enable personnel to obtain a complete and concise statement of what the benefits include.

National American Bank in the same city has issued an attractive booklet in cooperation with Kennedy Sinclaire, Inc., entitled "How to Select and Develop a Modern Retirement Plan." The table of contents lists the following points: the economy of a funded pension plan, the rewards of a deferred profit-sharing plan, how to establish objectives and select the type of plan best suited to meet the objectives, how to design a plan to meet the objectives, how to determine the appropriate funding medium for a plan, an explanation of the plan to employees and how to have documents prepared and submitted to IRS for approval.

These banks realize that employees who have explanations of fringe benefits at their fingertips are generally more appreciative of the fact that management cares for its personnel. • •

protection was designed to provide wage earners with regular monthly cash payments in the event that wages are cut off as a result of illness or accident. This coverage may be in the form of short-term or long-term protection. In 1969 there were over 49 million Americans covered for these benefits, and this is one of the fastest growing benefits.

One of the newer concepts of group life insurance is group ordinary life in place of the more common group term life.

Group ordinary life offers the bank a fixed-cost group life benefit and the employee a group life policy that builds up cash values and paid-up values. Executive group life is an example of such a plan. The cost is based on attained age at the time of issue and the cost remains constant. Unlike group term insurance, the policy is not cancelled when the employee terminates his services with the bank or when he retires. He can take over the entire premium and continue the coverage on his own.

Another of the newer coverages—one that is stimulating wide interest in health insurance—is insurance for dental care. Pilot programs operated by dental service corporations and insurance companies indicate that dental insurance is workable on a group basis. (Such plans usually operate in the red for the first few years, or until the rush to remedy long-standing dental problems wanes.)

With the introduction of Medicare, most hospital and surgical policies terminate at age 65, or benefits integrate with Medicare with a provision for a lower premium cost.

A recent survey showed that about 40% of the employees covered by group policies written by insurance companies had the complete cost of their protection paid by employers.

It recently has been said that America's hospital charges have shot up 82% in the last five years—the fastest climbing single item in the cost-of-living index. It also has been said that insurance rates have jumped by as much as 50% for some families. Not all plans have found it necessary to increase costs by such a great margin. However, with the increased hospital and doctor costs of today, it seems certain that premium costs will continue to rise.

Banks should make sure that, in return for these increased premiums, they have plans that provide complete benefits for bank officers, employees, directors and dependents. Benefits are normally available for outside directors, with the exception of life coverage.

Group benefits today are no longer "fringe benefits"—they are a way of life! • •

D&O Insurance

(Continued from page 40)

able only to the maximum of $1,000,000 insurance.

Most banks under $50,000,000 in deposits have purchased the insurance in the limit of $1,000,000. Major banks buy at least $5,000,000 coverage and frequently as much as $15,000,000. Costs range from $5,000 to over a quarter of a million dollars for three year policies.

D&O coverage has been available for eight years and approximately 1,000 banks have purchased it. Premiums are high and frequently exceed the cost of the bankers' blanket bond.

Numerous claims have been presented and while few have reached a final settlement stage, substantial legal defense costs are accruing. There have been a number of out-of-court settlements which have run into sizable figures.

Considerable publicity has been given to the coverage and the need for it. As many as 400 banks purchased the coverage during 1970 and all indications point to even more purchasing this year. • •

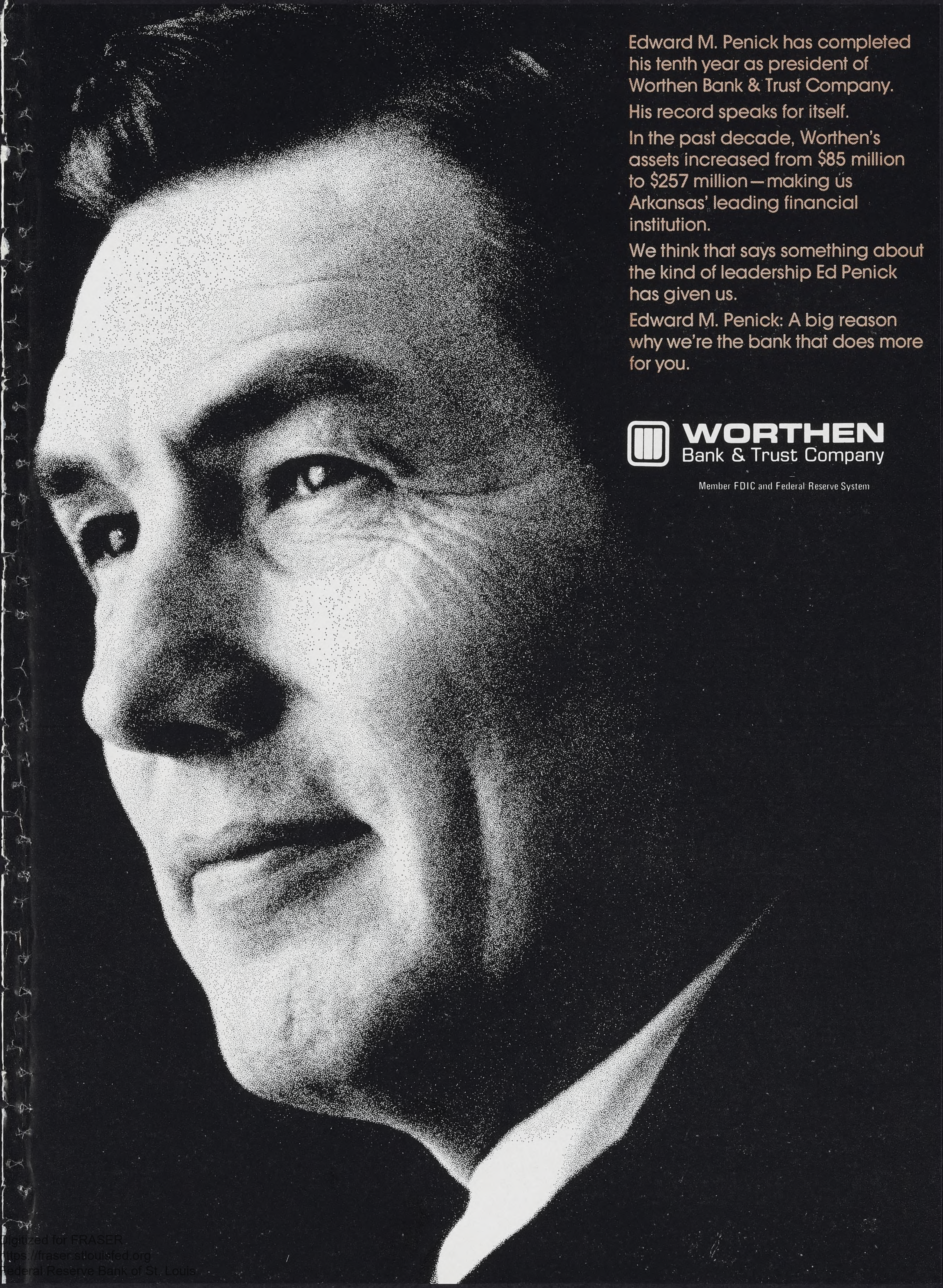
Mobile Home Policy Gains

A new mobile home owners policy, called Mobilowners "A," has been introduced in Louisiana by Foremost Insurance Co. The policy offers coverages previously unavailable to Louisiana mobile home owners.

The policy includes comprehensive physical damage protection on the unit, comprehensive physical damage protection for adjacent structures, emergency removal expense, debris removal, coverage for loss or damage to trees and shrubs, comprehensive personal liability, personal effects theft and vendor's single interest.

With the inclusion of Louisiana, Foremost offers mobile home coverage in all states except Hawaii.

A Decade of Leadership.


Edward M. Penick has completed his tenth year as president of Worthen Bank & Trust Company.
His record speaks for itself.
In the past decade, Worthen's assets increased from $85 million to $257 million—making us Arkansas' leading financial institution.
We think that says something about the kind of leadership Ed Penick has given us.
Edward M. Penick: A big reason why we're the bank that does more for you.
WORTHEN
Bank & Trust Company
Member FDIC and Federal Reserve System

Rising Internal Thefts Call for 'Foundation of Honesty'

By FRED L. HUNTER

Vice President
John E. Reid & Associates
Chicago

SINCE THE introduction and passage of the Bank Protection Act of 1968, security has been uppermost in the minds of many in the financial industry.

An alarming rise in external bank thefts has warranted the spending of literally millions of dollars for preventative security devices. The market has been overwhelmed with new locks, vaults, television cameras, security systems, video tape recorders and guard services.

This extensive process in gearing to conform to the standards set by the Bank Protection Act is commendable but has competely overlooked the most basic of security principles regarding employee theft.

Recently, a national magazine reported that embezzlement by employees cost banks more than $17 million in 1969—about twice the losses suffered from external thefts. A more frightening thought is that the embezzlement total is approximate, but the totals for each bank robbery or burglary are accurately reported. This article leaves one with the cold, blatant fact that *the majority of money spent for bank security is being used to stop about one-third of the total loss.*

Therefore, it is vital that the fact of the dishonest employee be faced. This culprit can do as much to tarnish the reputation of any bank as if he had used a gun and gained front-page headlines. The general public can understand an external attack, but thinks twice when its money is being threatened by an insider. It is not long before visions of personal financial collapse can creep across the mind of even the smallest investor.

In reviewing information developed over the years regarding bank-loss investigations, it is easy to see that embezzlement usually occurs when there is a breakdown or circumvention of regular procedure. However, the majority of losses revolves around the honesty of the bank employee. The best procedures, vaults, systems and checks and balances in the world are designed for honest people. If you do not have honesty as a basic factor you definitely will have problems. Many employers feel that the majority of people are honest. This is a disastrous presumption to make.

Consider this situation: In 1969 a large Chicago bank suffered the loss of a $10,000 bond. It was reported missing and all bank procedures were followed to discover its whereabouts—with no solution. At this point polygraph (lie-detector) tests were suggested to clarify the suspicious circumstances surrounding the loss. The result of this procedure was the identification of the thief. An admission of guilt was obtained, but since it was the employee's first offense and her family's social and economic status were influential, probation was given with the stipulation that there be restitution of the money. Shortly thereafter, the employee obtained a job in another bank three blocks away and, motivated by her need for money, stole again.

The point of this example is that the situation could have been avoided once if not twice if some screening or checking had been done into this employee's attitude toward honesty. Too many times experience and proposed salary have been the major criteria in assessing a person's suitability for a job. We readily admit there are people who cannot handle liquor, gambling or drugs. We should then recognize that there are certain people who cannot handle the temptations of working with money.

Traditional techniques to determine character—such as requiring references from former employers or others whose names have been supplied by applicants, retaining credit checks and making police record searches—have been found to be unreliable means to assess honesty. It has been estimated that only approximately 5% of the persons who commit crimes are recorded in police files. This is particularly true in the area of employment theft, where most commonly the crime is not reported to the police and, in many cases, not reported to anyone.

Therefore, primary attention should be placed on the applicant's honesty with past employers and his general attitude toward honesty. One of the most effective methods of evaluating honesty is by use of the polygraph technique or a pencil-and-paper test, such as the Reid Report. These two agents go directly to the problem in that they are designed to assess a prospective applicant's suitability regarding honesty based upon his past performance and attitude.

In recent years there has been a growing trend, due to the billion-dollar losses from employee dishonesty, to require more effective measures regarding the screening and supervision of employees. If banking institutions desire to prevent this situation from developing in their industry they must face the problem that is presently confronting them. No longer can they expect a person's honesty to be equal to that of his father's or grandfather's. Times change and employment practices must change also.

Prevention is the most necessary part of any security program. The Bank Protection Act has provided for a strong preventative security program. The banking industry itself must provide, through the careful selection and training of employees, the foundation upon which this program can be built.

Charge-Card Registry/Insurance Service Fosters Less Anxiety, Greater Usage

WHAT CAN banks do to increase usage of their charge cards? Many cardholders are so cautious with their cards from fear of loss or theft that they use them little or not at all.

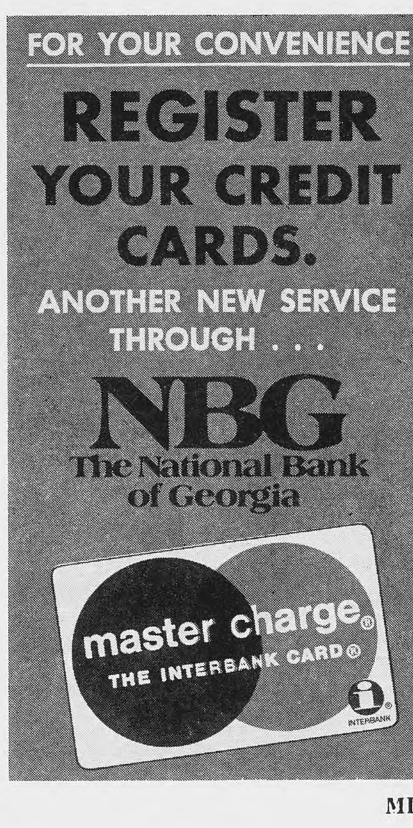
One way to assuage the anxiety inhibiting cardholders is for banks to promote charge-card registry and insurance services. Numerous firms are offering these services in cooperation with banks. The result is more use of charge cards and less concern on the part of both banks and cardholders that loss or theft of the cards will either go unreported or result in annoying liability for cardholders.

Among the firms providing registry services are Credit Card Safeguard, Inc., Memphis; Insuracard Registry Service, Inc., Miami; and SafeCard Services, Inc., New York City. The latter does not offer insurance as part of its basic service.

Following is a brief description of each firm's service:

Cardholders registering their charge cards with Credit Card Safeguard for a $12 annual fee are entitled to register any and all charge cards issued to the member, his spouse, dependent children and all duplicate cards carried by any person in that group. In the event any of the cards is lost or stolen, the only responsibility the member has is to telephone the registry collect from wherever he is as soon as the loss or theft is known, followed by a confirming letter within 24 hours. The firm assumes the responsibility of promptly notifying all the issuing companies involved, thereby limiting liability for fraudulent charges. The member is insured up to a maximum of $10,000 against any loss by reason of fraudulent use of the lost or stolen cards. This protection is retroactive to the time of the loss or theft, providing the customer has given notification of loss. There is no deductible regarding the insurance.

Insuracard Registry Service offers the following services for a $12 annual subscription fee: registration of all charge cards, toll-free notification service, immediate notification of loss to all companies involved, copies of all notifications, assistance in the recovery of the cards or replacement with new ones, $5,000 charge-card insurance policy (no deductible) to cover any fraudulent charges, coverage for attorney fees and court costs in the event of lawsuits, coverage for fraudulent signing of subscriber's name whether or not his cards are lost or stolen, no limit on number of cards registered, no charge for additional cards added later, notification to companies of any change of address of cardholder.



Safecard Services' plan offers registry for $7.50 annually. Insurance can be contracted for if desired, but at additional cost. Services include a national toll-free WATS line for reporting missing cards, confirmation receipts showing the exact time of a client's call, immediate aid in securing replacement cards, coverage of husband, wife and children under 21 for the basic fee and free registration of additional cards. Officials state that the firm is unique in that it is technologically oriented, operating third-generation computers.

All the firms work in cooperation with banks, and pay the banks a service fee for handling the applications. Brochures containing registry applications are usually displayed in bank lobbies and are often used as statement stuffers. The banks usually include endorsements of the registry companies. Some plans permit subscribers to charge the annual fee to their charge card accounts.

Banks have found that promotion of registry services is beneficial in several ways. First, they know that they will receive prompt notification of lost or stolen cards from the registry service. Second, bank customers are grateful to the bank for offering a service that removes anxiety over the possible loss or theft of their charge cards. Third, in cases where insurance is included with the service, banks are assured of loss recovery should they seek same and customers are assured that any such losses are adequately covered by registry insurance. Fourth, banks know that charge-card holders have been made aware of the importance of reporting lost or stolen cards as soon as the loss or theft is discovered. • •

Charge Card Liability Notifications Sent Through Card Issuing Agency

THE JOB of informing charge-card holders of the new provision of Regulation Z regarding liability for unauthorized use and of providing forms for cardholders for reporting loss or theft of bank cards has appeared formidable to many banks.

One aspect was the cost of preparing a mailing to do the job. Also, some banks have taken the position that they would rather not inform cardholders that their liability for fraudulent use of stolen cards is nil after they have notified the bank, and no more than $50, even if they have not notified the bank.

However, banks that are members of Credit Systems, Inc. (CSI), Master Charge issuing agency located in St. Louis, have been given the opportunity to cooperate in issuing a mailing piece that informs cardholders of their responsibility to report lost or stolen cards.

The form contains a postage-paid reply card for use by the cardholder should his card be stolen or lost. The card contains space for the cardholder's Master Charge card number, his name and address. He is urged to fill out the card and file it. Attached is an explanation of the purpose of the mailing piece and a statement of the cardholder's responsibility for reporting a missing card, as follows:

"The chances of your card being lost or stolen are slight, but by recording your Master Charge account number on the attached postcard *now* you will have a handy notification ready for mailing.

"Your potential liability for unauthorized use of your card, by law, cannot exceed $50. *You will not be liable for any unauthorized use* which occurs after you notify Master Charge, orally or in writing, of loss, theft, or possible unauthorized use.

"If your card should be lost or stolen, immediately telephone collect (314) 644-2880, day or night, and then mail the attached postcard."

The mailer was sent piggyback with monthly statements to Master Charge cardholders in the CSI area. • •

Photo Charge Cards Eliminate Fraud, Forgery

ONE OF THE most effective ways to reduce fraudulent use of bank charge cards is to include the cardholder's photo on the card, says Philip T. Morgan, vice president at the BankAmericard Center at First Security National, Lexington, Ky.

First Security decided to make photo BankAmericards available in January of 1970 in an attempt to reduce the frequency of fraud and forgery. Since that time, not one instance of fraud or forgery has occurred involving the 55% of the bank's cards that include photos. The use of photo cards has also had side benefits—the activation of some existing accounts and an increase in new accounts—says Mr. Morgan.

Customers are never responsible for charges on a stolen or lost photo charge card, according to Mr. Morgan. This has paid off in terms of eliminating customers' reluctance to carry their cards. It has also eliminated the need for photo-card holders to carry credit card loss insurance. However, the bank carries fraud insurance to cover the 45% of its cardholders who do not yet have (or do not want) photo cards.

First Security selected the Polaroid photo card system because this system made it possible to process and issue cards in-house without the need of sending negatives or photos to another company for processing.

The bank has cameras in half of its branches and several of its 30 affiliated banks have bought or leased cameras. On occasions the bank has located cameras in retail stores, some of which have taken as many as 175 photos in a day, 10% of which represented new accounts. Following the initial rush of photo taking, the bank adopted a policy of locating a camera in each of its branches for at least six months of the year. During the time cameras were located in retail stores, the bank advertised the locations, stressing that photo cards are the "safest, surest of credit cards . . . you are NEVER, EVER held responsible for any forgeries with a First Security portrait BankAmericard. If it's lost or stolen, no one else can use it."

Mr. Morgan reports that cards were expected to last for three years, but that a few have become tattered, causing the bank to place two-year expiration dates on them. • •

New York Appointment

NEW YORK—David J. Barry has been elected a senior vice president of Manufacturers Hanover Trust. He heads the portfolio and investment banking department. He had been vice president and treasurer since 1967.

In other action, Manufacturers Hanover Corp. and Manufacturers Hanover Trust elected two new directors—James D. Finley, chairman, J. P. Stevens & Co., Inc., and F. Perry Wilson, president, Union Carbide Corp.

Bank Supervision

(Continued from page 6)

ficient" supervision. Individually and through their state bankers associations, bankers can let it be known that they stand behind the position taken by Bill Culley and their individual state banking supervisors in favoring improved and dynamic bank supervision.

Banks are completely dependent on public confidence in their stability. Increases in bank failures in the last several years could have been reduced by more effective supervision, especially in the estimated 1,300 banks that have used brokered-link-accommodation deposits.

Frankly, the fact is that the better banks should recognize that it is good policy for them to pay higher examination fees so that the weaker banks are restrained from joining the ranks of broken banks.

Most of us at some time or other have had knowledge of other banks having financial difficulties which if not corrected would lead to failure. The banking system does not gain from a false sense of complacency because examiners have not been able to detect a serious problem bank in time. Strong banks in the 1930s knew of weak banks—and prided themselves on their own strength and permitted those weak banks to fail although they could have been revived. This was shortsighted and should not be permitted to occur again. Improved state supervisory forces need bankers' increased financial support—and, incidentally, bankers' efforts to remove the top positions in supervision from the political arena. • •

Union Planters to Acquire Manhattan Savings' Assets

MEMPHIS—Shareholders of Union Planters National and Manhattan Savings Bank last month approved a proposal whereby Union Planters will acquire all the assets of Manhattan Savings in exchange for Union Planters' stock.

The entire capital stock of Manhattan Savings has been held in trust since 1929 for the pro-rata benefit of Union Planters' shareholders. Manhattan Savings ceased doing business as a bank in 1933, when its deposit liabilities were assumed by Union Planters.

Stockholders' approval of the acquisition will be followed by liquidation of Manhattan Savings and its subsidiaries. The latter include Union Planters Title Guaranty Co., which discontinued its title insurance business in 1956.

Potter, Wood Named Directors At Continental Bank, Chicago

CHICAGO—Conill Corp. and its subsidiary, Continental Illinois National, have elected Keith R. Potter and Arthur M. Wood to their boards.

Mr. Potter, vice president of International Harvester Co., and Mr. Wood, president of Sears, Roebuck & Co., succeeded Ralph M. Buzard, formerly of International Harvester, and Crowdus Baker, formerly of Sears, both of whom recently retired from Conill and Continental Bank.

Sammy Speer for ABA

The ABA's Installment Credit Conference, to be held in Miami Beach April 5-7, will be entertained this year by Sammy Speer and his nationally famous orchestra, which is featured on the Jackie Gleason TV show. Sammy Speer's group will play at a reception hosted by Delta Corporation of America on the opening evening of the conference, April 5, at the Fontainebleau Hotel. The reception given by Delta—reputed to be the nation's oldest mobile home financial service organization—has become a traditional adjunct to the ABA's annual installment conference. Gilbert A. Haas, president of Delta, is shown at right comparing notes (musical) with the famous band leader.

Promoted in Baton Rouge

New assistant vice presidents at American Bank, Baton Rouge, are (l. to r.): Warren J. Couvillion, data processing; W. J. "Dub" Noel, operations; Floyd Pendergraft, operations; and Jimmy P. Hohensee, data processing. Among others promoted at the bank last month were: Arnold Wethey, trust officer; Mrs. Lorraine Moore, assistant trust officer; and James D. LaBauve, head of the transit department, assistant cashier. Mr. Pendergraft's present assignment is as comptroller of the Great America Corp.

Chemical Bank Reorganizes Public Affairs Department

NEW YORK—Chemical Bank has reorganized and expanded its public affairs department to provide better communications with federal, state and local government and community organizations.

James P. Murphy, vice president, will head the restructured department. He will be responsible for the bank's communications in Washington, D. C., Albany and New York City and for programs familiarizing the bank's staff with community and electoral developments.

Mr. Murphy served as delegate to the 1967 New York state constitutional convention and is chairman of Chemical Bank's public affairs program committee.

Six Advanced at Dallas Fed

DALLAS—Advancement of six officers of the Dallas Fed has been announced, including the election of Robert H. Boykin and Tony J. Salvaggio to senior vice presidents. Both were formerly vice presidents. Mr. Boykin is also secretary of the board and Mr. Salvaggio is also cashier.

Elected assistant vice presidents were Richard D. Ingram and Theodore E. Spreng. Carroll D. Blake was named bank relations officer and Robert Smith III was elected public information officer and assistant secretary of the board.

Fashion Outlook for '71: Pantsuits for Banks!

Pantsuits and greatly expanded coordinated outfits are the fashion note for 1971 in an increasing number of commercial banks.

Pictured are outfits being worn by contact personnel at National Bank of Commerce, Pine Bluff, Ark., and Harris Trust, Chicago. Numerous banks that have never adopted career apparel have decided to go the "pantsuit route" at the dictum of fashion.

Harris Bank women model employee-supplied pantsuits, a far cry from the dark suits and dresses with a very modest hemline worn by employees of the Chicago bank 40 years ago!

A few of the almost 30 combinations available to women employees of National Bank of Commerce, Pine Bluff, Ark. Outfits were supplied by Creative Image, Dallas.

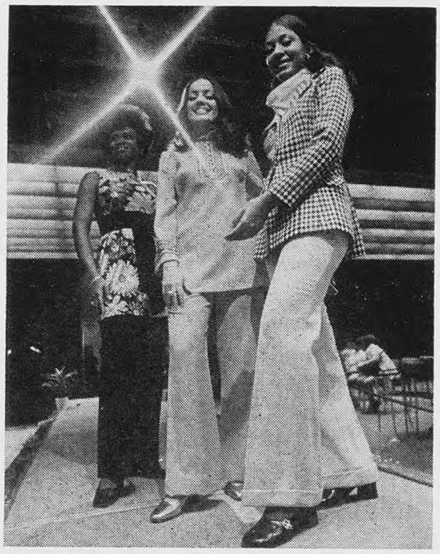
Women employees at National Bank of Commerce have each been supplied with nine pieces of clothing, including two skirts, two blouses, two weskits, two tunics and a red dress, plus accessories. Everything is either red, white or navy and all items are interchangeable. Employees have the option of purchasing additional optional items—including the pantsuits and double-breasted coats.

The bank leases the outfits to employees at $5 per month and works out a wardrobe schedule that specifies a different combination for each day of the month.

Harris Trust adopted pantsuits as

an optional feature among women employees, each of whom must supply her own wardrobe. According to John L. Stephens, vice president-personnel, the bank "believes in reflecting a contemporary image—so long as that image is in good taste and businesslike. Since pantsuits for women have become acceptable attire in so many phases of our lives, we believe they are acceptable for Harris Bank women."

Pantsuits at Chase Manhattan



Female employees at Chase Manhattan Bank, New York, displayed the pants look at a recent bank fashion show entitled "Fashions in Pantsuits." Eleven employees modeled 45 new pantsuit creations ranging from on-the-job to evening wear fashions. Four continuous shows were held during the luncheon hours.

Promotions, New Directors Announced at First Nat'l; Bldg. Architects Chosen

DALLAS—Promotions, elections of new directors and selection of architects for its new buildings have been announced by First National.

LAMBERT

Roy B. Lambert, auditor, was advanced to senior vice president and auditor. J. Howard Storm was elected an assistant vice president in the controller's division and William E. Landrum Jr. a trust officer in the trust investments group. Mr. Landrum was placed in charge of the newly formed business interests department.

Newly elected directors are: W. W. Clements, president, Dr. Pepper Co.; Bill O. Mead, chairman, Campbell Taggart Associated Bakeries, Inc.; and W. H. Seay, president, Southwestern Life Insurance Co. Board retirees are Ernest Hundahl, manager, Southwest division, Mutual of Omaha Insurance Co., and United Benefit Life Insurance Co.; and A. D. Martin, chairman, Central Engineering & Supply Co. Four other directors who have become inactive in the companies were not renominated. They are: Frazor T. Edmondson, James J. Ling, Robert E. McKee Jr. and J. T. Suggs.

First National's chairman, Robert H. Stewart III, told stockholders at their annual meeting that a joint venture of architects has been retained to develop plans and specifications for proposed new buildings on 2½ acres of downtown Dallas property. Harwood K. Smith & Partners, Dallas, with Hellmuth, Obata & Kassabaum, Architects & Engineers, St. Louis, have opened a joint-venture office in the First National Bank Building to proceed with design plans. The Dallas firm has been designated the lead architect, and the St. Louis firm will be responsible for design of the structures. The development site is the full block immediately west of the present 52-story bank building and parking lot diagonally across Pacific Avenue and Field Street from the bank building.

Two Promoted at Citibank

NEW YORK—First National City has named Marshall O. Crowley Jr. and William A. Gerard vice presidents. Both were assistant vice presidents. Mr. Crowley is in the corporate banking group's service division and Mr. Gerard is the securities operations division of the investment management group.

Bank Issues Capital Notes

HOUSTON—Capital National recently approved the issuance of $3 million in subordinated capital notes. This increases the bank's capital to over $12 million.

In other action, Mrs. Joan Luce was elected assistant cashier. She has been with the bank since 1966 and is manager of the fund control center.

■ SAN FRANCISCO—David S. Lewis Jr., chairman and chief executive officer, General Dynamics, has been elected to the board of BankAmerica Corp. He succeeded Walter A. Haas Jr., chairman and CEO, Levi Strauss & Co. Mr. Haas resigned because of the press of additional business and civic duties, but remains on the board of Bank of America.

In Missouri—

A New Plan for Depositing State Funds

Criteria Set Down for Active and Inactive Deposits

A NEW PLAN for depositing state funds in banks has gone into effect in Missouri. Its provisions are designed to give all commercial banks in the state an opportunity to become depositories.

The plan's basic concept was developed by the Missouri Bankers Association's general counsel, Sam Overfelt, and a special association subcommittee. The plan was filed late in January with Missouri Secretary of State James C. Kirkpatrick by Treasurer William E. Robinson.

Although the MBA helped formulate the new plan, the MBA's president, James F. Martin Jr., executive vice president, Bank of Lee's Summit, disagrees with the provision that in determining depositories, the state treasurer also will take into consideration such items as Missouri Municipals, Public Housing Authority bonds and ratio of loans to deposits of individual banks.

"We felt this added an unneeded factor," said Mr. Martin, "since most banks already are heavily loaned and most of these loans are bound to be in their immediate communities."

Christopher "Kit" Bond, new auditor for Missouri, also has taken exception to this provision. According to Mr. Bond, "Considerations such as the participation of banks in community affairs and ecological projects reintroduces a broad discretionary authority to allocate funds among banks not in proportion to the guidelines to the plan. Those matters are properly legislative matters and to interject considerations of that nature in the process of handling bank deposits only complicates the selection process and removes the objective standards without compensating gains."

This particular provision was inspired by the so-called "Stevenson Plan" in neighboring Illinois. The latter plan was inaugurated in 1968 in Illinois when Adlai E. Stevenson III, now a U. S. senator, was Illinois state treasurer. It allocates state funds in part on the basis of a bank's lending role in community development. However, the new Illinois treasurer, Alan J. Dixon, is now in the process of revising this linked-deposit plan. In fact, Mr. Dixon has invited the state's bankers to suggest factors that might be considered in allocating state funds.

The new Missouri plan contains criteria for placing active and inactive state funds.

Under the plan, active state money is to be placed with three state or national banks by the state treasurer. These banks must be FDIC members, and they must make all collections for the state without cost to the state or compensation to the banks.

One of these banks is to be located in the state capital, Jefferson City, and one each in Greater St. Louis and Greater Kansas City.

For deposits of inactive state funds, the plan provides that the state treasurer have not less than 300 banks as depositories. Banks designated as depositories must pay interest to the state at the rate set by state statute—½% below the average Treasury bill rate for the preceding calendar quarter.

The state treasurer, before choosing depositories, must notify each bank in the state on the first Monday of July of each year and at other times at his discretion as to the date on which he will receive sealed bids for deposits of state funds under his control. The banks then must send in their bids within 10 days after these notices have been sent.

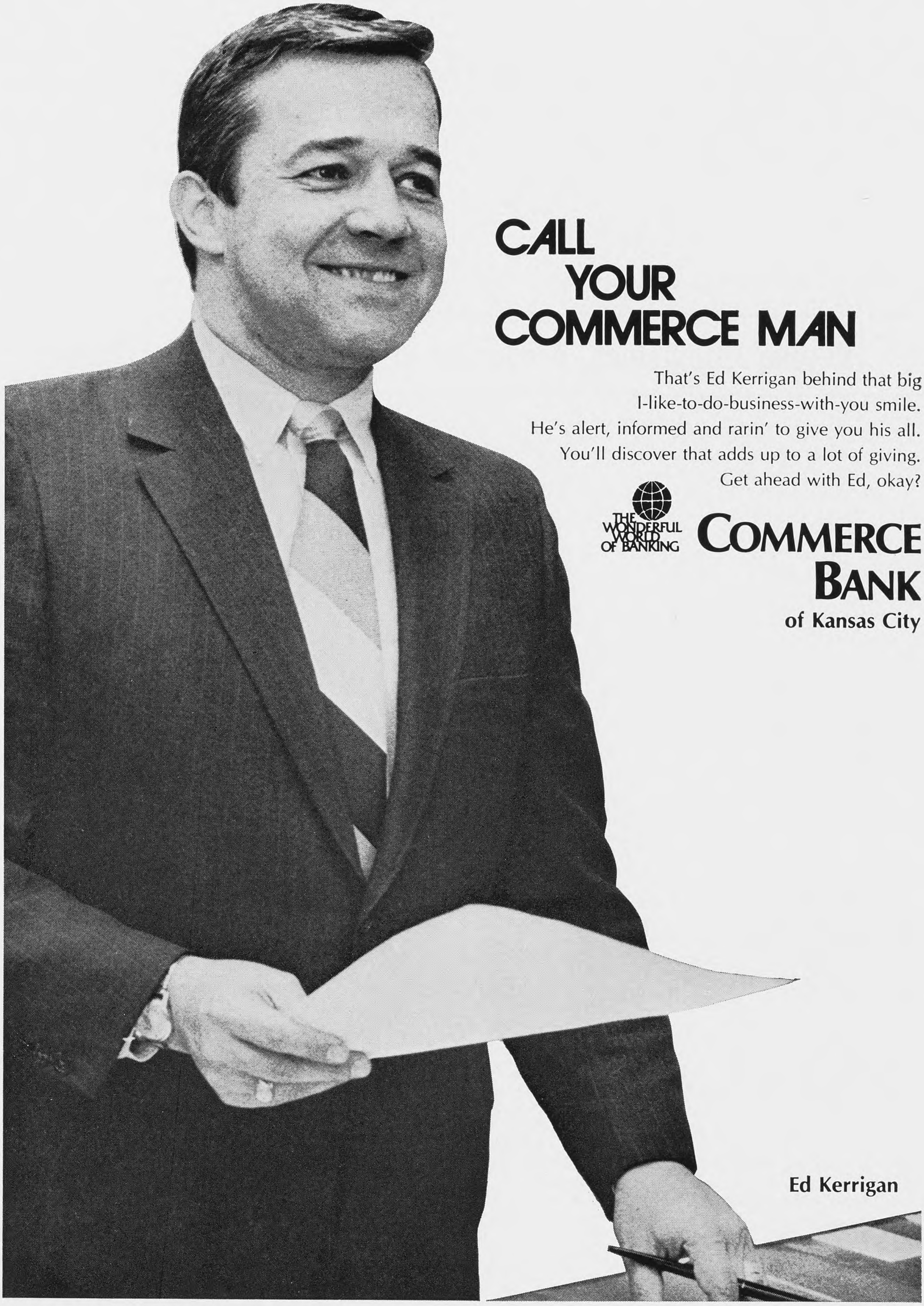
The term "sealed bids" actually refers to sealed applications for state funds, MBA Executive Manager Felix LeGrand pointed out. The term does not mean competitive bidding, he emphasized, because interest on state funds will continue to be paid at the rate set by law.

Each proposal from a bank must state the amount of inactive state funds the bank wants to handle, the length of time it wants to handle the funds and the security to be provided for protection of the state. In no case, however, can a bank be eligible for a deposit of inactive state funds in excess of 100% of its paid-in capital, surplus and undivided profits. Also, no bank is to receive a deposit or have at any time an aggregate of inactive funds totaling more than $2 million.

Before approving any banks (within 15 days after the deadline set for receipt of the "bids"), the treasurer must obtain the last official statement of resources and liabilities of each bank applying for deposits. These statements must be the same ones the banks reported to the Comptroller of the Currency or the Missouri Department of Finance. After selections are made, the treasurer must notify each bank that applied as to whether it was approved or rejected.

On or before the first Monday of each month, each depository must render to the treasurer a statement in duplicate showing separately the daily balances or amounts of state money held by the bank during the preceding calendar month and the amounts of interest accrued on these deposits. One copy of this statement is to go to the state treasurer and the other to the state auditor.

Each depository must, in writing, swear that it has not paid fees or any other emoluments to any public official to get these state funds or to be desig-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Under the plan, all accounts of state departments and agencies that are collected for the state for transmittal to the state treasurer are to be forwarded promptly by the depositor bank to the treasurer. In no event, can any department or agency funds be held by any bank for more than 14 calendar days before such transmittal unless the treasurer requires more frequent transmittals.

All proposals are to be filed in the state treasurer's office and are to be available for public inspection. The treasurer also is to maintain a current list of banks approved as state depositories and the amount currently on deposit with each bank. This list also is to be available to the public. In addition, the governor and auditor are to receive copies of revised lists.

Although MBA President Martin took exception to the one provision in the new plan, he said that—over-all—the association believes the plan is more definitive than legislation could be and, at the same time, not conflict with the Missouri Constitution. He said the MBA hopes this procedure will take allocation of state funds out of the political arena, where it has no business being, and that it will give all banks that want state funds and believe they can put them to good use in serving their communities equal opportunity to obtain such funds.

Auditor Bond, in commenting on the new plan, pointed out that under the Missouri Constitution and statutes, the treasurer has, initially, the uncontrolled discretion as to which banks are selected as state depositories. The laws also provide, he continued, that these selections must be approved by both the governor and state auditor before any deposits can be put into the banks so

(Continued on page 77)

Holding Companies, Branching in State Legislative News

A BILL TO allow formation of multibank holding companies in Indiana is being studied by the state legislature's Financial Institutions Committee, but its chances of getting out of that committee are "minimal," according to the bill's sponsor, Representative H. Jack Mullendore, Franklin Republican and chairman of the committee. Philip H. Willkie, one of the most outspoken opponents to the bill—HB 1582—told MID-CONTINENT BANKER he believes the bill is dead, but that he will take his fight against holding companies to the Independent Bankers Association of America and hopes to make it a national banking issue. Mr. Willkie is an attorney and chairman of Rushville National.

Another bill still before Representative Mullendore's committee is HB 1583, which would permit banks to establish branches in counties where principal offices are located without regard to population, mileage or home office protection. The principal feature of this bill is elimination of home office protection. In other words, the bill would permit a bank to establish a branch in another town that already has a main office of a bank. This bill does *not* permit branching beyond county lines.

The Indiana Bankers Association opposes both bills.

In speaking against the HC bill, Mr. Willkie said that its passage would reduce the number of banks doing business in Indiana, these firms would sharply reduce the number of banks where people can borrow and statewide bank holding company chains have "fantastic political power over the state legislature, members of Congress and the governor's office in Oregon and in the other states which have bank holding company chains."

He said proponents of the bill cited antitrust laws as deterrents to monopoly banking, but pointed out that such laws had not stopped monopoly banking in New York, Pennsylvania, California, Oregon and other states. He then said Illinois, a unit-banking state, has had the greatest growth of banking resources of any state in the country.

The bill is backed by William N. Salin, former Indiana secretary of state, who is said to be lobbying for several major banks, and Professor Emanuel T. Weiler of the Krannert Graduate School of Business.

Professor Weiler said he believes lifting of the HC ban would "make it possible for small communities to have stronger banks" and that such legislation is important to vigorous competition among banks.

Mr. Salin termed the bill desirable because "the public should have the benefit of innovation and efficiency in banking," and some smaller banks now do not have adequate management and some need additional capital.

Holding companies and branching also are issues in two other Mid-Continent-area states.

In Kansas, there is a proposal to repeal the state's law against formation of holding companies and to extend present limitations on bank facilities. HB 1273—endorsed by the Committee for Better Banking Service—would permit banks to have additional facilities under certain circumstances and to offer more services at facilities. Under the proposal, a bank would be able to open a facility in a town without a bank in its own county.

Another bill before the Kansas legislature would permit a bank to have two detached teller facilities within city limits. Present law allows only one facility, which must be within 2,600 feet of the main building.

In New Mexico, a bill to allow statewide branching has been introduced by State Senator Edmundo Delgado, a Santa Fe Democrat. He is chairman of the Senate Corporations and Banks Committee, which began holding hearings on the proposed bill February 16. The state now has limited branching.

The Independent Bankers Association of New Mexico, led by its president, G. K. Brashar, opposes the bill. He is president, First National of Rio Arriba, Espanola. The IBA has released a 97-page study of the effects of unlimited branching.

Uniform consumer credit codes are in the news in Indiana and Missouri. The Indiana Senate passed, 46-0, a modified version of the Uniform Consumer Credit Code.

The Missouri version of the code (SB 143)—introduced last month—contains two provisions important to banking: One is the 30-day waiting period for claims against the seller, after which the holder-in-due-course doctrine becomes effective. The other—called the "Brick Wall Amendment"—would prohibit retail establishments from making direct consumer loans at locations where merchandise is sold. The bill also provides a maximum loan-finance charge of up to 30% a year on an unpaid balance of $300 or less.

In other proposed Missouri legislation, a bill has been introduced that would make persons with savings accounts in S&Ls subject to the same 4% intangible tax as banks' savings depositors. In addition, there are two facility bills—one would increase the distance a facility may be located from the main bank from the present 1,000 yards to 3,500 yards and would provide increased services. The other would allow more than one facility in cities of 30,000 or more population, would allow an increase in services and would increase the distance to 5,000 yards.

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Proposed Holding Company Amendments Issued by Federal Reserve Board

THE FEDERAL Reserve Board late in January issued its proposed amendments to the new bank holding company law passed late in 1970. Examination of these guidelines for bank holding company acquisitions shows that the Fed took a rigid stance in drawing them up.

In fact, banking's long-time opponent, Representative Wright Patman (D.,Tex.), chairman of the House Banking and Currency Committee, said, "It's to the Reserve Board's credit that a number of the rules show plainly that the board recognized the close relationship of the new amendments to the original Bank Holding Company Act of 1956." However, he added that he is convinced the Fed will tighten its proposals even more "after hearing testimony and relating the actual facts to the law as passed by Congress."

The FRB set a deadline of February 26 for comments on the proposals and was to hold public hearings sometime after that date.

At press time, it was learned that the FRB had published registration statements as a step toward bringing under its supervision about 1,100 one-bank holding companies. These registration statements must be completed and returned to the Fed by June 29. They will provide the first accurate census of the firms, some of which have been in existence since early in this century.

The Fed's regulations would implement the 1970 law that brought one-bank holding companies under Fed supervision and gave that agency sweeping new powers to set standards for expansion of holding companies. The law limits such firms to bank-related activities. Legally, the law is designated as the Bank Holding Company Act of 1956 as amended by the Bank Holding Company Act Amendments of 1970. As a result of its passage, *all* bank holding companies must now operate under the Fed's supervision and regulation.

According to the 10 regulations drawn up by the FRB, a holding company would be permitted to:

- Act as insurance agent or broker, principally in connection with extension of credit by the holding company or any of its subsidiaries.
- Serve as insurer for the holding company and its subsidiaries or with respect to insurance sold by the holding company or any of its subsidiaries as agent or broker.
- Provide bookkeeping or data processing services for the holding company and its subsidiaries, other financial institutions or others, provided that the value of services performed by the company for such persons is not a principal portion of the total value of all such services performed.
- Make equity investments in community rehabilitation and developmental corporations engaged in providing housing and employment opportunities for low- and moderate-income persons.
- Lease personal property where the initial lease provides for payment of rentals that will reimburse the lessor for the full purchase price of the property.
- Make loans for the firm's own account or for the account of others, including operations as a mortgage finance or factoring company.
- Operate as an industrial bank.
- Service loans.
- Act as fiduciary.
- Act as investment or financial adviser.

The Fed also indicated that it expects to "consider additional activities for inclusion in the regulations from time to time and will consider submissions after the initial regulatory amendments are adopted."

The proposals generally seem to adopt the so-called "laundry list" types of businesses such as general insurance, travel agencies and most types of data processing firms that were specifically prohibited to one-bank holding companies in the House version of the new bill. This list was left out of the final version, but Mr. Patman and others have maintained that most of these activities are still prohibited.

Alfred Hayes, president of the Federal Reserve Bank of New York, said that although it's up to the FRB to decide initially what activities bank holding firms can take part in, final determination probably will be made by the courts. He told the midwinter meeting of the New York State Bankers Association that "court review and determination are likely to occur not only" because of appeals by turned-down applicants, but also because "the new law contains a provision which grants competitors of bank affiliates a clear right of standing before the board and the courts to challenge applications."

He added that, whatever the case, the recent amendments "ended any threat of eroding the barriers separating banks from industry." • •

New HC Law May Result in Switchover to Multibank Status for New York Banks

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SEVERAL NEW YORK CITY one-bank holding companies are planning to convert to multibank status as a result of passage of the 1970 Bank Holding Company Bill. The act placed one-bank holding companies under the same restrictions as multibank holding firms.

First National City Corp., which owns First National City Bank, last month announced plans to become a multibank holding company through formation of a new, nationally chartered bank in Long Island's Suffolk County. The proposed bank, to be called Citibank, would be located in North Bayshore, N. Y. An official of First National City Bank said that, if approved, the new bank would be operated on a one-office basis "until we see how it goes." Later, it might open branches in other areas of the county.

Citicorp. also is said to be considering expanding into other banking areas, such as Rockland County near the New Jersey border, but a spokesman indicated the firm would "have to wait" before making this decision.

Two other large New York banks also are looking at the Suffolk and Rockland banking markets. Chase Manhattan Corp., which owns Chase Manhattan Bank, will seek permission to form a new bank on Long Island—in Garden City, Nassau County. It will be called Chase Manhattan Bank of Long Island. Chemical New York Corp., owner of Chemical Bank, has announced plans to become a multibank holding company. It previously announced plans to acquire Tappan Zee National, Nyack, N. Y. (Rockland County), and Eastern National in Suffolk County.

The switch-over to multibank holding company status in New York State could open the way to state-wide branching for banks. William T. Denzer Jr., state superintendent of banking, recently called for legislation that would allow such branching after a four-to-five-year waiting period. At present, banks basically are prohibited from branching or merging outside their home banking districts. If permissive legislation is passed, subsidiary banks of holding firms could be merged into one large bank. • •

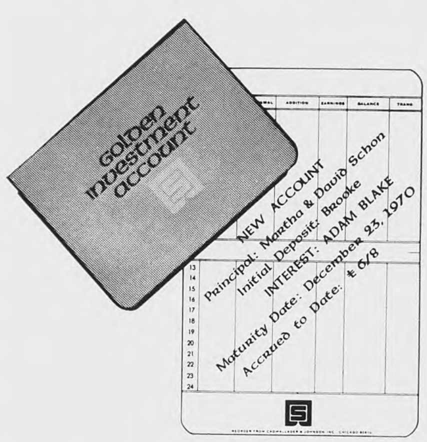
Income-Tax Service Available At Three St. Louis Banks

ST. LOUIS—American National, Brentwood Bank and City Bank said they are the first in the area to offer an income-tax preparation service for personal tax returns.

The service is available to the general public, as well as bank customers, and operates on a confidential interview basis. Each bank has trained a staff of income-tax interviewers, who schedule most appointments after banking hours.

Once the information has been compiled by the interviewer, it is submitted on a form as input for an automatic computer print-out. The computer does the final tax calculation, decides on the best method of filing and produces the finished return.

Announcing a Grandson!



A proud grandfather recently used one of his "Golden Investment Account" passbooks to announce the birth of his first grandson. It was, obviously, a "golden occasion," and the beaming grandfather announced that "accrual to date" on the account amounted to £6/8 (sterling). This unusual announcement came from Bert Schon, president of Cadwallader & Johnson of Chicago, one of the nation's largest manufacturers of passbooks. The announcement (see illustration) appeared to be one of the company's actual assignments until opened. Golden Passbook accounts are well known to bankers around the country. First National City of New York just recently found a new use for that type of account. It is being offered as "sweepstakes" prizes in a new business program.

City National to Build New Quarters In Heart of Downtown Kansas City

R. CROSBY KEMPER JR.
President & CEO
City National, Kansas City

CITY NATIONAL of Kansas City has announced it will construct new quarters in the heart of the downtown area, one block from its present quarters. The announcement was made by R. Crosby Kemper Jr., president and chief executive officer.

The site of the bank's new building formerly housed the Emery, Bird, Thayer retail department store and has been vacant for more than two years. Recent surveys have indicated that the property is one of the most strategic in the over-all plans to revitalize the downtown area of Kansas City.

Mr. Kemper originally investigated and purchased the site as a personal investment. Five internationally known architects from Michigan, New York and Los Angeles were invited to Kansas City to survey the site together with the bank's existing quarters. They made recommendations regarding the feasibility of changing the bank's location.

At that time, it was decided to use existing space in the old Title Building, which the bank purchased in 1967. However, due to the rapid growth of the bank and the parent holding company, Missouri Bancshares, Inc., it became evident that present facilities would not accommodate the long-range requirements of both the bank and holding company.

City National directors then approved the old Emery, Bird, Thayer site as a new headquarters for the bank and accepted the assignment of Mr. Kemper's rights under his purchase agreement.

Additional properties immediately adjacent to the existing building have been purchased and preliminary plans indicate the bank will have about 60,000 square feet per floor in its new facility. On-site parking will be included and additional office rental space will be made available to other tenants.

At this time, it is not known how many stories the building will have and selection of the architect will be announced at a later date.

Mr. Kemper said that since the purchase of the new site was announced he has received several inquiries from major retail outlets, headquartered outside the city, expressing an interest in downtown Kansas City.

He stated, ". . . Other firms now appear eager to consider Kansas City as a possible site for future expansion. . . . Our board's decision to construct a building of major significance just may be the catalyst to produce the impetus needed to get downtown going again." • •

What Steps Should a Banker Take When He Considers Automation?

By ERNEST K. HOLLON

Executive Vice President
Citizens Bank
Wetumpka, Ala.

THE FIRST THING you need to ask when you consider automating is, "Why automate?" Are you going to automate because your correspondent recommends it? Are you going to automate because a banker friend says it's the thing to do? Of course, such reasons are not necessarily good reasons for automating. I think you should ask yourself, "Would my bank operate better and more *profitably* by automating?"

Somewhere along the line, it will become profitable for a bank to automate, just as we reached a point some years ago when it became profitable for all of us to start using some type of bookkeeping machine rather than continuing to hand post with pen and ink. Can you imagine the work force it would take today to handle transactions in our banking system with pen and ink? I think it would be just that difficult in the near future to handle the tremendous number of transactions without computers.

However, before deciding to automate, find out if it would cost more now than your present system does. Run a *cost analysis* on your present system compared to the cost of a computer. Your correspondent probably will help if asked.

If you are the executive officer of your bank, you should convince yourself that it is time to automate. If you are not the executive officer, you should try to convince the executive officer that the bank should be automated. If management is not fully convinced, the situation more than likely will be handled in a slipshod manner, and you'll have problems. In addition, convince the *board of directors.* Your directors might not be too active in the operations of the bank; therefore, you might think it's not necessary for them to understand anything about the system, just give their OK. But these men can, unknowingly, seriously undermine an automation program if they don't understand it and if they are not sold on it. For example, a director might say to a friend, "We have put our bookkeeping at the bank on a computer, but I don't really like it." (You see, he doesn't understand it.) Then this negative attitude starts snowballing.

Also, *convince the staff* that it is the thing to do. If you have a staff member who rebels against change, then you probably would do well to replace that staff member. He can cause trouble. Can you imagine how much trouble a teller can cause if she tells a customer, "Oh, they've installed this aggravating automation system and now you've got to keep up with numbered checks and deposit tickets." Or the bookkeeper telling a customer over the phone, "You are going to *have* to use checks with your account number on them or the computer won't take them."

A convinced staff and a convinced board can convince the public that automation is good for them.

When you decide it would be a good thing for your bank to automate, then determine which function should be automated first. Don't shoot all barrels at once. It's doubtful your staff can efficiently handle this much transition at one time. Determine if it would be more practical to convert savings, loans, demand deposits or some other function first and in which order the others will follow.

After you determine which function will be converted first (or next in case you have already converted some other function), decide *when* the transition should take place.

This should be determined in relation to your present system. Are your machines and personnel adequate to operate until you have time to get a program set up and the people educated? Some banks find themselves with worn-out bookkeeping machines that force them into crash programs. This is bad. If at all possible, start your planning early enough so this does not happen.

One of the first things to do to set up the program is number your accounts. This doesn't interfere with the operation of your present system at all. Then start educating the public. Notice I said public—not just your customers. You want everybody to know that you are updating your operation. Don't be bashful about it. This is not something you try to slip by the people but rather something on which to capitalize. People respect you for being a leader in the community; therefore, they expect you to come up with new ideas and to keep abreast of the changes that are constantly taking place. I think that too often we are afraid that people are opposed to change and they will get the idea that they are just numbers *if* we automate. Ever since some banks started numbering accounts several years ago, some bankers have been saying that in their banks they want customers to be persons, not numbers. This is a fallacy. Why not tell the customer that you are going to let a machine do the detail work so you will have more time to handle his personal affairs? If we educate the people properly concerning automation, we can convince them that their accounts will be handled more efficiently and accurately under this system. As long as we are handling a man's money, he wants to be assured that we are handling it efficiently and accurately. When you convince him of this, he will accept the change. Remember, people are accustomed to computers and automation. They are no longer afraid of them. You can actually pick up new accounts by letting people know that you run a modern banking operation.

How do you educate the public? In the case of demand accounts, you need to decide what method you will use to get numbered check books and deposit slips into the hands of your present customers. We won't go into detail on this. There are different ways and you can discuss it with your correspondent and/or your check suppliers. Get numbered check books and deposit slips into their hands and explain to them why, the importance of and the benefits to them. They are not interested in anything that is merely a benefit to banks, but explain that it benefits them and it does. Use statement stuffers and newspaper ads and articles, (in smaller towns, local newspapers will put articles on the front pages. This is free and some of the best advertising you can do) radio and TV commercials and roadside billboards if you utilize any of this type advertising. Another good opportunity is to make talks to your local civic clubs on this subject. Remember, the civic club members are the leaders in your community. If you sell them on the idea, they will be talking to other people and the people will listen to them.

After getting your customers to use encoded items, keep a check to make sure you reach a predetermined percentage of encoded items being used by the transition date. It is better to delay the transition date than to make the transition with the encoded item percentage too low. Let me give you a word of warning here. On your present system—if you are not already automated—you are probably issuing duplicate deposit slips as receipts. As soon as you start your customers using encoded items, *do not* issue duplicate deposit tickets as receipts unless requested. Use a receipt form instead. Even issue a receipt form along with a duplicate deposit slip when you have to give a duplicate. This will get a customer accustomed to the receipt and chances are he finally will abandon the duplicate-deposit requirement. The problem with issuing duplicate deposit slips only as receipts is that the customer will determine that you have these slips readily available and will begin asking the teller to make one of these out for him instead of bringing his numbered one.

Before making the actual transition, be sure the staff is ready for it, that they are familiar with what is going to take place. Have your bookkeepers trained to handle the program and above all, have *one* person in charge of the operation. If this is you and you devote all of your time to operations—fine. But if you spend part of your time making loans or performing some other function, then you would do well to name someone under you to be primarily responsible. Let everybody know who this supervisor is so they will know to whom they are accountable and to whom to go with their questions—and there will be some.

If the foregoing things are done, the actual transition should go smoothly and there should be no need for parallel posting.

More than likely, you will experience a drop in the encoded-item usage after the initial supply of checks that you sent out is used up. Why? Because instead of sending in order blanks for more checks, some people are going to reach back in the drawer and pull out those old unencoded check books that you asked them to throw away. You need to keep this to a minimum, however, by continuing to educate the public.

Another important thing: After the program is operating smoothly, don't allow personnel turnover to put inexperienced employees in charge.

To summarize, let me give you some of the main points: 1. Answer the question "Why automate?" 2. Convince yourself and management that this is the thing to do. 3. Convince the board. 4. Convince the staff. 5. Decide when the transition will take place. 6. Number your accounts. 7. Start a public education program.

8. Vigorously promote automation. 9. Reach the required percentage of encoded item usage before making the transition. 10. Be sure the staff is ready for the transition. 11. Have one person in charge of the program. 12. Make the transition. 13. Continue public education. 14. If at all possible, keep experienced personnel handling the program. • •

First American Nat'l to Build Tower As Part of Nashville Urban Renewal

ARTIST'S SKETCH shows First American National's new banking complex—a four-story banking center and a 28-story office tower. The open plazas with fountains and plantings are features of Nashville's urban renewal program.

FIRST AMERICAN NATIONAL of Nashville has announced plans to build a multimillion-dollar banking center and office tower complex on the full city block it is rebuilding as part of Nashville's Central City Redevelopment Program. The block is the location of First American's original offices and the current home office.

The new complex will include two interlocking structures—a four-story, low-rise building to house the main banking center and a 28-story office tower.

Nashville's urban renewal plan calls for redevelopment of square block areas by individual developers, including widening of streets to create broad thoroughfares.

First American's building project is the largest single development undertaken in the first phase of the redevelopment program. The design of the project conforms with guidelines set forth in the urban renewal plan. One of the guidelines is that 25% of the total site must be open space with plazas, fountains and plantings.

Initial planning for a new First American banking center began several years ago. The original concept for expansion was to remodel the exterior of the existing facility and to build a new structure adjacent to it.

The original idea was dropped when the urban renewal plan was adopted and First American agreed to be the redeveloper of the entire block.

Financing of the project will be a joint venture of First American and Equitable Life Assurance Society. John Charles Wheeler & Associates, Inc., Nashville, is the architect.

The gross building area of the banking facility, office tower and substructure (including parking) will be about 806,000 square feet.

The 80-foot, low-rise banking center will be faced with textured concrete and will have windows glazed with bronze glass. A landscaped entrance plaza will be located to the west of the banking center and drive-in banking tellers to the east.

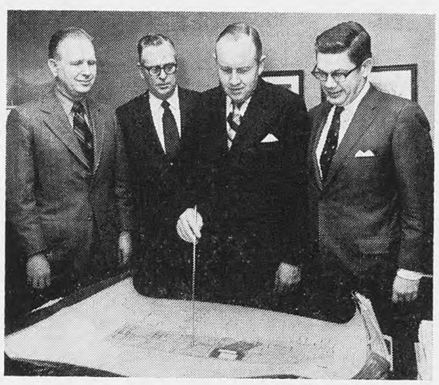
The first two floors of the center will provide a high-ceilinged main banking room enclosed on all four sides by glass walls. The upper two floors will house an employee cafeteria, auditorium, data processing center, offices and general work areas.

The 354-foot office tower will be of steel-frame construction with dark bronze aluminum trim, bronze plate glass and precast concrete masonry. In addition to the banking center, First American also will occupy seven floors in the tower. The bank center floors and corresponding floors in the tower will connect to form large open areas for banking operations. All additional space in the office tower will be rented for office and commercial use.

Beneath the First American development, there will be a two-level basement. This area will house vaults, storage and a parking facility.

Demolition of existing structures on the site, with the exception of the present First American building, began in January and is expected to be completed in April. It will then take from 24 to 28 months to complete construction of the entire development.

First American plans to transfer to the new facility three or four months before completion of the tower. At that time, the present bank building will be demolished and the site will be turned into a plaza with trees, shrubs and fountains. • •



OFFICIALS of First American National review architectural plans for the bank's new building complex. From left are: William F. Greenwood, v.ch.; John Charles Wheeler, architect; Andrew Benedict, ch.; and T. Scott Fillebrown, pres.

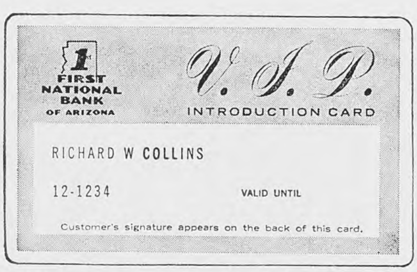
...now, a statement from Arizona's oldest bank

Statement of Financial Condition

ASSETS	December 31 1970
Cash and due from banks	$ 107,451,352
Investment securities:	
U.S. Treasury securities	69,691,005
Securities of other U.S. Government agencies and corporations	28,295,167
Obligations of states and political subdivisions	149,134,279
Other securities	1,366,844
Total Investment Securities	248,487,295
Trading account securities	1,331,157
Loans	632,335,313
Bank premises and equipment	22,644,323
Other assets	18,440,913
TOTAL ASSETS	**$1,030,690,353**

LIABILITIES	December 31 1970
Deposits:	
Demand deposits	$ 372,620,145
Savings deposits	246,783,730
Time deposits	311,071,972
Total Deposits	930,475,847
Other liabilities	30,360,038
TOTAL LIABILITIES	960,835,885
RESERVE FOR LOAN LOSSES	8,619,698
CAPITAL	
Capital notes	12,000,000
Equity capital:	
Capital stock	12,524,570
Surplus	27,475,430
Undivided profits	9,234,770
Total Equity Capital	49,234,770
TOTAL CAPITAL	61,234,770
TOTAL LIABILITIES, RESERVE AND CAPITAL	**$1,030,690,353**

And here's check-cashing convenience you can offer to your banking customers when they visit Arizona.



With your recommendation, we'll be happy to issue our exclusive V.I.P. check-cashing card to any of your customers who are going to be in Arizona for business or pleasure.

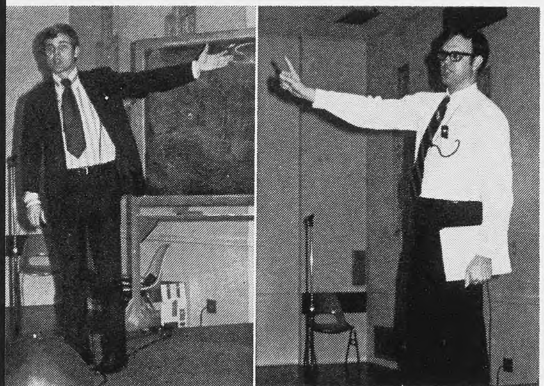
Upon presentation of the card at any of our 96 offices statewide, your customer's personal check on your bank will be honored up to $500.00. No other identification will be required.

Just write and tell us when your customer will arrive in Arizona and how long he intends to stay. We'll be pleased to send our V.I.P. card to you for presentation to your customer.

Write to:
National Accounts Department
First National Bank of Arizona
411 North Central Avenue
Phoenix, Arizona 85004

1st
FIRST NATIONAL BANK OF ARIZONA
MEMBER F.D.I.C. • FEDERAL RESERVE SYSTEM

Allocation of State Funds Discussed At MBA's Bank Management Conference



Dave Schmidt (l.) and Allan J. Hurst of Lawrence-Leiter & Co., Kansas City, conduct a seminar to create a deeper understanding of the forces that move and control human behavior and how they affect management and salesmanship.

ABOVE: Smith W. Brookhart III (l.), v.p.-cash., Peoples Bank, Branson, and Lawrence P. Quigley, a.v.p., First Nat'l, St. Louis, conduct a special-interest session—"Profits and Growth Must Be Planned." BELOW: Boatmen's Nat'l officers Lee W. McNorton (l.), Harold H. Smith (2nd from r.) and H. Parker Smith (r.), welcome Willis W. Alexander, ABA exec. v.p., to Boatmen's traditional breakfast held during the conference. Mr. Alexander, a native of Missouri, is also pres. of Trenton (Mo.) Trust.

LAKE OF THE OZARKS, MO.—A new procedure for allocation of state funds for deposit in Missouri banks was a topic of chief concern for Missouri bankers as they met here last month for their annual Bank Management Conference.

MBA President James F. Martin Jr. revealed to bankers present some of the research that went into the new administrative order issued recently by State Treasurer William Robinson. (See feature article beginning on page 62 of this issue for full details on the new procedure.)

Mr. Martin, who is executive vice president of the Bank of Lee's Summit, pointed out that shortly after MBA group meetings were held last fall a special legislative subcommittee was appointed to research this subject. The committee was instructed to work with Sam Overfelt, MBA general counsel, and to research laws of other states and to draft proposed legislation.

As study progressed, he said, it became clear to the subcommittee and to other officials of the MBA that what was needed was not a change in the law but an administrative procedure that could be easily understood and followed. Fortunately, he said, Treasurer Robinson had been doing some research of his own and had come to a similar conclusion.

As a result, a proposed administrative order was drafted by MBA Counsel Overfelt. This proposal was circulated widely in Jefferson City among leaders of both political parties, legislative leaders and knowledgeable members of the press. From this draft, said Mr. Martin, came the ultimate order issued by Treasurer Robinson.

"We feel strongly," said Mr. Martin, "that this administrative order is much more definitive than legislation could ever be, without at the same time being in conflict with the Missouri Constitution. We believe it represents a giant step toward removing the handling of state funds from the arena of politics."

Other speakers to follow Mr. Martin were introduced by Conference Chairman Robert P. Corbett, president of Wornall Bank, Kansas City.

Following Mr. Martin's comments, Allan J. Hurst and David L. Schmidt of the management consultant firm of Lawrence-Leiter & Co., Kansas City, presented a seminar on human behavior and leadership.

They suggested that leadership is based on skill and understanding in dealing with others. A leader has to keep communication channels clear, build a positive self-image, take an active interest in people and not expect praise.

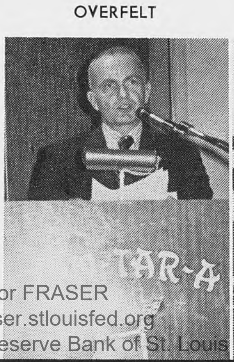
The seminar emphasized that leadership begins with the understanding of what motivates people. Four unconscious drives that directly motivate human behavior are the drives for life and self-preservation, romance, self-esteem and self-realization. The true measure of leadership is the capacity of an individual to be sensitive and understanding of these basic drives in others.

The speakers said that the ability to predict human behavior comes with recognizing and dealing with people as they are. All human beings fall into three temperament classes (introvert, extrovert and ambivert) and an ability to size up temperament qualities can give direct clues as to how people will behave and react toward others.

Later in the program, General Counsel Sam Overfelt discussed the state

A modern-day version of the "Four Horsemen" discusses the outlook for interest rates and the bond market. Left to right are Byron G. Thompson, sr. v.p., City Nat'l, Kansas City; Frank K. Spinner, v.p., First Nat'l, St. Louis; Richard J. Mersinger, sr. v.p., Mercantile Trust, St. Louis; and William F. Enright Jr., sr. v.p., American Nat'l, St. Joseph.

OVERFELT



LEONARD

ALEXANDER

LOCKOM

legislative scene. He said the current 76th General Assembly is struggling to find solutions to the fiscal problems of the state and to the explosive issue of reapportionment.

The principal banking issues in this session of the legislature are, according to Mr. Overfelt: a proposed recodification of the savings and loan law and of the credit union law, equal taxation of state-chartered and nationally chartered banks; changes in the intangible tax law, uniform consumer credit code, facility legislation, trust legislation and holding company legislation.

"A Case Study on Decision Making" was conducted as an extracurricular activity by Frank L. Victor, vice president, Grand Avenue Bank, Kansas City, and Paul De Bacco, director of personnel and organization development, Hallmark Cards, Inc., Kansas City. They outlined the steps in decision making as: 1. Define the objective (what is the problem?). 2. Gather and analyze the relevant data (include opinions of others). 3. Explore the alternatives. 4. Consider the consequences of each alternative. 5. Make the decision and follow it through.

In a speech entitled "The Way It Looks Today," Willis W. Alexander, ABA executive vice president, expressed concern that the Presidential Commission on Financial Institutions is narrowing its concern to housing, which will lead to how the S&L industry can become more viable.

"The year 1970 was a recession year, and 1971 is going to be a year of recovery," was the prediction of Eugene A. Leonard, assistant secretary, Board of Governors, Federal Reserve System. Mr. Leonard predicted a 7% increase in GNP—3% real growth and 4% attributed to inflation. He expects unemployment to get worse before it gets better.

Bill Lockom, senior vice president, Don Rowe Associates, Inc., Mineola, N. Y., spoke on unionization in banks. He pointed out that those leading the drive to unionize banks are using an emotional appeal. Their approach is to

Robert P. Corbett, conference chairman and president, Wornall Bank, Kansas City, presents prize to lucky winner at MBA bank management conference.

make employees feel they are not being treated fairly or decently. Mr. Lockom called on bankers to prepare and issue a statement of policy regarding employees, uniformly apply those policies and maintain upward and downward channels of communication. To the question, "Is unionism inevitable in banking?," Mr. Lockom replied with a resounding "no."

A modern-day version of the "Four Horsemen" made predictions on interest rates and the bond market. The panel consisted of Frank K. Spinner, vice president, First National, St. Louis; William F. Enright Jr., senior vice president, American National, St. Joseph; Richard J. Mersinger, senior vice president, Mercantile Trust, St. Louis; and Byron G. Thompson, senior vice president, City National, Kansas City. The majority of the panel believes the prime rate would drop again to the 5% to 5½% range sometime this year, possibly this summer. A majority also felt that the Fed's discount rate also would drop again to the 4¼% to 4¾% range.

All panel members advised bankers to stay in a "short position" with regard to the bond portfolio.

Cyril J. Jedlicka, banking counsel, Associated Credit Bureaus of America, Inc., Kansas City, spoke on the Fair Credit Reporting Act. He said that the basic provisions of the act are patterned after the practices and policies that credit bureaus have observed for years.

The act regulates the content and age of information in a credit report, who may obtain reports and usage of the information obtained, disclosure of this information to the consumer if credit is denied and penalties to those who do not act in compliance with the procedures outlined.

Mr. Jedlicka said the act covers not only consumer reports for the purpose of obtaining and extending credit, but also reports for insurance and employment purposes. (The Fair Credit Reporting Act will be explored more fully in the April issue of MID-CONTINENT BANKER.) • •

Major Reorganization

(Continued from page 5)

metropolitan department.

The personal banking department is headed by James W. Bergford, just named executive vice president. This department—working through the bank's network of 158 branches in New York City and Nassau and Westchester counties—serves primarily the banking needs of individual customers. Mr. Bergford was a senior vice president.

The corporate banking department is under the direction of Robert K. Schell, executive vice president, who had headed the U. S. department since 1969. The new department is to handle the bank's corporate wholesale business, serving companies in Greater New York as well as those headquartered elsewhere in the country. It includes the financing development and technical services group, which works with customers to assure that appropriate weight is given to technological factors in lending and financial counseling.

The bank also elected another new executive vice president, William S. Ogden, who is assuming expanded responsibilities in the international department, which underwent an extensive reorganization last year, similar in concept to the new reorganization for domestic banking. Under the former structure, Mr. Ogden had charge of the facilities and relationship management groups in the Western Hemisphere. In his new post, he has responsibility for managing all such groups in the international department as well as the bank's relationships with foreign governments and correspondents. He reports to Willard C. Butcher, executive vice president, who continues as the executive officer of the international department.

Mr. Bateman is responsible for the strategic planning and broad tactical direction of human resources activities, reporting directly to President Herbert P. Patterson. The new department, under Mr. Bateman's direction, will provide policy guidance, consultation, review and control and the required operational coordination for all areas of the bank. He was formerly a senior vice president in the U. S. department.

Missouri Plan

(Continued from page 64)

selected. The questions that have been raised in Missouri relate to the manner in which banks have been selected.

In this latter statement, Mr. Bond was referring to the issue that developed last summer in connection with the closing of the First State Bank of Bonne Terre, Mo. In the aftermath of the closing and as a result of a grand jury investigation, Treasurer Robinson was indicted on a charge of allegedly making personal profit out of depositing state funds.

"It is generally conceded that restoration of public confidence requires the establishment of some objective guidelines for bank selection," said Auditor Bond. He added that the promulgation of these plans is an encouraging sign and a step in the right direction. However, he also believes the new plan may require modifications to accomplish the generally recognized purposes.

Besides his comment on the provision that would consider banks' participation in community affairs, Mr. Bond suggested more specific criteria be developed for selection of the three banks to handle active accounts and, in the area of inactive accounts, Mr. Bond disagreed with the feature of the plan that allows the treasurer discretion to transfer money from one depository to another.

Mr. Bond says he believes every bank wishing to hold state funds and willing to post the collateral and pay the interest required by law should be permitted to do so, with even the smallest banks entitled to a minimum deposit.

MBA officials have indicated they agree with that objective and they hope the present plan will start Missouri on the road to accomplishing it.

"We made no pretense when we presented our proposed plan to government leaders for their comments that it was perfect," MBA President Martin pointed out in his remarks at the bank management conference in February. He said that perhaps the present plan can be improved upon in the future.

"But in the meantime," he added, "we believe this plan is far superior to anything that has been proposed to date and we hope sincerely that it will provide all banks who want state funds and feel they can put them to good use a means to obtain these funds." • •

BOARD ROOM NEWS

Promotions... Staff Changes... Financial Reports

Top-Management Changes Announced in February At First Nat'l of K.C.

KANSAS CITY—Four top-echelon changes took place last month at First National.

Barret S. Heddens Jr. moved up from president and chief executive officer to chairman of the board and CEO. As board chairman, he succeeded Taylor S. Abernathy, who continues as chairman of the executive committee. Edward L. Bittner advanced from executive vice president to vice chairman of the board, a post heretofore vacant. Gordon E. Wells, also formerly executive vice president, has been named president and chief administrative officer.


HEDDENS


ABERNATHY

Five new senior vice presidents and two new division heads were named. The senior vice presidents (all formerly vice presidents) are: Ivan J. Howard, Paul B. Rossan, Richard L. Moore, Ernest H. Sims and Willard G. Widder. Robert J. Wharton, senior vice president, was promoted to senior vice president in charge of the trust division, and William L. Atwood, senior vice president, was made senior vice president in charge of the investment division. Both appointments became effective March 1 following the retirement of Ford R. Nelson, who was officer in charge of the trust division.


WELLS


BITTNER

Among others promoted were W. Dudley Alexander, from trust officer to vice president and Robert G. Bowers, Alfred C. Huttig, A. L. Londerholm, William J. McKay, Owen A. Sloan, Thomas W. Boynton, Lewis C. Keene and James W. Tobin, from assistant cashiers to assistant vice presidents.

Mr. Abernathy, grandson of Colonel James L. Abernathy, one of the bank's founders, is the third generation of his family to serve the bank. His father, Harry T. Abernathy, also held top executive posts there. Taylor Abernathy has been a banker since 1915 and has been president as well as chairman and CEO. In his new post, he will continue to operate from the corner office overlooking 10th Street and Baltimore Avenue, which has been his headquarters for many years.

Mr. Heddens is a second-generation banker, following his father into First National's executive ranks at First National. The younger Mr. Heddens started in banking in 1949, joined First National in 1952, became president in 1961 and CEO in 1969.

Mr. Bittner has been with First National 45 years.

Mr. Wells joined the bank as a clerk in the trust division in 1952. He also is president of First National Charter Corp., the multi-bank holding company to which First National belongs.


MOORE WIDDER WHARTON SIMS ROSSAN HOWARD ATWOOD

Mason Named Chairman Of First of Fort Worth; Murray Kyger Retires

FORT WORTH—Paul Mason, chief executive officer and president of First National, also was named chairman of the board last month. In the latter post, he succeeded Murray Kyger, who reached the bank's normal retirement age last November. Mr. Kyger was appointed chairman of the executive committee and continues as a director. Karl T. Butz Jr., executive vice president, was elected to the bank's board.


MASON


KYGER


BUTZ

In other action, shareholders approved distribution of a 10% stock dividend that boosted capital from \$10 million to \$11 million. Surplus was raised from \$12 million to \$14 million.

Mr. Mason joined First National in January, 1962, as a vice president, became executive vice president and a director the following March, president in 1963 and CEO in January, 1970.

He went to First National from Robstown (Tex.) National, where he was president.

Mr. Kyger, a former president of the Association of Reserve City Bankers, has been with First National since 1941. He previously spent 13 years at Houston Land & Trust Co., where he was vice president and trust officer. He was elected a First National director in 1947, executive vice president in 1955, president in 1958, CEO in 1961 and CEO and chairman in 1963.

Mr. Butz had been with Bank of the Southwest, Houston, and Republic National, Dallas, before joining First National in March, 1970. He is on the faculty of the Southwestern Graduate School of Banking at Southern Methodist University, Dallas.

Worthen Bank, Little Rock, Promotes Wills, 6 Others

LITTLE ROCK—Worthen Bank has promoted seven officers, including the naming of R. J. Wills to senior vice president. Mr. Wills is a former manager of the bank's correspondent banking division and presently serves as manager of the commercial banking division. He joined the bank in 1947.

WILLS

Named vice president was Karl F. Zimmermann, who joined Worthen in 1968 and serves as manager of the personnel division.

Four new assistant vice presidents include B. Gene Staton, Jerome L. (Jerry) Straessle, George G. Worthen and Eugene Lee (Pete) Maris. Mr. Staton is assigned to the correspondent banking division and was formerly with First National, De Witt, Ark.

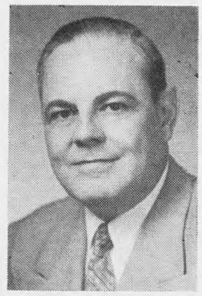
Lawrence E. Mobley was named marketing sales officer. Mr. Mobley was formerly with First National, Little Rock.

STATON

ZIMMERMANN

Abrams Retires; Eight Advance At National American Bank

SIBLEY



ABRAMS

CASTAGNA

KERN

NEW ORLEANS—One retirement and eight promotions were announced last month at National American Bank.

J. S. Abrams, senior vice president and a veteran of more than 50 years at the bank, retired. He was a past supervisor of branch operations.

Named vice presidents were Frank Castagna, Jack E. Kern Sr. and John M. Sibley Jr. P. Eston Fain Jr., Gerald J. Schwankhart and Ernest Taylor advanced to assistant vice presidents and George J. Cook and Thomas J. Lattie to assistant cashiers.

W. E. Tyer Retires

FORT WORTH—W. E. Tyer, vice president and commercial loan officer at Fort Worth National, retired January 29 after 47 years at the bank. He also was secretary of the Fort Worth National Corp., holding company that owns the bank, and secretary of the bank's board.

New Directors, Appointments Announced at Central Trust

CINCINNATI—Two new directors have been proposed and are being voted on at the annual shareholders' meeting March 9 at Central Trust. They are James A. D. Geier, president, Cincinnati Milacron, Inc., and Paul E. Brown, general manager, part owner and coach, Cincinnati Bengals.

Melvin R. Greiser, a director of the bank since 1950 and a member of the executive committee, is not standing for reelection under Central Trust's retirement policy. He is president, Carthage Mills, Inc. He has been proposed for election as a director emeritus and will remain on the board of Central Bancorp., registered bank holding company that is the parent of Central Trust.

The bank also announced promotions of William G. Snider and Fred R. Veith as senior trust officers and appointments of Charles R. Dorna as assistant trust officer and Ronald E. Zajack as assistant cashier.

Mississippi Bank Promotes 3

JACKSON—Mississippi Bank has promoted Miss Mary Lou Mashburn and W. H. "Bill" Deavenport to assistant vice presidents and has named Jim Anderson assistant cashier.

Miss Mashburn, formerly an assistant cashier, will be in charge of the credit department. She has been with the bank since 1963. Mr. Anderson is manager of the Leavell Woods Branch.

Liberty Nat'l Correspondent Div. Promotes Mrs. Blankenship

LOUISVILLE—Liberty National has promoted Mrs. Peggy S. Blankenship to assistant cashier and administrative assistant in the correspondent bank department.

BLANKENSHIP

An official of Liberty National said that she is the first woman to be promoted to the officer level by any correspondent bank department in Kentucky.

Mrs. Blankenship joined the bank in 1964 as an executive secretary.

American Nat'l Promotes Perius

CHICAGO—American National has appointed Merrill J. Perius an operations officer in the trust department. Mr. Perius joined the bank 12 years ago and has served as manager of the fee and stock transfer divisions.

In other action, the bank has elected John P. Gallagher, president of Chemetron Corp., to its board.

A St. Louis Appointment

ST. LOUIS—Robert McK. Jones has joined St. Louis Union Trust as a vice president. He comes from G. H. Walker & Co., Inc., St. Louis, where he also was a vice president. He previously was on St. Louis Union Trust's staff from 1959 to 1967.

Griswold, Grischy Get Posts At Commerce Bank of KC

KANSAS CITY—Commerce Bank has announced several staff changes, including the elections of Carl F. Griswold as senior vice president in charge of operations and Lee H. Grischy as vice president and trust investment officer in charge of the trust department's investment staff.

Mr. Griswold comes from the Federal Reserve Bank of Kansas City, where he was a vice president and which he joined in 1954. Mr. Grischy was formerly second vice president in the trust investment division of Winters National, Dayton, O.


GRISCHY


GRISWOLD

Also given new posts were: Don Dunaway, manager, methods department, Myron Edwards, Henry Levine, purchasing agent and general services manager, John E. Wilson, manager of systems and programs in EDP, and Leonard Tulipana, all to assistant vice presidents; Ralph Little, Mrs. Mary J. Misner and Mrs. Dorothy M. Wilson, to assistant cashiers; and Gerald Ralston, to operations officer.

Commerce Bancshares, Inc., Kansas City-based registered bank holding company, has reported consolidated net income for 1970 of $11.6 million, compared with $10.8 million in 1969.

Fidelity National Elects Exec. VP, 2 Senior VPs

BATON ROUGE—Fidelity National has elected Donald F. Gerald executive vice president and E. M. (Ned) Clark and James D. Cox Jr. senior vice presidents.

Mr. Gerald joined the bank in 1945 and has been an officer since 1956. Mr. Clark has been with the bank since 1959 and Mr. Cox since 1941. For the past 15 years, Mr. Cox has been vice president in charge of operations.


CLARK


COX


GERALD

Others promoted were: Sidney M. Longwell and Larry L. Redmond, assistant vice presidents; Robert J. J. Morris, assistant auditor; T. J. Manchester Jr. and William H. Penny, assistant cashiers; and Stanford A. Lapeyrolerie, data processing officer.

Sullivan Retires From Worthen

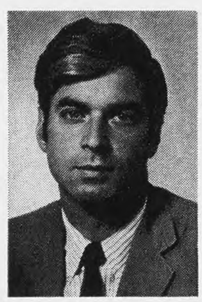
LITTLE ROCK—Dabbs Sullivan, vice chairman of Worthen Bank, retired on February 1. His commercial banking career began in 1956.


SULLIVAN

Mr. Sullivan was an investment banker for many years. When Bank of Arkansas was formed in 1956, he became its president and retained that post until the bank merged with Worthen in 1964. He then became Worthen's vice chairman.

First of St. Louis Reorganizes National Accounts Division


MILLER


FORD

ST. LOUIS—First National has reorganized its national accounts division, which will now have an eastern and a western division.

Richard F. Ford, vice president, will head the eastern division, which covers New England and the Middle Atlantic and southeastern states.

The western division, which covers the remainder of the nation, will be headed by Jefferson L. Miller, senior vice president.

Capital Boost Reported

BIRMINGHAM—Shareholders of First National have approved a $2-million stock dividend that boosted capital to $24 million. The bank also raised surplus to $31 million through transfer of $3 million from undivided profits.

Wells Fargo Bank Names Mullin AVP in Midwestern Division

SAN FRANCISCO—Wells Fargo Bank has promoted John H. Mullin to assistant vice president, Midwestern area of the national division. He joined the bank in 1968 and formerly was an area officer.


MULLIN

Mr. Mullin received a master of business administration degree in finance and marketing in 1968 from Northwestern Graduate School of Business, Chicago.

Commercial Nat'l, Kansas City, Promotes Four Officers

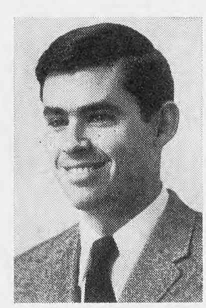
KANSAS CITY, KAN.—Commercial National has promoted four officers, including James S. Birkbeck to vice president, Michael L. Calcara and Bob S. Nill to assistant vice presidents and Frank DeCoursey to assistant cashier. Messrs. Birkbeck and Nill are with the bank's correspondent division.

Mr. Birkbeck joined the bank in 1967 as an assistant cashier and was promoted to assistant vice president in 1969. He was formerly with People's State, McPherson. Mr. Calcara joined the bank in 1946 and was promoted to assistant cashier in 1967. Mr Nill joined the bank in 1960 and has been in the correspondent department for the last three years. Mr. DeCoursey joined the bank in 1968.


BIRKBECK


CALCARA


NILL


DeCOURSEY

Hoffmann, Kramer Named To New Posts in HC

KANSAS CITY—John E. Hoffmann has been named vice chairman and advisory director of Missouri Bancshares, Inc., parent company of City National. John J. Kramer was made executive vice president of the holding company and Marshall D. Hendrickson comptroller and manager of bank accounting services for Missouri Bancshares.


HOFFMANN


KRAMER

Mr. Hoffmann was formerly vice chairman of City National and has been a banker 58 years. He holds the distinction of having worked and supervised every department in a bank except trust services. In his new post, he oversees lending operations and serves as a consultant to the credit officers of Missouri Bancshares' member banks.

Mr. Kramer continues as executive vice president in charge of City National's correspondent banking department in addition to his new duties at the holding company. He joined City National in 1937 and has spent the last 20 years in correspondent banking.

Mr. Hendrickson joined City National in 1962 and became comptroller in 1969.

Net earnings at Missouri Bancshares last year totaled $5 million, or $4.01 a share, compared with $4.6 million, or $3.61 a share, in 1969.

Registered HC Approved by Fed For Mercantile of St. Louis

ST. LOUIS—Shareholders of Mercantile Trust learned from Chairman Donald E. Lasater at the end of their annual meeting that the Federal Reserve Board had approved the bank's application to become affiliated with two other banks in a bank holding company. This registered bank holding company—Mercantile Bancorp., Inc.—was created at Mercantile Trust's direction and now will acquire Mercantile Trust and Mercantile-Commerce Trust, both located here, and Southern Missouri Trust, Springfield, Mo.

The new holding firm also has reached an agreement with directors and stockholders of Kansas City's Mercantile Bank for that bank to become affiliated with Mercantile Bancorp., subject to FRB approval. In addition, Mercantile Trust's management is exploring other potential acquisitions.

Officers of Mercantile Bancorp. are: Mr. Lasater, chairman; Harrison F. Coerver, president; and James E. Brown, executive vice president.

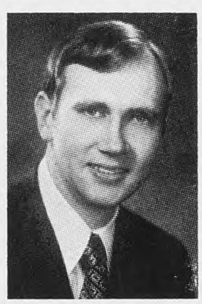
Two Promotions, One Election at Union Nat'l, Little Rock

LITTLE ROCK—Union National has promoted two officers and elected a third, in addition to electing an attorney to its board.

Coy L. Redd was promoted to vice president and auditor; Robert C. Connor was elected a vice president; and Jim C. Watts was promoted to assistant cashier.

Griffin Smith was elected a director.

Mr. Redd joined Union National in 1951 and was named auditor in 1960. Mr. Connor has joined the bank's correspondent bank department following service as a vice president and correspondent bank officer at Citizens Bank, Jonesboro. Mr. Watts, an installment loan officer, joined Union National in 1968.


CONNOR


REDD

T G Bancshares to Acquire Continental Bank from IBHC

ST. LOUIS—An agreement in principle for the acquisition of Continental Bank, Richmond Heights, by T G Bancshares Co. from Continental Bancshares Corp. was announced recently. T G Bancshares owns Tower Grove Bank, St. Louis, and also controls Bank of House Springs, Mo. Robert J. Gaddy is its president.


GADDY


FISTER

Continental Bancshares is a one-bank holding company owning approximately 97% of Continental Bank, located in a St. Louis suburb.

Upon approval by directors and stockholders of Continental Bancshares, by directors of T G Bancshares and the Board of Governors of the Fed, T G Bancshares common stock will be issued in exchange for the capital stock of Continental Bank.

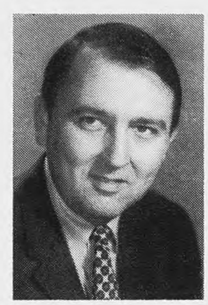
Richard E. Fister, president of Continental Bancshares and Continental Bank, will remain as president and CEO of Continental Bank and will become an officer and director of T G Bancshares. No change in staffing of Continental Bank is anticipated.

Nat'l Bank of Commerce Announces Promotions

MEMPHIS—National Bank of Commerce has elected Bruce E. Campbell Jr. senior vice president and Charles H. Orndorff Jr. first vice president.

Mr. Campbell joined the bank in 1967 and has served as senior lending officer in charge of the lending division. Last year he assumed responsibility for branch administration. Mr. Orndorff has been with the bank since 1937 and last year was put in charge of the bank's sales program.

Other promotions at NBC include: Gus B. Denton, vice president, commercial loans; Walter H. Bynum, comptroller; Tom M. Davis, Douglas W. Ferris, Walter B. Howell Jr. and David M. Mathews, assistant vice presidents; Miss Alice F. Winter, trust officer; and Ronald Sting, assistant cashier.


CAMPBELL


ORNDORFF

First of Chicago Promotes 10

CHICAGO—First National has elected five new vice presidents and five new assistant vice presidents.

Named vice presidents were James S. Brannen, Charles J. Calderini Jr., Brian H. Johnson, Harrison F. Tempest and Karl W. Wellensiek.

New assistant vice presidents are Ronald H. Bohnsak, James A. Edwards, Heinz-Jurgen Engelbert, Walter W. H. Huslage and Peter W. King.

Illinois News

IBA to Conduct School On Agricultural Lending

The Illinois Bankers Association has announced the establishment of an agricultural lending school to be conducted annually at Illinois State University, Normal. The first one-week session of the school will be held July 18-23.

The school will emphasize the practical aspects of agricultural lending and will include major case studies, evening panels and seminars, in addition to regular classroom work.

The school curriculum will cover the economic outlook, agriculture in Illinois, competitive credit institutions, availability of funds and banking law. The faculty will consist of well-known bankers with outstanding agricultural lending backgrounds and representatives from the fields of industry, law and education.

The opening session of this year's school will feature keynote speaker Edward M. Norman, president, First National, Clarksville, Tenn., and chairman of the American Bankers Association's agricultural and rural affairs committee.

■ WILLIAM A. RICHELMAN, cashier, First State, Campbell Hill, has been elected a director of the bank.

■ ROBERT E. SOUKUP, operator of a hardware store and appliance store bearing his name, has been elected a director of Elmhurst National.

■ EDWARDSVILLE NATIONAL has promoted Mrs. Jeanette Cravens to trust officer. She joined the bank in 1968 and was named associate trust officer last year.

■ OLD ORCHARD BANK, Skokie, recently elected Richard A. Lenon a director. Mr. Lenon is president of International Minerals & Chemical Corp.

■ FARMERS & MERCHANTS BANK, Vandalia, recently made the following officer changes: Coral H. Brooks, president and chairman; C. C. Brauer, vice president and trust officer; Marvin J. Boyer, assistant vice president; Keith Dunaway, cashier and assistant trust officer; and Mrs. Lillie Coates and Mrs. Wanda Walton, assistant cashiers. The bank also celebrated its 100th anniversary last month.

■ BANK OF BELLEVILLE has named Kenneth G. Andres and Charles B. Braden Jr. assistant vice presidents.

■ C. WAYNE HIGHSMITH, president, Edgemont Bank, East St. Louis, has been elected president of the United Fund of Greater East St. Louis for 1971.

■ B. J. HOLT has been elected secretary to the board of Edgemont Bank, East St. Louis. He also continues as senior vice president.

Promotions at Illinois Nat'l

SPRINGFIELD—Illinois National has promoted Don S. Browning from controller and cashier to vice president and cashier and Larry von Nordheim from accounting officer to controller.

BROWNING

Mr. Browning joined the bank in 1967 as controller and was promoted to cashier in 1969. Mr. von Nordheim joined the bank in 1969.

The bank has announced that consolidated net income for 1970 increased by more than 38% to $947,000. Net income per share was up from $3.04 in 1969 to $4.20 in 1970.

Commercial National Announces Retirement of Five Directors

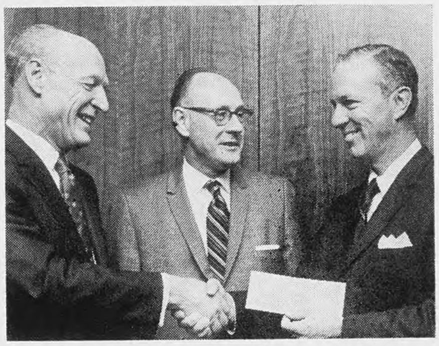
PEORIA—Five directors of Commercial National, with a combined service record of almost 150 years, recently reached mandatory retirement age.

The five include George L. Luthy, who was elected chairman and president in 1942 and served as chairman and chief executive officer from 1963-67; and businessmen Clarence W. Reuling, Louis B. Neumiller, Robert J. Riddell and Carl P. Slane.

■ JAMES B. HOWARD, cashier, City National, Murphysboro, has been elected vice president. Robert G. Streuter, manager, installment loan department, and John H. Killion, farm loan adviser, were named assistant cashiers. Mr. Howard has been with the bank 25 years. Messrs. Streuter and Killion joined it last year.

■ FIRST STATE, Vienna, boosted capital from $75,000 to $150,000 through a 100% stock dividend. Surplus was raised by $50,000 to $300,000.

IBA Supports Economic Education



Fred W. Heitmann Jr. (l.), president, Northwest National, and president of Illinois Bankers Association, presents check for $18,000 on behalf of the 1,100 commercial banks in Illinois to Charles L. Brown (r.), president of Illinois Bell Telephone Co., chairman of the governing board of the Illinois Council on Economic Education. The gift was made to foster improvement of economic literacy through the public schools of Illinois. Robert C. Shrimple (c.), IBA executive vice president, witnessed the presentation.

Millikin Nat'l Elects 2 Directors

DECATUR—Millikin National recently elected Wendell J. Kelley and Thomas V. Fischer directors. Mr. Kelley is president of the Illinois Power Co. and Mr. Fischer, who is an attorney, is vice president, director and a member of the executive committee of A. E. Staley Manufacturing Co.

Millikin National's assets reached an all-time high in 1970 and at year-end exceeded $100 million. Net income also set a record at $942,361.

■ DROVERS STATE, Vienna, has declared a two-for-one stock dividend and announced an increase in capital from $50,000 to $150,000.

First National, Rockford, Elects New Officers

ROCKFORD—First National has elected the following new officers: B. F. Brady, trust investment officer; Angelo V. Pipitone, consumer loan officer; and Wendell C. Craft, Miss Joanne M. Tarara, Dallas D. Thompson and Miss Marilyn Seinwill, customer service officers.

Elected directors were businessmen Vincent T. Knox and David E. Whitcher. They fill vacancies created by the deaths of Ray Clikeman and Elmer A. Schmeling.

In other action, the bank declared a 100% stock dividend, increasing capital from $2 million to $4 million.

■ CYRIL J. SPENGEL has been promoted from cashier to vice president and trust officer, Farmers & Merchants Bank, Highland. Paul T. Earnhart was elected cashier and assistant trust officer. He had been assistant cashier.

Indiana News

Paul Givens Elected Exec. VP At Union Bank, Kokomo

KOKOMO—Union Bank has promoted Paul R. Givens, former senior vice president, to executive vice president. Mr. Givens, who came to the bank in 1953, is head of the commercial loan division.

Other officer promotions at the bank include: Merrill A. Brunk, senior vice president and trust officer; W. J. Carmichael and Forest Zehring, senior vice presidents; Lanny J. Beach, vice president and controller; David L. Spangler, vice president and cashier; Robert J. Heltzel, vice president;

Miss Betty Boles and Donald E. C. Leicht, trust officers; Charles Myers, assistant trust officer; Mrs. Daurice Baker, auditor; and James Billiard, branch manager.

Bixenman Elected President Of Commercial Bank

CROWN POINT—Kenneth T. Cleveland has retired as president of Commercial Bank but will remain chairman. Lester R. Bixenman, formerly executive vice president and cashier, will succeed Mr. Cleveland as president and chief executive officer.

Other officer changes at the bank include: Robert M. Pierce, executive vice president and cashier; Thomas A. Platt III, vice president and chief operations officer; John R. Hershman, vice president and controller; Robert S. Janiga, vice president and branch manager; Miss Marcella H. Sellers, assistant vice president; and Miss Vivian M. Luke, assistant cashier.

■ LESTER F. JONES has resigned as honorary chairman, Boone County State, Lebanon. Mr. Jones joined the bank as a director in 1921, was elected president in 1936 and became honorary chairman in 1964.

■ PURDUE NATIONAL, Lafayette, has promoted William J. Achors to vice president and Windsor S. Smyser Jr. to assistant cashier. H. Spencer Congram has joined the bank as farm manager in the trust department.

■ NEW DIRECTORS elected at Fairland National are Bueford C. Robbins, biochemist, and Fred W. Garver, attorney. Charles R. Hughes, who has been a director since 1933, was named honorary director.

■ UNITED BANK, Upland, has made the following officer changes: Richard B. Puckett, executive vice president; Paul D. Dwyer, vice president; Mrs. Illon Fisherbuck, cashier; Lloyd Herring, assistant vice president; and Miss Mildred Quesinberry, assistant cashier.

■ TWIN CITY STATE, Gas City, has named Thomas Marcuccilli chairman. Robert L. Shawler succeeds Mr. Marcuccilli as president and also was elected a director. Others promoted were: S. Gene Dulin, vice president, cashier and trust officer; and Miss Phyllis Hicks and Miss Connie Nicholson, assistant cashiers and branch managers.

Backman Elected Chairman Of First National, Aurora

AURORA—First National has elected William D. Backman chairman. He has served as a director since 1941 and was elected president of the bank in 1952.

Earl H. Green, former executive vice president and cashier, was elected to succeed Mr. Backman as president. Mr. Green began his 41-year banking career in 1929 with Aurora State. He joined First National when the two banks merged in 1955 and has been a director since 1963.

Other promotions at the bank include: Hubert G. Neff, vice president and cashier; James A. Bansbach, vice president and trust officer; Miss Phyllis Funck, vice president and assistant trust officer; Anthony P. Lesko, vice president and installment loan manager;

Dennis E. Meister, junior vice president and assistant installment loan manager; Mrs. Doris Kinnett, assistant cashier and bookkeeping department manager; James C. Randall, assistant cashier and branch manager; and Mrs. Marilyn Schrader, assistant cashier.

Raymond E. Platt Is VP & TO At First Bank of Speedway

First Bank of Speedway (Indianapolis) recently announced that Raymond E. Platt has joined the bank as vice president and trust officer. He will assume supervisory responsibilities for the trust department.

Mr. Platt comes to First Bank from Hutchinson (Kan.) National, where he was executive vice president and trust officer.

He is a graduate of Washburn University, Washburn University School of Law and Hanover Bank Trust Training School of New York City. Mr. Platt also is a past president of the trust division of the Kansas Bankers Association.

Lafayette Bank Expands

Lafayette Bank recently completed an expansion project that added 20,000 square feet of space. The additional area was acquired by the purchase of a two-story building (l.) adjoining the bank's seven-story Main Office. The two structures were tied together with white marble facing. The expansion program also included remodeling the main lobby, adding an additional street entrance to the bank and provision of a small landscaped plaza.

■ EDDIE M. GOODMAN has been elected president, Central Bank, Gaston, replacing A. L. Hodson, who became chairman. Ed Stanley was promoted to vice president and cashier.

■ CITIZENS BANK, Elwood, made the following promotions: Richard L. Andrus, executive vice president; William Bambrough and Robert L. Marcuccilli, vice presidents; and Miss Frances Loser, assistant cashier and assistant trust officer.

■ FRANKLIN BANK has elected James Freese and Russell G. Jones directors. They succeed Robert A. Todd and Samuel E. Lanam, who have retired.

■ OLD NATIONAL, Evansville, has announced the promotion of Larry A. Dennis to vice president and controller. Mr. Dennis, who joined the bank in 1956, was appointed assistant cashier in 1959 and controller in 1960.

■ PEOPLES BANK, Indianapolis, has appointed James W. Reinecke comptroller and Gary R. Schopmeyer auditor. Mr. Reinecke, who joined the bank in 1953, has been auditor since 1957. Mr. Schopmeyer has been serving as assistant auditor since the middle of last year.

■ FRANK A. VITE, realtor, has been elected a director of First National, Elkhart.

Kentucky News

Maurice H. Kirby Appointed To Regional Banking Post

HENDERSON—Maurice H. Kirby, chairman, First National, has been appointed to a two-year term on the regional advisory committee on banking policies and practices for the Fourth National Bank Region. The region encompasses Indiana, Kentucky and Ohio.

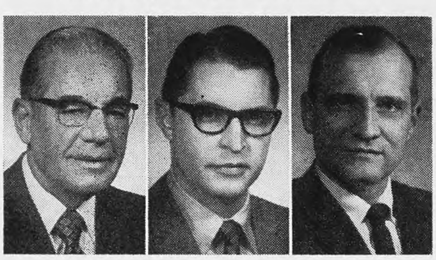
KIRBY

Mr. Kirby has served four terms on the country banks operations commission of the American Bankers Association and as president of the Kentucky Bankers Association. He joined First National in 1945 as president, following 12 years' service as a federal bank examiner.

■ WILLIAM C. SWINNEY, comptroller, Planters Bank, Hopkinsville, also has been elected vice president. Other new vice presidents are Ray Luttrull Jr., manager, BankAmericard department; Howard R. Poff, manager, installment loan department; and William P. Wright, commercial loan officer. Fred Pool Jr. advanced from assistant cashier to assistant vice president in charge of the teller and cash operations, Main Office. Bobby Broadbent and John R. Thomas were elected assistant cashiers; Mrs. Dorothy C. McConnell, public relations officer and Earl Thomas, assistant comptroller. The bank's new Pennyrile Branch in the Pennyrile Mall will be opened in April.

■ CITIZENS NATIONAL, Bowling Green, has promoted Mrs. Peggy P. Clark from assistant vice president to vice president. She has charge of bookkeeping.

Kentucky Trust Elects 3 VPs



BASKETT ALLEN ZACHARI

Kentucky Trust, Louisville, has elected three new vice presidents. Those elected were: Clifton B. Allen, auditor; and Lemuel G. Baskett and Herbert A. Zachari Jr., trust officers. Arthur C. Peter was elected assistant trust officer.

■ PEOPLES EXCHANGE BANK, Beattyville, has announced the following changes: C. Beach Jr. was elected cashier in addition to being executive vice president; and C. Beach III and Robert P. Gabbard were named assistant cashiers. Mr. Beach III joined the bank two years ago and Mr. Gabbard five years ago.

■ LANIER BURCHETT has joined the Farmers Deposit Bank, Eminence, as manager of the installment loan department.

■ UNION BANK, Berry, has elected Charles Bell Jr. chairman and president. Lawrence Lenox was elected cashier and secretary.

■ H. C. TRUITT has advanced from vice chairman to chairman, First National, Covington.

■ WALTER HILLENMYER, former chairman of the executive committee, First Security National, Lexington, recently was named executive vice president. Homer Drew and Neilan Thurman moved up from vice presidents to senior vice presidents.

■ HERMAN HALE has been elected president, Bank of Whitesburg. Previously, he was executive vice president.

■ CITIZENS BANK, New Castle, has promoted George R. Mason from cashier to executive vice president and Mrs. Georgia Woods from assistant cashier to cashier.

■ HARRY LEE SMITH has resigned as public relations officer at Citizens Fidelity, Louisville, to join Bank Management Associates in Lexington as director of marketing.

■ CITIZENS BANK, Glasgow, has promoted Mrs. Ledean Hamilton and John E. Steffey from assistant cashiers to assistant vice presidents. Mrs. Hamilton joined the bank in 1951 and Mr. Steffey in 1963.

■ LIBERTY NATIONAL, Louisville, recently honored Alfred F. Klusman on his 50th anniversary with the bank. Mr. Klusman was elected auditor in 1955 and senior auditor in 1968, the position he now holds.

■ OWENSBORO NATIONAL has elected three new senior vice presidents. They are Jack E. Darnell, Carl R. Whitehouse and W. W. Shepherd. Mr. Shepherd also was elected a director. In other action, the bank promoted Mrs. Ruth Richmond to assistant trust officer.

Citizens Union Nat'l Promotes 3

BRANSOM MAINOUS FARRA

Citizens Union National, Lexington, has elected three new top executive officers. Those elected were: Ben P. Bransom, ch.; Arch G. Mainous Jr., pres.; and William E. Farra, exec. v.p. and cash. Formerly, Mr. Bransom was exec. v.p. and cash., Mr. Mainous was v.p. in charge of investments and Mr. Farra was v.p. and real estate loan officer.

KBA Schedules Group Meetings

The schedule of the 1971 group meetings of the Kentucky Bankers Association has been announced as follows:

GROUP 1: May 11, Civic Center, Paducah.

GROUP 2: May 10, Owensboro Country Club.

GROUPS 3 & 5: May 13, Kentucky Hotel, Louisville.

GROUP 4: May 12, National Guard Armory, Bowling Green.

GROUP 6: May 19, Phoenix Hotel, Lexington.

GROUP 7: May 20, duPont Lodge, Cumberland Falls.

GROUP 8: May 18, Beverly Hills, Newport.

GROUP 9: May 22, May Lodge, Jenny Wiley State Park, Prestonburg.

Kentucky Deaths

ANDY ANDERSON, 68, chairman, Hartford Bank, since 1967. He previously had served 10 years as the bank's president. He was owner and publisher, *Ohio County Times*, Hartford and Beaver Dam; owner and publisher, Greenville *Leader-Central City News*, and owner of two radio stations.

HOWARD MONARCH HOOK, 74, chairman and president, Farmers Bank, Hardinsburg. Mr. Hook had been president 37 years. His grandfather, Matthias Miller, founded the bank in 1902.

ELMO HEAD, president, Farmers & Traders Bank, Shelbyville.

H. L. CORLIS, chairman and president, First National, Brooksville.

HOWARD H. MILLER, president, Union National, Barbourville.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Tennessee News

United Bank of Chattanooga Opens With First-Day Deposits Of More Than $3 Million

CHATTANOOGA—The new United Bank recently held grand-opening ceremonies and an open house to celebrate what is believed to be the largest bank opening in the history of the state—first-day deposits of more than $3 million!

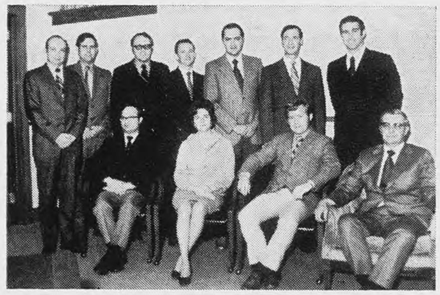
The bank has rented a building in downtown Chattanooga and will occupy parts of the lower, first and second levels. The rest of the building will be sub-rented to other business concerns.

Grand opening of United Bank featured the cutting of a ribbon of $5 bills, which later were donated to United Fund of Greater Chattanooga. From left are: Dean Peterson, Chattanooga vice mayor; Chris Murphy, ch.; Chester Frost, Hamilton County judge; Bill Nobles, Hamilton County trustee; David F. S. Johnson, Chamber of Commerce pres.; Harry R. White, United Fund representative; and George M. Stewart, pres.

United Bank will introduce 10-hour-a-day banking service, Saturday banking and a Christmas Club that pays customers dividends (club members who make their payments on or before the due dates will receive their last payments free). In addition, the bank will have a night depository and a drive-in banking facility.

President of the new bank is George M. Stewart. Mr. Stewart, who also is a director, has 22 years of banking experience. Wilbert P. Rundles is vice president and head of the loan department. He has been associated with American National for 15 years and was manager of the North County Branch. John L. Riddle, also associated with American National, has been elected cashier of United Bank and Miss Madge M. Ransom is assistant cashier.

First of Clarksville Promotes 11



First National, Clarksville, has announced the promotions of 11 officers. Those promoted were: (from l., standing) Henry Major, v.p.; Albert McCracken, Paul Schaaf, Don Barry, and Bill Pickering, a.v.p.s; Kirby Sutton, aud.; Ronnie Hunter, a.v.p.; (from l., sitting) Roger Halliday, v.p. & cash.; Mrs. Helen Seay, a.v.p. & t.o.; Alfred Byard Jr., a.v.p.; and Dewey Morris, exec. v.p.

■ C. E. BUTTREY has joined Stayton Bank as executive vice president. In the financial field since 1922, Mr. Buttrey started out with First National, Dickson, went to a Dickson savings and loan firm in 1936 and, in 1965, moved to Cape Coral, Fla., where he was mortgage loan officer for a mortgage company. He also has been general distributor in Dickson for a line of household products. In other action, Stayton Bank has undergone some remodeling. The bank has a new vault, tellers windows, accounting room, lounge and carpeting.

■ FIRST NATIONAL, Smithville, has promoted Ward Adcock, assistant cashier and installment loan and security officer, to assistant vice president. Mr. Adcock, who has been with the bank six years, previously was with Commerce Union, Lebanon. The bank also elected Mrs. Lois Ann Webb assistant cashier.

■ F. G. CAVIN JR., formerly executive vice president, Farmers Exchange Bank, Union City, recently was elected president and chief executive officer. He has been with the bank since 1968 and previously was associated with Martin Bank.

■ HAMILTON NATIONAL, Morristown, has promoted B. D. Mullins to assistant vice president and manager, Plaza Branch, and elected Bill J. Nutter assistant cashier. H. B. Glass, executive vice president, was elected a director.

■ HENRY C. UNRUH, president of an insurance company, has been elected a director of Hamilton National, Chattanooga.

Tennessee Death

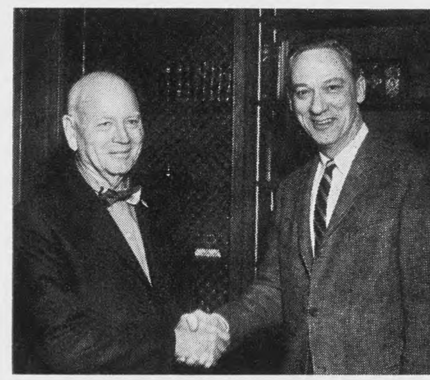
FRED H. SAUNDERS, 77, director, Bank of Camden. He had been a director since 1942.

Promotions, Retirement Announced in Chattanooga

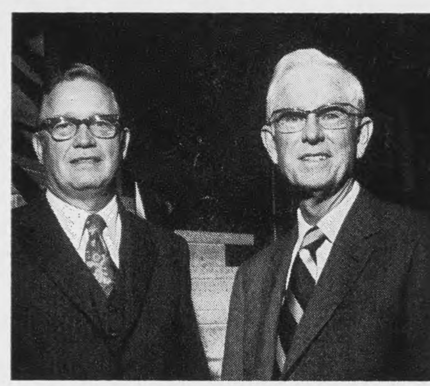
CHATTANOOGA—American National has announced two promotions and the retirement of Charles L. Arledge, vice president.

Named executive vice presidents were William G. Brown and Cranston B. Pearce. Both were senior vice presidents. Each has assumed broader duties in formulation of policies affecting his area as well as the entire bank. Gerry U. Stephens, vice president and senior loan officer, has succeeded Mr. Pearce in direct responsibility for the commercial loan division.

Mr. Arledge became a banker in 1931 with the old First National and in 1935 joined Commercial National, which merged with the former American Trust in 1941. After World War II, he rejoined American and was made an officer in 1947.

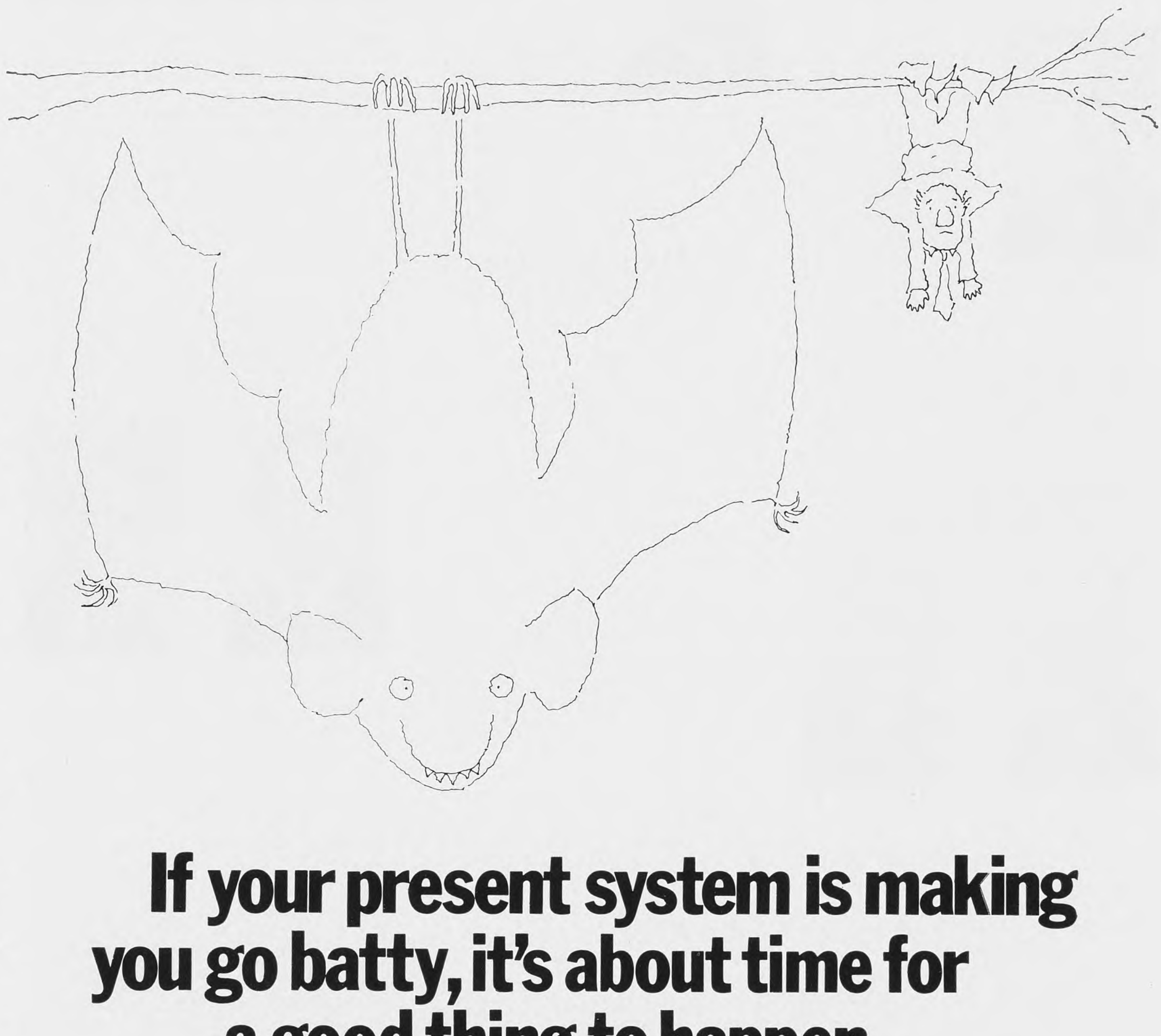


Sam I. Yarnell (r.), ch., America Nat'l, Chattanooga, extends best wishes to Charles L. Arledge, who retired as v.p. of bank.



Cranstan B. Pearce (l.) and William G. Brown have been elected exec. v.p.s at American Nat'l, Chattanooga.

■ GREENE COUNTY BANK, Greeneville, has elected R. R. Wisecarver chairman and Herbert Whitfield president. Mr. Wisecarver has been serving as president and chairman since 1962 and as president since 1956. Mr. Whitfield joined the bank in 1969 as executive vice president. In other action, James G. Morgan was elected assistant cashier.



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Alabama News

Avinger Elected Vice Pres. At Birmingham Trust Nat'l

BIRMINGHAM—C. E. Avinger has been newly elected a vice president at Birmingham Trust National. Mr. Avinger formerly was a vice president at the bank until he resigned to accept an appointment as state superintendent of banks. He has now resigned from the state cabinet post to return to Birmingham.

AVINGER

Mr. Avinger began his banking career in 1957 with Birmingham Trust. He successively held official positions in the business development, personnel and correspondent bank departments.

Morthland Elected Chairman Of Peoples Bank, Selma

MORTHLAND

WILSON

SELMA—Peoples Bank has elected Rex J. Morthland chairman. B. Frank Wilson was named to succeed Mr. Morthland as president. He has been executive vice president since 1959.

Mr. Morthland became president of the bank in 1953. He is a member of President Nixon's Commission on Financial Structure and Regulation and is a past president of the Alabama Bankers Association.

The bank also promoted Richard P. Morthland from assistant vice president to vice president.

■ NATIONAL BANK, Boaz, has made the following promotions: Gerald Martin, assistant vice president and cashier; Harold Snider, assistant vice president; and Miss Suzanne Tate, assistant cashier.

First National, Birmingham, Elects John Lotz EDP V.P.

BIRMINGHAM—First National has elected John A. Lotz a vice president in charge of all electronic data processing, including computer operations and marketing.

LOTZ

Mr. Lotz has served in various management positions in the data processing industry, including branch manager for IBM and division president and co-founder of National Sharedata Corp. He is a native of New Orleans.

First Nat'l, Montgomery, Sponsors Tax Seminar

MONTGOMERY—More than 100 bankers from Alabama attended a recent tax seminar sponsored by First National. Participants on the program included Fred D. Sellers, comptroller and vice president of the bank, and Francis P. Hereford, a CPA.

Mr. Sellers stated that banks over the 1.8% ceiling, which is allowed through 1975 under the 1969 Tax Reform Act, should bear in mind that if loans were less at year-end 1970 than at year-end 1969, they would not be able to take all of their 1970 bad debt losses as a tax deduction. Banks could maintain their base-year percentage, he said, but, if loans were less, the amount allowed to be carried in reserves would be reduced, which would have the effect of not allowing them to take all their bad debt losses as tax deductions.

He said that, presumably, banks can switch back and forth from the percentage to the experience method, but that such practice has not been ruled on by the Treasury Department and could result in banks being locked into the experience method. It is mandatory that banks be on the experience method by 1988, but are allowed a transitional period to adapt under the Tax Reform Act, he said.

Two Elected Fed Directors

C. Logan Taylor, chairman, First State, Oxford, and Wallace D. Malone Jr., president and chairman, First National, Dothan, have been elected directors of the Birmingham Branch of the Federal Reserve Bank of Atlanta for three-year terms.

City National Opens Branch

City National, Dothan, recently opened its new Cherokee Branch. The facility is a completely remodeled Colonial Williamsburg home and all furnishings are authentic restored antiques from the Dothan area. The building includes a community room, kitchen, drive-in window and remote teller unit.

Four Promotions Announced At Birmingham Trust Nat'l

BIRMINGHAM—James B. Fort Jr. and Frederick W. Murray Jr. were promoted from assistant vice presidents to vice presidents of Birmingham Trust National last month. Mr. Fort is in the commercial loan department. Mr. Murray is director of personnel.

MURRAY

FORT

Les Johnston, assistant manager, Mountain Brook Office, advanced from assistant cashier to assistant vice president. Kenneth E. Bush was elected assistant data processing officer.

■ EDWARD SCRUGGS, assistant vice president, First Western Bank, Bessemer, has been named manager of the bank's Westlake Branch.

Mrs. Waite Accepts Scout Posts, Receives 4-H Alumni Award

CENTRE—Mrs. Mary George Jordan Waite, chairman and president, Farmers & Merchants Bank, and first vice president of AlaBA, has been elected a member of the executive council, Choccolocco District, Boy Scouts of America. She has also accepted the chairmanship of the 1971 Cherokee County Boy Scout sustaining membership drive.

Mrs. Waite was recently honored at the National 4-H Congress in Chicago as one of eight 1970 national 4-H alumni award winners for service to youth and community.

Unfortunately, this may well be the only way that some of you will ever see your correspondent banker.

It just may take an electronic miracle someday for you to meet the man face to face (if you can call it that).

And the odds are if you ever do need to get together, you can bet that it'll be in his office and not in yours.

At First National it's a lot different. We visit every single correspondent regularly.

And we look forward to seeing him. Because it really gives us the opportunity to sit and talk things over, man to man.

We make an honest effort to try and help him solve his problems. (Besides, no one minds being taken out to lunch now and then.)

It may seem that First National is old-fashioned in this day and age, but we're just trying to maintain some human contact in correspondent banking. We think it matters.

Yes indeed, the telephone is a great invention. And the picturephone,® even greater. But they'll never be as great as people in person.

So, we'll see you all soon. In person.

First National Bank of Mobile

Mississippi News

Mississippi Junior Bankers Hold Conference-Convention

The Junior Bankers Section of the Mississippi Bankers Association was holding its 1971 study conference and convention as this issue of MID-CONTINENT BANKER was mailed. The conference is being held March 10-12 in Hattiesburg and the convention March 12-13 in Biloxi. L. Y. Foote Jr., executive vice president, First Mississippi National, Hattiesburg, is president of the Junior Bankers. Conference chairman is the Junior Bankers' vice president, William B. Gurley, vice president, Bank of Cleveland.

FOOTE

The Hattiesburg conference is being held at both Holiday Inns, Southernaire Motel, Hattiesburg Country Club and the University of Southern Mississippi. Topics include "The Banker's Image," "Banker's Social and Civic Responsibility," "How to Measure Your Own Bank Image," "Economic Outlook for 1971," "New Industries in Mississippi," "Financing Mississippi Industry," "More Effective Communications," "Pricing of Bank Services and Profit Planning" and "Nonbank Competition."

The Biloxi convention is being held at the Buena Vista Hotel, with a general business session scheduled for 10:30 a.m. March 13. Also planned for the two days are a get-acquainted hour, a "discotheque" (mini-mod party) and seafood jamboree, breakfasts for delegates, women guests and officers and executive councilmen, a luncheon, social hour and banquet, to be followed by dancing. In addition, on the schedule are a harbor sightseeing trip, a vist to Beauvoir, which is the Jefferson Davis Shrine, and golf.

Officer Promotions Announced By Commercial National

GREENVILLE—Commercial National, a branch of First National of Jackson, has announced several officer promotions.

James L. Webb, who joined the bank in 1953, was elected senior vice president. Mr. Webb has served as president of the Junior Bankers Section of the Mississippi Bankers Association.

Other promotions include: Robert H. Alexander, vice president; E. Evan Davis Jr., vice president and trust officer; Tracy H. Adams, assistant vice president; and John M. Blanks, assistant cashier.

■ HAROLD H. WHITE, senior vice president, Commercial National, Laurel, recently retired but will remain a director. Mr. White joined the bank in 1943 as cashier.

■ BATESVILLE SECURITY BANK recently appointed J. C. Dunlap chairman. He has been president of the bank since it was established in 1952. John Meacham, former executive vice president and cashier, was elected president. Larry Pratt, assistant vice president, was named cashier.

Brookhaven Bank Holds Stockholders' Luncheon

BROOKHAVEN—Brookhaven Bank recently held a luncheon for stockholders at the Brookhaven Country Club. This was the first luncheon ever held prior to the annual meeting in the bank's Main Office.

F. F. Becker II, chairman, presided at the meeting and introduced Tom P. Brady, director, who gave a brief resume of the bank's history.

Attending Brookhaven Bank's stockholders' luncheon were: (from l.) F. F. Becker II, ch.; Mrs. Becker; Raymond L. Davis, pres.; and Mrs. Davis.

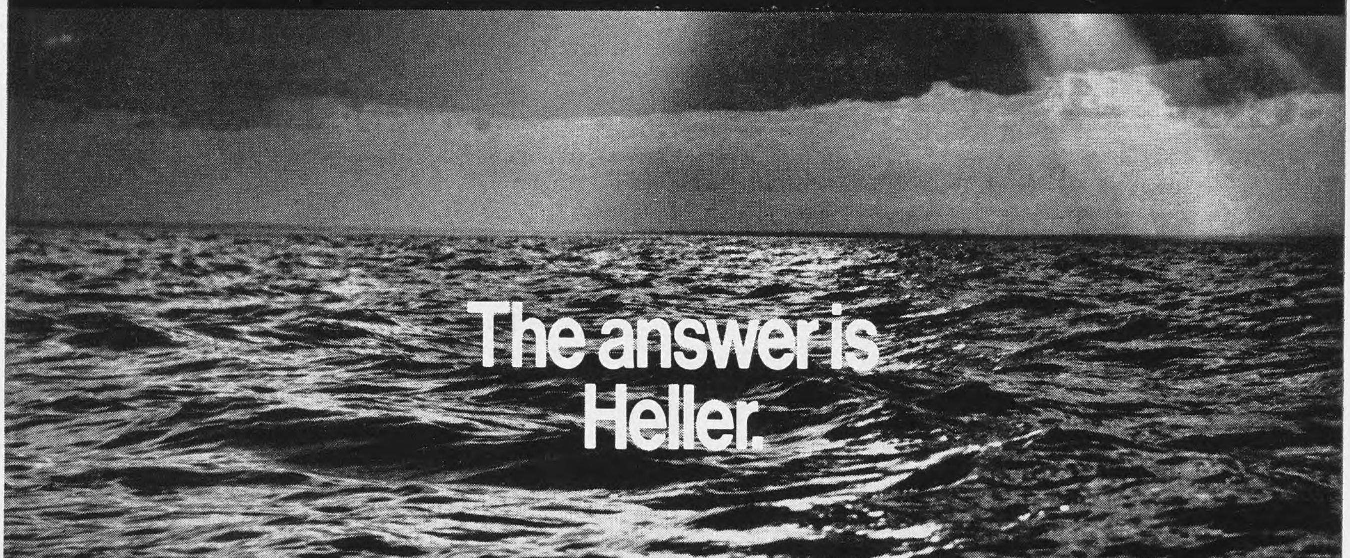
Raymond L. Davis gave the president's report and said that total resources exceeded $29 million; deposits were up $2.6 million over the previous year, an increase of 11.5%; loans were up $1.7 million over 1969, an increase of 16.1%; and net income for 1970 was $20.51 per share.

After the luncheon, stockholders approved a two-for-one stock split and a 25% stock dividend.

■ HENRY C. SELF recently was elected chairman, Citizens Bank, Marks. He has served as president since 1964. Bob B. Goodwin, executive vice president since 1966, was promoted to president. The bank also promoted Marion R. Choate to assistant cashier.

Question:

Who expands the credit horizons of smaller and medium-sized banks?



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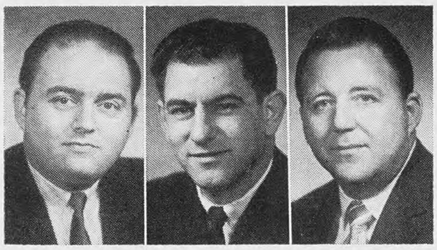
Louisiana News

Hibernia National Announces Promotions, Retirements

NEW ORLEANS—Hibernia National recently announced the retirements of three directors and the promotions of three assistant vice presidents and nine assistant cashiers. Officials of the bank also stated that net income in 1970 was 20.2% greater than it had been the year before.

Directors who have reached mandatory retirement age are Harry X. Kelly, W. Wilber Pope and Charles B. Sherrouse.



MELANCON MARGAVIO SERIO

New assistant vice presidents are Frank A. Margavio, manager of the bond department, Paul L. Melancon Jr., assistant personnel director, and Anthony J. Serio, manager of the Lakefront Office.

Elected assistant cashiers were Robert N. Anderson, Bobby G. Armstrong, Leroy W. Berry, Richard K. Easterly, J. Stuart Ellis Jr., Kenneth L. Ferlita, George W. Owen Jr., Robert R. Scariano Jr. and Thomas A. Voltz Jr.

■ AMERICAN BANK, Opelousas, recently elected J. C. Diesi vice president and Dr. Ronald N. Padgett a director. They fill vacancies created by the recent death of J. Howard Lafleur.

City National Names 4 AVPs

BROWN ELLIS MARTIN ROBERTS

City National, Baton Rouge, has promoted four officers to assistant vice presidents. Those promoted were: Daniel R. Brown, mgr., Master Charge department; Stephen G. Ellis, mgr., Airline Branch; Joseph D. Martin III, mgr., Florida Boulevard Branch; and Gordon Roberts Sr.

Junior Bankers' 1971 Meeting Scheduled for March 26-27

BATON ROUGE—Topics ranging from "Techniques of Municipal Bond Underwriting and Trading" to "A Bank's Community Responsibility" will be heard at the study conference of the Junior Bankers Section of the Louisiana Bankers Association March 26-27. The conference will be held at the Bellemont Motor Hotel in Baton Rouge.

Other subjects to be discussed include: "It's Time to Go Lighthearted on Your Advertising Image," "Recent Legislation in Louisiana Concerning Savings and Loan Associations," "Payment-Mechanism Opportunities for Local Banks," "The Influence of Foreign Trade to the Economy of Louisiana" and "The 1970 Federal Fair Credit Reporting Act."

L. J. Oncale, president of the Junior Bankers, will give a report. He is vice president, Lafourche National, Thibodaux.

Entertainment will be highlighted by a party and buffet March 26 called "Roaring 20s at Las Vegas." The president's banquet is scheduled for March 27 and a breakfast for that morning. A reception from 5-7 p.m. March 25 will follow registration from 4-6 o'clock.

For the ladies, there will be a luncheon and "Style Show of Spring Fashions" at the Baton Rouge Country Club on March 26 and bingo March 27.

Bank Offers $500 Reward

Allen State, Oakdale, recently established a reward of $500 for information leading to the arrest and conviction of any people involved in the unlawful distribution of drugs of any kind to the youth of Allen Parish.

■ SALVADOR J. MANNINO was elected assistant cashier last month at New Orleans' First National Bank of Commerce. He is assistant manager of the Carrollton Avenue Office and has been with the bank since 1968.

■ FIRST NATIONAL, De Ridder, recently made the following promotions: Sammie J. Miller Jr., vice president and cashier; K. R. Hanchey Jr., vice president, loan section; Jerry D. Gill, assistant vice president and manager, Park Terrace Branch; Mrs. Elaine Alston, assistant cashier and manager, East Side Branch; and Mrs. Regina Barron, assistant cashier and head of the check collection and exchange department.

'New Look' at Metropolitan Bank

"New look" career apparel by Martin's Uniforms, Inc., is being worn by female officers and employees at Metropolitan Bank of Jeferson, Metairie. The attire is worn by approximately 35 employees and the outfits are personalized by scarves, jewelry and shoes.

Educator Elected Director

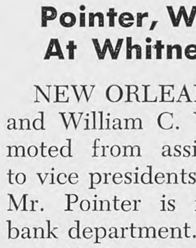
NEW ORLEANS—International City Bank has elected Dr. Clarence Scheps, executive vice president of Tulane University, to its board.

Pointer, Wells Promoted At Whitney Nat'l Bank

NEW ORLEANS—David Pointer Jr. and William C. Wells have been promoted from assistant vice presidents to vice presidents of Whitney National. Mr. Pointer is in the correspondent bank department.

Paul C. Bachemin, formerly auditor, has been advanced to assistant vice president. Named assistant cashiers were Rudolph M. Bauer, Robert D. Oxmann and William A. Spath. William T. Catchings, a CPA and CBA (chartered bank accountant), has been elected comptroller. Philip E. Doolen, formerly assistant cashier, has been made auditor, and Gerald J. Catoire was named assistant comptroller.

Mr. Pointer joined Whitney in 1957 and Mr. Wells in 1962.



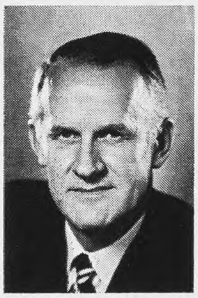
WELLS

POINTER

Arkansas News

Bowen to Be President Of Commercial National

LITTLE ROCK—William H. Bowen has been elected president and a director of Commercial National and will take over his new posts May 1. He is a partner in the law firm of Smith, Williams, Friday & Bowen.



BOWEN

Richard C. Butler, who was chairman and president, will continue as chairman and chief executive officer. William H. McLean will remain vice chairman and J. Leo Armstrong executive vice president.

McLEAN

BUTLER

Mr. Bowen holds a law degree from the University of Arkansas Law School and an LLM degree in taxation from New York University. He has been with the firm that was to become Smith, Williams, Friday & Bowen since 1950. He has been counsel for the Arkansas Bank Law Study Commission and is co-author of "Arkansas Estate Planners Workbook," published in 1967.

Bank of Ashdown Opens Doors; Bill L. Brown Is President

ASHDOWN—The new Bank of Ashdown officially opened its doors last month with a ribbon-cutting ceremony and open house.

The bank, which received its charter last October, began operations with $150,000 capital. Temporary facilities will be used as banking quarters until a permanent building is constructed.

Bill L. Brown is president, chief executive officer and a director of the new bank. Previously, he was vice president, cashier and a director of First State, Joplin, Mo. He has 17 years' banking experience.

Robert L. Dennis has been named vice president and cashier. Mr. Dennis comes to the bank from First National, Hope, where he was an assistant vice president.

■ H. K. BARWICK JR. has retired as president, Cross County Bank, Wynne. Rafe Andrews is the new president and W. W. Shaver Jr. was elected chairman. Other officers elected were: John W. Watts, senior vice president and advisor; Ken McClanahan, executive vice president and cashier; and David Block Jr., vice president.

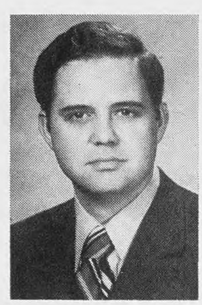
■ FIRST AMERICAN NATIONAL, North Little Rock, recently promoted Joe V. Mason to vice president in the installment loan department. Mr. Mason joined the bank in 1959.

Dunn and Snider Elected VPs At National Bank of Commerce

PINE BLUFF—National Bank of Commerce has elected Leonard K. Dunn and Ed Snider vice presidents. Mr. Dunn, who joined the bank in 1961, will head the Correspondent Bank Division. Mr. Snider is in charge of marketing, advertising and public relations for the bank. Both men are past presidents of the Junior Bankers Section of the Arkansas Bankers Association.

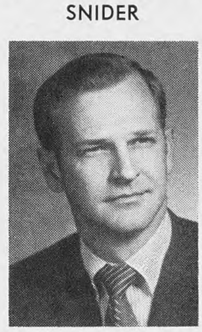
Also named vice presidents were Joe Breashears and John Garrison. Jerry W. Davis was promoted to assistant vice president and James F. Stobaugh was named loan officer.

DUNN



SNIDER

BREASHEARS



GARRISON

Edward Cherry Is President Of Mercantile Bank

JONESBORO—Mercantile Bank has elected as chairman Charles Frierson III. Mr. Frierson, an attorney, is the son of the late Charles Frierson, who was president of the bank.

Edward H. Cherry was elected the new president and a director. He has been a vice president at Mercantile for seven years. Goerge F. Delaney Jr., who joined the bank in 1957 as vice president, was named executive vice president and a director. Nathan Deutsch was appointed senior vice president. He is also president, Monette State.

Recently elected at Mercantile Bank, Jonesboro, were: Edward H. Cherry (l.), pres. and dir., and George F. Delaney Jr., exec. v.p. and dir.

Other elections included: Hugh Harrington, assistant vice president; and Jim Wilkins and Bill Payne, assistant cashiers.

First State Chairman Dies; Thos. Wilson Named to Post

CONWAY—Thomas G. Wilson, president and chief executive officer, First State, has been elected chairman of the bank.

WILSON

He succeeds William D. Ketcheside, who died last month. Mr. Ketcheside had been chairman since the bank was established in 1946. Mr. Wilson is a past president of the Arkansas Bankers Association.

■ T. D. HERRING, who was cashier of First National, West Memphis, has been promoted to vice president and cashier.

■ SIDNEY A. McKNIGHT, Chicago businessman, has been elected a director of Bank of Brinkley.

Texas News

Thomas C. Frost Sr. Dies at 67, Was Frost Nat'l Chairman

SAN ANTONIO—Thomas C. Frost Sr., 67, chairman, Frost National, died January 23 after an illness of several months.

The bank was founded by Mr. Frost's grandfather, Colonel T. C. Frost, shortly after the end of the Civil War. In turn, Colonel Frost's son, also named T. C. Frost, came into the bank and became president, a post he held at the time of his death about 30 years ago. At that time, Colonel Frost's grandson was elected president and changed the "Jr." in his name to "Sr." because he had a son, also named Thomas C. Frost. The latter is now president of the Texas Bankers Association, president of Frost National and father of Tom Frost III.

Thomas C. Frost Sr. was a member of the National Industrial Conference Board.

■ CHESTER STATE recently held an open house to celebrate its 50th anniversary. George C. Enloe, president, also celebrated his 50th year in banking.

■ SOUTHWEST NATIONAL, El Paso, has promoted F. D. Steadman to vice president, Perry R. Snider to assistant vice president and manager, data processing department, and Ronald W. Corder to assistant cashier. Elected directors of the bank were businessmen Hugh C. Whitfield and Ned Wolfe.

■ STOCKHOLDERS of City National, Plainview, recently voted a two-for-one stock dividend which boosted capital and surplus to $550,000 each. In other action, Harley Redin was elected a vice president. He has been with the bank since 1968.

■ BARRY A. BEAL, oilman, has been elected a director of First National, Brownwood.

■ FIRST NATIONAL, Garland, has made the following promotions: R. McRee Davis, chairman; T. D. Sells Jr., president and chief executive officer; H. A. "Bud" Walker, senior vice president; Arnold H. Burke, executive vice president; Joe M. Smolka, auditor; and Mrs. Frances Brown, assistant cashier. James G. Blakeway, merchant, and W. C. Daugherty Jr., real estate developer, were elected directors of the bank.

New Chairman and Promotions At First National, Waco

WACO—Howard Hambleton has retired as chairman of First National after 22 years of service with the bank. He had been in banking a total of 47 years.

The new chairman is Robert A. Mann. He has been chief executive officer and chairman of the executive committee since last year and will continue in those capacities.

First National also made 12 officer promotions. Those elected were: David J. Simons, vice president; Hubert J. Boykin, Mrs. Peggie Mitchell, J. A. Lipscomb and John Dagley, trust officers; George L. Brinegar, Bob Hawkins and Harry Littlewood, assistant vice presidents; Mrs. Orlean S. Owen, Davis Metz, D. Lane Donaldson and Jerry L. Bridges, assistant cashiers.

Colonel Walter J. Wells, general manager of the Brazos River Authority, was elected a director.

■ JOHN F. CAMP JR., president, Camp Oil Co., has been elected to the board of San Antonio's Frost National. He succeeded his father.

Top Executive Changes Made At American National, Austin

AUSTIN—Ed R. L. Wroe Jr. has been elected chairman and chief executive officer of American National and American First Corp., the bank's holding company. Thomas D. McCrummen Jr. was elected president of the bank and holding company.

McCRUMMEN

Ben M. Brigham, former vice president, was elected vice chairman of both corporations.

Other promotions at the bank include: Fred M. Minter, head of real estate and construction loans, and William R. Streun, head of planning and operations, to senior vice presidents; Harry S. Williams to vice president and senior trust officer; and James D. Daniell, director of personnel, to vice president.

Pantsuits at First of Seymour

Women employees of First National, Seymour, are now wearing career apparel outfits consisting of pantsuits and pleated skirts. The double-knit suits come in antique gold and Parisian red and are worn with ivory crepe blouses. The uniforms, supplied by a local department store, are interchangeable to make six different combinations and each outfit carries the First National emblem.

R. W. Gerrard Is President Of Continental National

HOUSTON—Robert Wilkin Gerrard has joined Continental National as president. He came from Texas Commerce Bank, Houston, where he was executive vice president and senior loan officer. As president of Continental, he succeeded Irby G. Metcalf, who moved to chairman. Robert G. Dupree, formerly chairman and chief executive officer, was elected senior chairman and CEO.

GERRARD

Mr. Gerrard, with Texas Commerce since 1952, was consulting editor of the *Journal of Commercial Bank Lending*, official publication of Robert Morris Associates, in 1968-70. He was on the boards of Texas Commerce and Reagan State, also of Houston.

Fred Smith Resigns as Pres. Of Bellmead State Bank

WACO—Fred B. Smith has resigned as president of Bellmead State. He will remain a director and has been promoted to vice chairman.

Mr. Smith joined the bank in 1954 as vice president. He was elected executive vice president in 1955 and president in 1959.

Gene Abney, senior vice president, has been elected president to succeed Mr. Smith. Mr. Abney joined the bank in 1969 and previously was senior vice president and director, First National, Richardson.

S. M. Bunn was named chairman of the bank and Floyd J. Jensen Jr. was elected a director. Both are businessmen in the Waco area.

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New Mexico News

E. H. Tatum Elected President Of First National, Santa Fe

SANTA FE—C. K. Skinner Jr. has resigned as president, First National. He joined the bank in 1968 as president and chief executive officer.

Edward H. Tatum Jr., who will continue as vice chairman, is the new president and chief executive officer. He was president of the bank from 1962-68 and became vice chairman in 1968.

In other action, the bank promoted three officers. Those elected were: Robert J. Ortega, vice president and manager, Cerrillos Road Office; Mrs. Ruth Horne, assistant vice president; and Mrs. Gloria Hauser, assistant cashier and assistant manager, Los Alamos Office.

Cuba Bank Promotes Four; Names Director, VP

CUBA—First State recently promoted four staff members and named a new director and a new vice president.

Promoted were: Jerry Jones from cashier to vice president and cashier, as well as manager of the Cuba Office; Dennis Chavez, who manages the Bernalillo Office, from assistant vice president to vice president; Franklin Sayner, former manager of the Corrales Office, from assistant cashier to assistant vice president with an assignment to the Cuba Office; Mrs. Stella Perea, who is head bookkeeper at Corrales, to assistant cashier.

Murray Samuell Jr., a construction firm executive, is the new director, while the new vice president is Jack W. Kotur, formerly assistant vice president at Security Bank, Alamogordo.

NMBA Division Names Officers

The trust division of the New Mexico Bankers Association recently elected members of its executive council.

Those elected were: chairman, Lawrence Maberry, vice president and trust officer, Clovis National; two-year councilman, Paul A. Fitzgerald, senior vice president and trust officer, Bank of New Mexico, Albuquerque; three-year councilman, Howard Irwin, vice president and trust officer, First National, Hobbs; and secretary, Denton R. Hudgeons, executive secretary, New Mexico Bankers Association, Santa Fe.

■ CITIZENS STATE, Albuquerque, changed its name to Citizens Bank and split its stock two for one. The bank is planning a new main office to be in the First United Financial Center across from Coronado Center.

■ EUGENE TOMEI, assistant vice president, First National, Albuquerque, retired March 1 after 30 years with the bank. He began his banking career in 1929 with the then First Savings. Richard Evans has joined the bank as vice president, installment lending, while Curtis A. Brewer was made BankAmericard manager and Richard Geha, advertising manager.

■ JOHN C. JOHNSON was elected president and chairman of First National, Belen, to succeed the late L. C. Becker. He was formerly executive vice president. Eddie DeAnda was promoted to assistant vice president and manager of the Bosque Farms Branch.

■ BANK OF NEW MEXICO, Albuquerque, is making plans which will lead to the construction of a high-rise office building in Jeannedale, a new development in uptown Albuquerque. Mrs. Muriel O. Bohne and Joseph P. Roeschenthaler were promoted from assistant cashiers to assistant vice presidents.

Cole Retires as First Nat'l VP

ARTESIA—Fred Cole has retired as vice president, First National, but will continue as a director. Mr. Cole has been with the bank since 1931 when First National merged with Citizens State. He was elected cashier of First National in 1938, a director in 1939 and vice president in 1947. Mr. Cole served as president of the New Mexico Bankers Association in 1955.

■ STANLEY G. LANE has been promoted from assistant cashier to assistant vice president by American Bank of Commerce, Albuquerque. He has been with the bank two years.

■ FIRST STATE, Taos, elected George Lavender a director. He is a lumber company executive and rancher and was formerly a member of the state highway commission and the state investment council.

■ BANK OF LAS VEGAS named George Arellanes a director. He is a partner in an auto supply store.

Harmon Emphasizes Bank's Major Role In Area Development

HOBBS—How New Mexico Bank through aid in financing new projects is playing a major role in the development of southeastern New Mexico was emphasized by Leon G. Harmon, president, in his speech to the bank's stockholders at the annual meeting.

"Lea County," he said, "wants and needs a diversification of its economic base and New Mexico Bank is dedicated to this end."

To obtain it, he said, the bank helped finance a manufacturer of mobile homes which brought 63 new jobs to the area and expects to employ 140 by May. It also is aiding in the development of Crossroads Intercontinental Airport and was the lead bank in purchasing more than $2,000,000 of Hobbs School District Bonds to finance construction of new school buildings.

Directors approved a long list of promotions in the bank. They were:

Darrell W. Marker, from assistant vice president to vice president; Mrs. Iris Hammond, appointed operations officer at Broadmoor Office; Mrs. Lois V. Alves, from assistant cashier to operations officer in Lovington Office; Mrs. Frances E. Goodman, from assistant cashier to operations officer in Eunice Office; Mrs. Lucille Reeves, from assistant cashier to operations officer in Jal Office; Thomas W. Herndon, from assistant cashier to data processing officer in Main Office; and Mrs. Gay Sokoll, from assistant cashier to data processing officer in Main Office.

Alamogordo's Security Bank Promotes Three Employees

ALAMOGORDO—Security Bank recently promoted three employees to positions of greater responsibility.

Leading the trio was Auguie Henry Jr. who was promoted to vice president and moved to the main office. He was formerly assistant vice president and manager of the Holloman Branch. He has been with the bank since 1968.

Succeeding Mr. Henry as Holloman Branch manager was Ronald E. Meeks who was on the staff of First State, Cuba, which, like Security Bank, is a Bank Securities, Inc., affiliate.

Also advanced was Mrs. Betty Henry who was promoted to assistant cashier. She has been a bookkeeper and teller with the bank since 1962.

■ CITIZENS BANK, Farmington, received FDIC approval to establish a trust department.

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FIRST NATIONAL CITY BANK NEW YORK

Oklahoma News

Waters Gets Correspondent Duties At Fourth National of Tulsa

TULSA—Wilbur L. Waters, vice president at Fourth National, has been assigned to the correspondent bank department.

WATERS

Mr. Waters began his banking career at Commercial Bank, Harrison, Ark. At Fourth National, he helped install data processing equipment and managed the EDP department for three years. He also has worked in general operations and has been acting cashier.

He is a graduate of the University of Arkansas and the University of Wisconsin's Graduate School of Banking.

■ DON SYMCOX has succeeded his father, Raymond Symcox, as president of City National, Norman. Don Symcox was vice president. The elder Mr. Symcox has been named chairman. T. R. Benedum, who was chairman, was elected honorary chairman and vice president. Another son of Raymond Symcox, Phil Symcox, advanced from vice president to executive vice president. Bill Bugg moved up from assistant vice president to vice president and Leon Bevers from cashier to vice president and cashier. James R. Agar declined reelection to the board because of a recent ruling that his presence on both the board and the City Council constituted a conflict of interest.

■ STOCK YARDS BANK, Oklahoma City, has made several promotions and elected three new directors. Promoted from assistant vice presidents to vice presidents were Donald G. Blanding and Hershel L. Schwartz. Alfred L. Ellet was named commercial officer. New directors are Fred A. Ridley Jr., W. W. Lackey and John O. Vaughn.

■ AL LOEFFELHOLZ JR. has been promoted from vice president to executive vice president, Security National, Norman. He has been with the bank 21 years. Named directors were Harold G. Powell and Dr. William R. Patten.

■ EXCHANGE NATIONAL, Ardmore, has elected as directors Harold Dexter, businessman, and Albert (Bud) Riesen Jr., newspaper publisher.

Forrest Jones Elected Director At Fidelity Bank, Oklahoma City

JONES

OKLAHOMA CITY—Forrest D. Jones, senior vice president and head of the loan and credit division, Fidelity Bank, has been elected a director.

Mr. Jones joined the bank in 1964 as vice president in charge of the installment loan department. He was elected senior vice president in 1965 and assumed duties in the commercial loan department in 1968.

Liberty National to Acquire Home Mortgage & Investment Co.

OKLAHOMA CITY—Liberty National has announced that it will acquire ownership of Home Mortgage & Investment Co., Oklahoma's third-largest mortgage company.

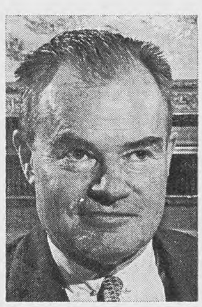
Bert Hodges Jr. will continue as president of the company, which will operate as a subsidiary of the bank, and no other changes in management are contemplated. At a later date, the mortgage company will move from its present location to the Liberty Tower.

May Avenue Bank Elects New Chairman, 8 Directors

OKLAHOMA CITY—May Avenue Bank has named Morrison G. Tucker its new chairman and elected eight new directors. Mr. Tucker has served as vice president and director of Liberty National and is a director of several other city banks.

Elected a director of May Avenue Bank was John R. Browne, new president and chief executive officer. Mr. Browne, who has been in banking since 1945, previously was senior vice president, Liberty National.

Other new directors are businessmen Henry W. Browne Jr., Robert S. Bowers, Jack R. Durland Jr., Robert D. Gordon, Joe F. Krejci, Walter A. Nashert Jr. and Lowe Runkle.



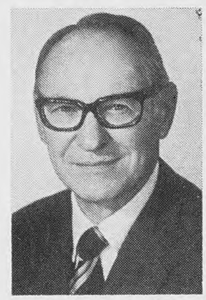
TUCKER

BROWNE

Prize Winners at 1st of Tulsa

First of Tulsa employees Miss Elizabeth Macdonald, executive secretary, and Fred Whiles, paying and receiving supervisor, were 1970 grand-prize winners of the bank's "Discovery First" employee incentive program. They received their choices of three trips as guests of First of Tulsa. Miss Macdonald, who developed the greatest "new dollar" volume, has selected a Nassau vacation and Mr. Whiles, who brought in the most new accounts, is planning a trip to Las Vegas.

New Sr. VP, Directors Named At City Nat'l, Oklahoma City



AINSWORTH

OKLAHOMA CITY—John N. Ainsworth has been elected senior vice president and chairman of the loan committee, City National. Mr. Ainsworth has been in banking 40 years.

The bank also elected five new directors. Those named were: Ben T. Head, newly elected president of City National, Jack H. Coleman, R. C. Cunningham II, Forrest Dail Harper and Dr. Jack Van Doren Hough.

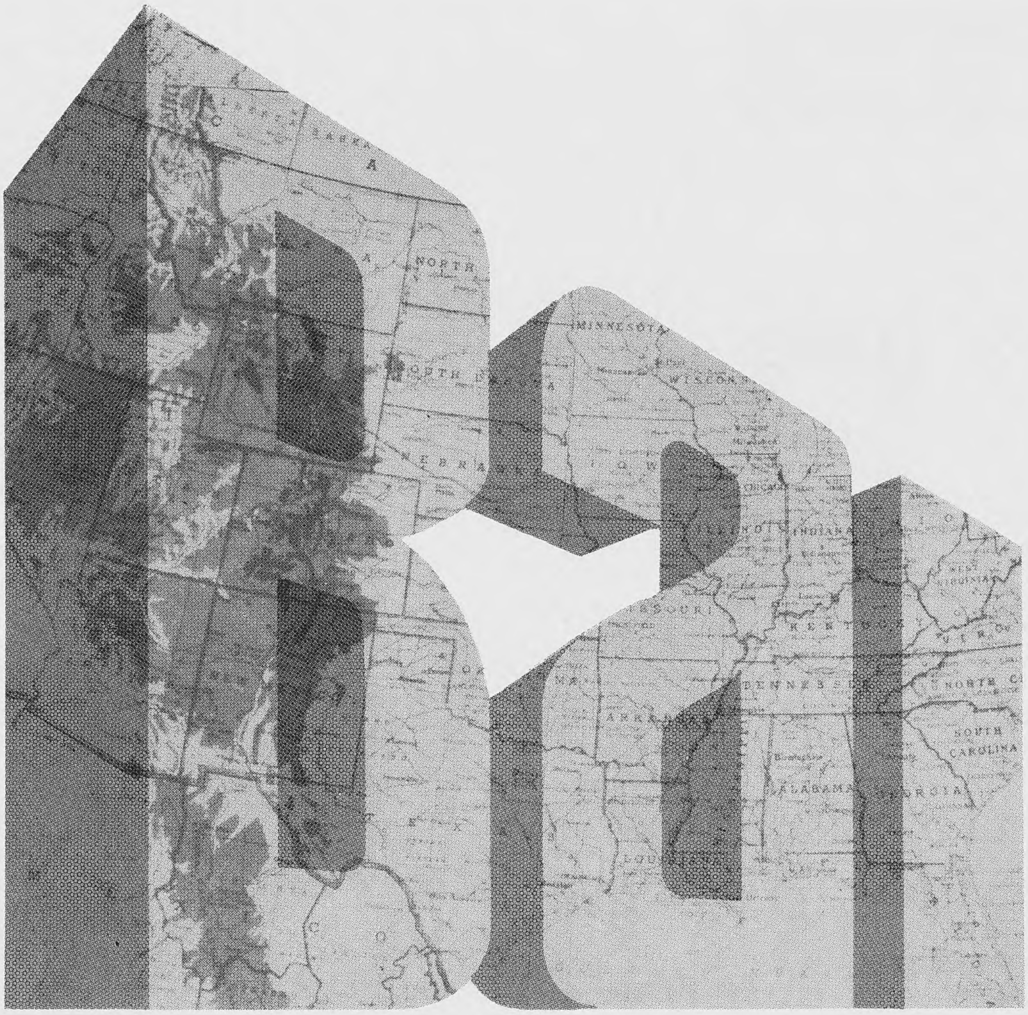
Promotions and New Director At Utica Square National

TULSA—Utica Square National has made several promotions and elected a new director.

H. O. McIntosh and W. H. Vaughn, former vice presidents, were elected senior vice presidents. Also named senior vice president was Dick Barber, who formerly held the same title at First National, Stillwater.

Frank C. Strong was advanced to vice president and cashier, while G. F. Barnett, Luis Diaz and Ed Harper were named assistant vice presidents. Elected assistant cashiers were Miss Shirley Beu, Don Diggle, Curtis Grayson, Pat McFarlin, Miss Virginia Miller, Glynn Dean Sprouse and Miss Louise Tilson.

James M. Hewgley Jr., former Tulsa mayor, is the bank's new director.



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—25th Western Regional, Phoenix, Arizona, March 28-30.

—22nd Southern Regional, Houston, Texas, April 14-16.

—22nd Northern Regional, Detroit, Michigan, May 9-11.

—36th Eastern Regional, Pittsburgh, Pennsylvania, June 2-4.

—3rd National Conference on Bank Security, Chicago, Illinois, July 11-13.

—47th National Convention, Miami Beach, Florida, November 7-10.

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Kansas News

Maurice Breidenthal Jr. Dies Feb. 16 at 54

KANSAS CITY—Maurice L. Breidenthal Jr., 54, died February 16 after a lengthy illness. He was president of Security National.

BREIDENTHAL

Mr. Breidenthal joined the bank in 1939 as an assistant cashier, served as vice president from 1946-58 and had been president since 1958. He was chairman of the Kansas Bankers Association's insurance committee and had belonged to the KBA's bank management committee. He also headed the ABA's insurance and protective committee from 1963-67. Mr. Breidenthal was a director of the Parsons Commercial Bank.

Trust Division Makes Plans For Conference March 25

The Kansas Bankers Association's trust division will hold its annual trust conference March 25 at Glenwood Manor in Overland Park, with George K. Corbett, trust division president, presiding. He is vice president, Johnson County National, Prairie Village.

Investments and legislation will be major topics at the conference, which will open at 10 a.m. Speakers will include: Dr. Steve Falken, Andresen & Co., New York City, who will discuss investments in the stock market; Professor Martin B. Dickinson Jr., University of Kansas School of Law, whose subject will be investments in real estate; and State Senator Robert F. Bennett, Prairie Village, who will review progress of the 1971 Kansas legislative session.

At the afternoon business session, officers will be elected and a report given by the trust division's legislative committee.

Other trust division officers besides Mr. Corbett are: vice president, Glenn E. Tague, vice president and trust officer, Citizens National, Emporia; and secretary-treasurer, Lynn L. Anderson, vice president and trust officer, First National, Lawrence.

■ CITIZENS NATIONAL, Emporia, has announced the promotions of the following officers: Jerry D. Potts and Ronald D. Garnett, vice presidents; R. Clark Allemang and Clayton V. Hobble, assistant vice presidents; Robert Tipton, assistant cashier and manager, data processing division; Patrick M. (Mike) Slattery, assistant trust officer; and Jan Jefferis, installment loan officer.

■ FIRST NATIONAL, Chanute, recently named Dale W. Esmond vice president and operations and loan officer and Fred Holmes assistant vice president and loan officer. Mr. Esmond previously was vice president and cashier, Emporia State, and Mr. Holmes was manager of a finance company.

■ TOPEKA STATE named Tom Sanschagrin assistant cashier and head of the newly expanded trust department. Mr. Sanschagrin is also manager of the credit department.

■ F. R. TALBOTT has been elected vice president and trust officer, Lawrence National. Newly elected directors at the bank are Dr. Clifford D. Clark, Stephen Higdon Hill, Melvin J. Huxtable, Morris Kay and Arthur H. Wolf.

■ PAUL MANN recently resigned as president, Augusta State, but will continue as chairman. James W. Vestring, formerly a director, was elected president.

■ CAPITAL CITY STATE, Topeka, has elected Mrs. Barbara A. Burgen and Mrs. Glenda L. Tegethoff assistant cashiers. Mrs. Burgen joined the bank in 1965 and Mrs. Tegethoff in 1967.

'Family at Work'

LURAY—Peoples State's annual financial statements have attracted considerable attention through the years by their "home town" personalized nature.

The 1970 statement features the family of President John A. O'Leary Jr. at work at the bank. Mike O'Leary, 18-year-old Kansas University freshman, is shown computing semiannual interest on savings accounts during Christmas vacation. Mitch, 14, and a freshman at Luray High, is shown filing checks, which he does daily as a part-time job. And Jack, age 6, earns a few nickels by stamping the bank-by-mail envelopes whenever he's not too busy with being a kindergarten student.

The statement reports three and one-half decades of bank growth, during which time assets grew from $286,000 to more than $6.5 million.

Chairman of the bank is J. A. O'Leary, grandfather of the youthful workers.

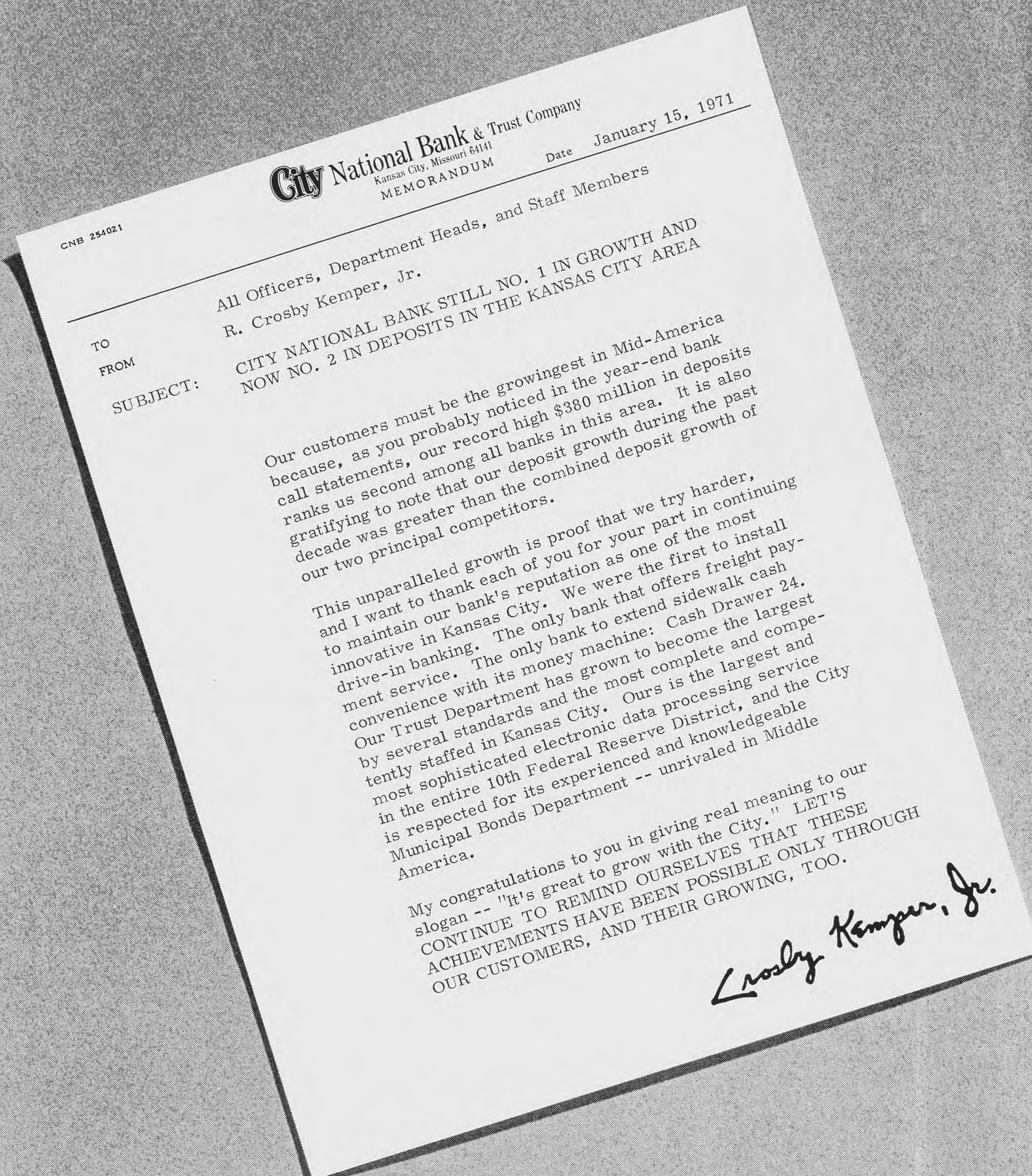
Eight Officer Promotions At Roeland Park State

SHAWNEE MISSION—Roeland Park State recently announced the promotions of eight officers.

Those promoted were: Harold Bogatie, senior vice president, administration and commercial loans; Daryl Gross, cashier and controller; Thomas C. Owens, vice president, consumer and commercial loans; John G. Houlehan, assistant vice president and trust officer; Miss Linda Blue Smith, assistant vice president, investments and loans; Peter F. Clune Jr., assistant cashier, business development; and Jerry Neil and Harry Wheeler, assistant cashiers, consumer loans.

In other action, the bank transferred $200,000 from undivided profits to surplus—increasing the latter amount to $500,000.

■ LENEXA STATE has promoted Ted Jones Jr. to assistant cashier. Mr. Jones has been with the bank since 1968 and previously was a discount teller at Roeland Park State.



City National Bank & Trust Company
Kansas City, Missouri 64141
MEMORANDUM

CNB 254021

Date January 15, 1971

TO All Officers, Department Heads, and Staff Members

FROM R. Crosby Kemper, Jr.

SUBJECT: CITY NATIONAL BANK STILL NO. 1 IN GROWTH AND NOW NO. 2 IN DEPOSITS IN THE KANSAS CITY AREA

Our customers must be the growingest in Mid-America because, as you probably noticed in the year-end bank call statements, our record high $380 million in deposits ranks us second among all banks in this area. It is also gratifying to note that our deposit growth during the past decade was greater than the combined deposit growth of our two principal competitors.

This unparalleled growth is proof that we try harder, and I want to thank each of you for your part in continuing to maintain our bank's reputation as one of the most innovative in Kansas City. We were the first to install drive-in banking. The only bank that offers freight payment service. The only bank to extend sidewalk cash convenience with its money machine: Cash Drawer 24. Our Trust Department has grown to become the largest by several standards and the most complete and competently staffed in Kansas City. Ours is the largest and most sophisticated electronic data processing service in the entire 10th Federal Reserve District, and the City is respected for its experienced and knowledgeable Municipal Bonds Department -- unrivaled in Middle America.

My congratulations to you in giving real meaning to our slogan -- "It's great to grow with the City." LET'S CONTINUE TO REMIND OURSELVES THAT THESE ACHIEVEMENTS HAVE BEEN POSSIBLE ONLY THROUGH OUR CUSTOMERS, AND THEIR GROWING, TOO.

Crosby Kemper, Jr.

City National Bank
& Trust Company

MEMBER F.D.I.C.

10th and Grand • Garden Bank, 15th and Grand
Kansas City, Missouri

A MISSOURI BANCSHARES BANK

Missouri News

Minton Succeeds Butler As St. Louis Bank CEO

ST. LOUIS—Jack W. Minton, president, Bank of St. Louis, has been given the additional duties of chief executive officer. Jack G. Butler, who was CEO, continues as chairman.

MINTON

In other action, several promotions were announced: from assistant vice presidents to vice presidents, Howard E. Hickey, William O. Steinbrueck, Stanley E. Wieberg, Willard A. Gasser and Eugene B. Poelker; from assistant cashier to vice president, Harry L. Bell; from assistant cashier to assistant vice president, Everett H. McCarty; to assistant vice presidents, Martin E. Harrington, Harry B. Seybt Jr., John H. Eller and Edward L. Dennis. Mr. Bell also continues as assistant general counsel and assistant secretary.

Mr. Harrington is a representative in the correspondent bank department.

Webster Groves Trust Names Two Directors

ST. LOUIS—Webster Groves Trust has named Robert F. Jackson Jr. a director and Mrs. Minnie Hall an advisory director.

Mr. Jackson is executive vice president of First National Charter Corp., Kansas City, which owns Webster Groves Trust.

■ LAUREL BANK, Raytown, has promoted Larry Wims and H. E. (Gene) Dickerson from assistant cashiers to assistant vice presidents. Mr. Wims has been in the installment loan department for the last year and a half and Mr. Dickerson joined the bank last July as a business development officer.

■ RUSSELL E. HARMON has been elected a director of Security National, Sikeston. The bank also promoted Frank Harp to assistant cashier. He joined the bank last April.

■ NATIONAL BANK, Caruthersville, has elected Baxter Southern chairman. New directors are Charles B. Rhodes and Robert Lynn, vice president and cashier.

■ BANK OF ST. ANN has made three new promotions. Oliver E. Sicking, vice president and cashier, was named executive vice president and cashier; Robert W. Partney, manager, installment loan department, was elected vice president; and Ted Kelderman, assistant loan manager, was appointed auditor.

■ GATEWAY NATIONAL, St. Louis, has acquired property adjacent to its present building for expansion of parking and drive-up facilities. The $100,000 expansion program is expected to be completed by the end of this year.

■ ROBERT E. MICKEY, president, Farmers & Commercial Bank, Holden, also has been elected chairman. Rayburn N. Henry, vice president, and John J. Wharton, vice president and cashier, were elected to the bank's board.

■ ROBERT L. TRAUTMAN has been promoted from vice president to executive vice president of Southern Commercial & Savings Bank, St. Louis. All other officers were reelected.

Stock Issuance Approved

WELLSTON—State Bank shareholders January 13 approved issuance of preferred and additional common stock. The approved proposal calls for issuance of 49,500 units at $40 per unit, each unit to consist of one share of cumulative preferred stock with a par value of $20 a share, one share of common stock and one common stock warrant. Units are being sold to shareholders on a one-for-seven basis.

New HC Approved

JOPLIN—The Board of Governors of the Federal Reserve System has unanimously approved formation of First Community Bancorp., a registered bank holding company. The firm now can acquire First National and Community National, both located here.

■ BUNCETON STATE has raised capital from $25,000 to $45,000 and surplus from $90,000 to $105,000. Undivided profits and reserves now stand at $36,000.

■ DAYTON L. MACKEY, cashier, First National, Monett, has been elected a director of the bank.

■ AMERICAN STATE, Flat River, has elected Cecil E. Trogdon a director.

■ CITIZENS BANK, Pilot Grove, raised its surplus from $120,000 to $140,000.

McCoy Promoted to Vice Pres. At First National, Joplin

JOPLIN—First National has promoted Robert J. McCoy to vice president. Mr. McCoy, who joined the bank in 1966, is presently serving as a commercial loan officer.

McCOY

Ronald L. Record, also a commercial loan officer, was named second vice president. He has been with the bank since 1965. Bruce Harris, who has been with the bank since 1968, was promoted to assistant cashier. Before joining the bank, Mr. Harris served 20 years with the U. S. Army ending as a chief warrant officer.

Price Succeeds Kirk as President Of Citizens Bank of U. City

UNIVERSITY CITY—Lanny R. Price has advanced to president of the Citizens Bank. He succeeded John R. Kirk Jr., who resigned. Mr. Price had been executive vice president since the bank was opened in 1965.

Frank J. Sain was elected vice president, and Robert K. Crutsinger was elected to the board. Mr. Sain was president of Citizens Bank from 1965 to 1969, when he retired. He has been on the board since the opening and now will be a commercial loan officer. Mr. Crutsinger, vice president, Wetterau Foods, Inc., was formerly an advisory director.

■ ALVIN S. ROHRBACK, cashier, Farmers & Traders Bank, California, has retired after 30 years with the bank. He will remain a director. William E. Hess, who has been with the bank 10 years, was promoted from assistant cashier to cashier. Named assistant cashiers were D. J. Kuhn and David Hampton.

■ BOSWORTH STATE recently elected Miss Lois Stanley a director. The bank also increased undivided profits and reserves from $79,000 to $90,000.

■ R. H. BROWN, president, Bank of Troy, has been awarded a 50-year pin from the Missouri Bankers Association. Mr. Brown began his career at Farmers State, Louisiana, in 1920. In 1935 he founded Bank of Troy.

■ MYRON W. McWHERTER was promoted from assistant cashier to assistant vice president, Arcadia Valley Bank, Arcadia.

■ SALISBURY SAVINGS BANK recently opened a new drive-in facility and increased surplus from $250,000 to $350,000. Howard Boeger, farmer, was elected a director.

Bank and holding company officials holding commemorative dollar bills used in the ribbon cutting ceremony are: (from l., standing) Carl Deutsch, dir.; A. Carl Weber, Bancshares v.p.; Robert Harris, a.v.p.; Philip McDermott, dir.; Donald Temme, v.p.; Harold Barton, dir.; Edwin W. Hudspeth, Bancshares pres.; Michael P McCarthy, pres.; and Clarence McDonald, Al Weiss and Charles Drew Jr., directors; (from l., seated) J. Ed Evans, v.p.; R. William Smith, v.p. & cash.; and Irwin R. Harris, dir.

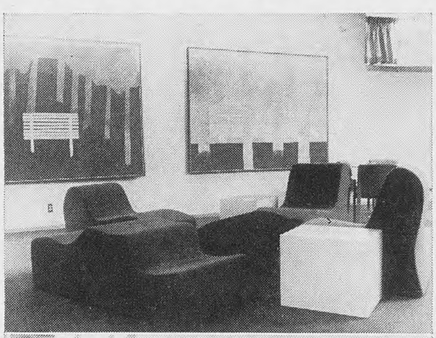
Hanging Board Room, 1913 Safe Are Featured In New Home Of Mark Twain Northland Bank

ST. LOUIS—Mark Twain Northland Bank recently held the formal opening of its new five-level building located in the Northland Shopping Center. The bank, which moved to the center in 1956, previously had occupied quarters across the driveway from the new building. In 1967, Mark Twain Northland was acquired by Mark Twain Bancshares, Inc., registered bank holding company.

The most unusual feature of the new quarters is the board room, which hangs from the ceiling over the main lobby. A stairway connects it with executive offices.

The teller area has wood paneling and rear overhead-projectors which display art, local scenes and commercial messages for customers in line. Besides the usual kitchen facilities, the staff room features five-piece Malitte furniture and paintings by professional artist David Eisler. The proof and transit room is soundproofed by continuing carpeting up the side walls.

Along with its modern design and contemporary furniture, the new building has a safe that dates back to 1913. It originally was in Bank of St. Paul, Mo., where the original charter for the bank was issued when the bank opened.



TOP: Staff room of Mark Twain Northland's new building has five piece Malitte furniture setting and paintings, plus kitchen facilities.

BOTTOM: Board room, designed with comfort in mind, hangs from the ceiling of the bank over the main lobby.

Elfrank Elected Chairman Of Credit Systems, Inc.

ST. LOUIS—Charles A. Elfrank, vice president and head of the consumer credit department, Mercantile Trust, has been elected chairman of Credit Systems, Inc., area operations center for Master Charge. He succeeds Emil E. Schuster, vice president, First National.

15th Agri-Business Conference Set for March 24-25 by MBA

COLUMBIA—The 15th annual Agri-Business Conference for Missouri Banks will convene March 24-25 at the Ramada Inn here. The conference is sponsored by the Missouri Bankers Association.

Topics to be featured on the program include "Rural Development," "Inflation: Past-Present-Future," "Rural Recreation Development," "Pollution Problems Facing Farmers," "Rural Water Districts," "How Bankers Can Encourage Farmers to Keep Better Records," and "Financing the Agricultural Industry."

Bankers participating on the program include James F. Martin, MBA president, and executive vice president, Bank of Lee's Summit; Darryl R. Francis, president, Federal Reserve Bank of St. Louis; Charles Belshe, senior vice president, First National, Gallatin; Vernon Whisler, vice president, American National, St. Joseph; and Thomas R. Smith, president, First National, Perry, Ia.

Also featured on the program will be size group meetings for banks with assets of up to $7 million, from $7 to $15 million, and over $15 million. Moderators will include Loren W. Snyder, president, Farmers Bank, Gower; Roland L. West, executive vice president, Union State, Clinton; Don Schooler Sr., chairman, Brookfield Banking Co.; Luther Thompson, executive vice president, Atchison County Bank, Rock Port; Earl James, agricultural representative, First National, Cape Girardeau; and Benton O'Neal, vice president, First National, St. Joseph.

■ CHIPPEWA TRUST, St. Louis, has boosted capital from $400,000 to $900,000 through sale of new stock and a 200% stock dividend.

Roth, Sullivan Raised at La Salle

CHICAGO— La Salle National has promoted Thomas H. Roth and Thomas B. Sullivan to vice presidents.

Mr. Roth is in the bank's correspondent banking division and Mr. Sullivan heads the special loans division. Mr. Roth joined La Salle in 1966 and Mr. Sullivan in 1967.

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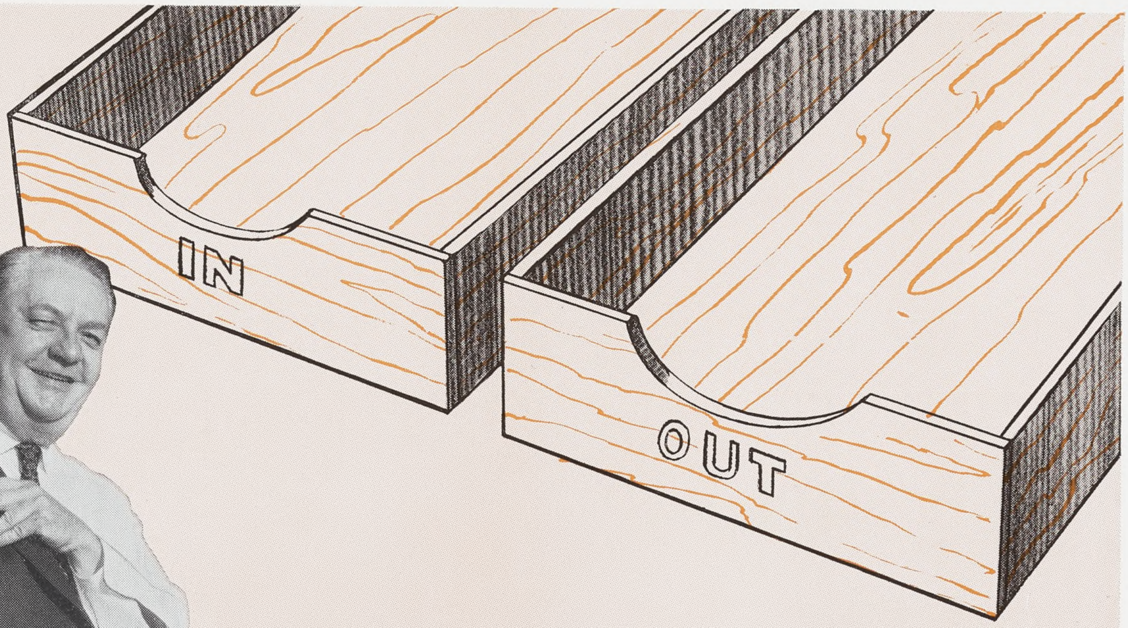

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some 200,000 to 250,000 correspondent items flow through the Stock Yards Bank transit department. Bob Schrag — who makes sure those baskets stay clear to assure you of minimum float — figures that "somebody out there likes us"

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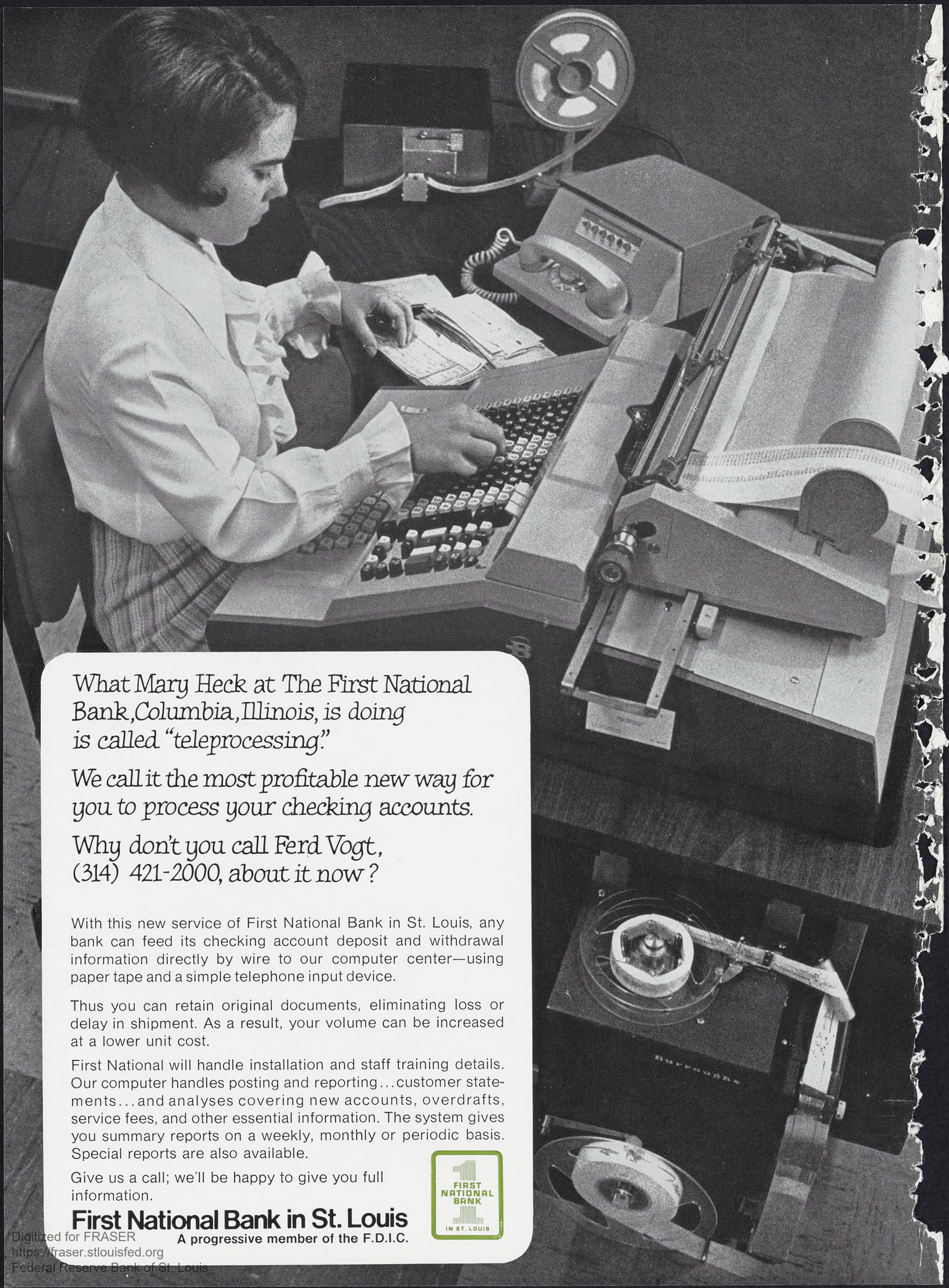
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